

OFFICE OF CHIEF SCHOOL PERFORMANCE OFFICER
Summary of State Board of Education Agenda Items
November 12, 2014

OFFICE OF ACCREDITATION

07. Approval to begin the Administrative Procedures Act process: To revise Process Standards 4 and 5 of the *Mississippi Public School Accountability Standards, 2014*

On October 14, 2014, the Commission on School Accreditation approved the proposed revisions to Process Standards 4 and 5 of the *Mississippi Public School Accountability Standards, 2014*.

The Office of Internal Accountability and the Office of School Financial Services presented proposed revisions for Process Standards 4 and 5 to the Commission on School Accreditation for approval. The proposed revisions were to:

- 1) Provide clarification to existing language in Process Standards 4 and 5;
- 2) Revise language in process standards to have consistent terminology in the process standards, State Board of Education policies, and state statute;
- 3) Add new process standards based on newly adopted State Board of Education policies and/or state statute; and
- 4) Move a process standard that was not applicable to the financial accountability standards to another position within the document.

Definitions related to the financial accountability standards were also approved for the Glossary of the *Mississippi Public School Accountability Standards, 2014*.

Recommendation: Approval

Back-up material attached

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Proposed revisions to Process Standards 4 and 5 of the
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Approved by the Commission on School Accreditation October 14, 2014

(Existing language-marked in black ink; changes and additions-marked in red ink; rationale for change-marked in blue ink)

4. The school district operates with a uniform system of accounts as specified in state law and as prescribed by the State Auditor's Office. {MS Code 37-9-18, 37-37-1, 37-37-3, 37-17-6(17), 37-37-7, 37-37-13, 37-61-19 and 37-61-23}

4. The local school board obtains an annual financial audit of the school district, as conducted under the guidelines of the Office of the State Auditor, no later than nine months after the end of the district's fiscal year. {MS Code 7-7-211(e)} (SB Policy 1200) (A-133 Circular)

Rationale: Federal regulations already require this timeline. Updates the process standard to reflect the federal requirement and maintain a timely annual financial audit. Remove the language of uniform code, by statute all codes are mandated through the Financial Accounting Manual.

4.1 The board of education has implemented a fixed asset system of accountability that complies with the standards established by the State Auditor's Office for the verification of fixed assets and the auditing of fixed assets records. {MS Code 37-17-6(17)}

4.1 The most recent annual financial audit report of the school district, as conducted under the guidelines of the Office of the State Auditor, indicates a fixed asset system of accountability that provides verification of fixed assets and fixed assets records. {MS Code 37-17-6(18)}

Rationale: Provide consistent language on process standards. Clarify that the annual financial audit provides the verification of compliance. Align the process standard with the proper MS Code section.

4.2 The financial accounting data and the corresponding annual audit report as submitted to the Mississippi Department of Education reflect no less than a zero fund balance (as defined by generally accepted accounting principles) for all funds of the school district. {MS Code 37-61-19}

4.2 The most recent annual financial audit report of the school district, as conducted under the guidelines of the Office of the State Auditor, indicates no less than a zero fund balance (as defined by generally accepted accounting principles) for all funds of the school district. {MS Code 37-61-19}

Rationale: Provide consistent language on process standards. Clarify that the annual financial audit provides the verification of compliance.

4.3 The most recent annual audit report of the school district, as conducted under the guidelines of the State Auditor's Office, verifies a 7% fund balance for the district maintenance fund. {MS Code 37-61-19}

4.3 The most recent annual financial audit report of the school district, as conducted under the guidelines of the Office of the State Auditor, verifies the process for distributing Educational Enhancement Fund procurement cards to all eligible teachers. {MS Code 37-61-33(3)(iii)} (SB Policy 3400)

Rationale: The existing standard cannot be verified through the audit process. It will be verified through the annual MDE-FETS process. Relocate standard below as 4.7. New standard is relocated and revised from standard 5.1 and provides consistent language on process standards. Clarify that the annual financial audit

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provides the verification of compliance. Align the process standard with the revised MS Code, now requiring the use of procurement cards.

- 4.4 The most recent annual **financial** audit report of the school district, as conducted under the guidelines of the ~~State Auditor's Office~~ **Office of the State Auditor**, indicates ~~that the auditor has issued~~ an unqualified opinion (as defined by generally accepted auditing standards) on the ~~general purpose~~ financial statements of the school district. {MS Code 37-9-18(2), ~~37-37-1~~, and ~~37-61-23~~ 37-61-29}

Rationale: Provide consistent language on process standards. Clarify that the auditor's opinion shall refer to the financial statements in whole. Align the process standard with the proper MS Code section.

- 4.5 The most recent annual audit report of the school district, as conducted under the guidelines of the State Auditor's Office, verifies the accuracy, validity, and timely reporting of all student data submitted to the MDE, including, but not limited to, the electronic transmission of student enrollment, attendance, transportation, absenteeism, graduation, dropouts, and any other student data and administrative functions as deemed necessary. {MS Code 37-37-7(2)(b)(c)(d) and 37-37-13}
- 4.5 ~~The most recent annual financial audit report of the school district, as conducted under the guidelines of the Office of the State Auditor, verifies the local school board has received, reviewed and discussed, as reflected in official minutes of the regularly scheduled monthly meeting, the financial reports required by state law and/or the State Board of Education. {MS Code 37-9-18(1), 37-37-7(2)(e), 37-37-13} (SB Policy 6902)~~

Rationale: Existing standard is not a financial process standard and will be relocated to another section of the standards. The new language aligns with the new MS Code and State Board policy.

- 4.6 The most recent annual audit report of the school district, as conducted under the guidelines of the State Auditor's Office, verifies the accuracy and timely reporting of all reports, other than student data, required for submission to the MDE in accordance with state law and/or State Board of Education policies. {MS Code 37-37-7(2)(e) and 37-37-13}
- 4.6 ~~The most recent annual financial audit report of the school district, as conducted under the guidelines of the Office of the State Auditor, verifies the accuracy and timely compilation and reporting of all financial data, including the year-end data provided through the Financial Exchange Transfer System (FETS), required for submission to the MS Department of Education by the fifteenth day of October, each year, in accordance with state law and/or the State Board of Education. {MS Code 37-37-7(2)(e), 37-61-21(2), and 37-37-13}~~

Rationale: Provide consistent language on process standards. Clarify that the year-end data reporting process is part of the process standard. Clarify that the annual financial audit provides the verification of compliance. Clarify that the school district should verify compliance with the MS Department of Education. Align the process standard with the proper MS Code section.

- 4.7 ~~The most recent annual financial data of the school district, as submitted to the MS Department of Education, verifies a 7% fund balance of the district maintenance fund. {MS Code 37-61-8}~~

Rationale: Clarify that the data is not verified by the annual financial audit. Align the standard with the proper MS Code section. (Note: We will seek to amend this code section during the 2015 legislative session.)

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5. The local school board budgets funds as follows:

5. **The most recent annual financial audit report of the school district, as conducted under the guidelines of the Office of the State Auditor, verifies that the local school board submits the annual budget to the levying authority and the prescribed budgetary information to the MS Department of Education by the fifteenth day of August, each year, in accordance with state law and/or the State Board of Education. {37-61-9(1-3)}**

Rationale: Establish a standard that clarifies that the annual financial audit provides the verification of compliance. Clarify that the school district should verify compliance with the MS Department of Education. Provide consistent language on process standards and align the process standard with the proper MS Code section.

- 5.1 Funds available for classroom supplies, materials, and equipment from the Education Enhancement Fund (Fund #2440) are allocated in compliance with Section 37-61-33, Mississippi Code of 1972, as amended, and SB Policy 3400.

Rationale: Relocate and revise existing process standard 5.1 to standard 4.3.

- 5.2 The local school board budgets and expends funds under the Public School Health Insurance Plan as required by state law and State Board policy. Failure to remit premiums, interest penalties, and/or late charges in a timely manner may result in withholding a school district's adequate education program funds. {MS Code 37-151-95} (SB Policy 4904)

- 5.1 **The most recent annual financial audit report of the school district, as conducted under the guidelines of the Office of the State Auditor, verifies that the local school board budgets and expends funds under the Public School Health Insurance Plan as required by state law and State Board policy. Failure to remit premiums, interest penalties, and/or late charges in a timely manner may result in withholding a school district's adequate education program funds. {MS Code 37-151-95} (SB Policy 4904)**

Rationale: Relocate and revise existing process standard 5.2 as standard 5.1.

GLOSSARY

ANNUAL FINANCIAL AUDIT REPORT

The report issued at the close of each fiscal year by a private CPA under the guidelines of the Office of the State Auditor, and approved by the Office of the State Auditor, bearing the official opinion on the financial statements and internal processes of the school district.

FINANCIAL EXCHANGE TRANSFER SYSTEM (FETS)

The system used to collect financial data from each district at the close of the fiscal year.

GENERALLY ACCEPTED AUDITING STANDARDS

The rules by which a Certified Public Account (CPA) must conduct himself while performing an audit of a company or government entity's financial statements. The American Institute of Certified Public Accountants establishes these guidelines.

UNQUALIFIED OPINION

An opinion is said to be unqualified when the auditor concludes that the financial statements give a true and fair view in accordance with the financial reporting framework used for the preparation and presentation of the financial statements. This type of report is issued by an auditor when the financial statements presented are free of material misstatements and are represented fairly in accordance with the Generally Accepted Accounting Principles (GAAP).