



Auditing Potpourri:

Audit Prep Roundup for School Districts





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Agenda

- > Preparing for the Audit
- > Looking Back at GASB 101
- > Common Audit Findings
- > Minnesota Legal Compliance
- > Single Audit Threshold Change

Preparing for the Audit

Communication and Organization

Talk to your auditors early and frequently!

- New or unusual transactions
- Changes in staff, systems, or processes
- Anything causing headache or confusion

Fieldwork dates assume information is **ready** to be audited.

Identify items that may be delayed.

Keep schedules and supporting documentation clearly labeled and easy to find.

Lock Down the Trial Balance

Aim to have your trial balance (mostly) finalized by audit fieldwork.

Pain points:

- Rework in multiple audit areas
- Missed / duplicate entries
- Delays with issuance

Communicate with your auditors if any changes are needed after fieldwork has started.

Tie-Outs and Final Validations

Ensure your support ties back to the final trial balance.

Finalize capital assets and CIP balances early.

Confirm all leases and SBITAs are identified (including renewals!).

Review federal expenditures for the year for single audit applicability.

Keep tabs on the UFARS Turnaround Report for any errors that need to be corrected.

Looking Back at our Favorite New Standard – GASB 101



GASB 101 – Compensated Absences

Measuring the Liability

- Leave that is attributable to services rendered, accumulates, and is more likely than not to be used, paid, or settled
 - Vacation, sick time, PTO, holidays, sabbaticals, etc.
- Liability needs to include salary related payments (i.e. FICA, SS, Medicare, etc.)
- Use the employee's pay rate as of the date of the financial statements
 - No need to use future pay rates, even if known
 - If payout is not attributable to a specific employee (shared pool), measure using an estimated pay rate representative of the eligible employees

Note Disclosure

- Long-Term Liability Footnote
 - Beginning balance reclass shown on the FY25 financial statements – shouldn't be necessary in FY26.
 - Changes in the liability either disclosed as separate increases and decreases OR the net increase/decrease (as long as it is disclosed as "net")
 - Must disclose portion of the ending balance due within one year
- No longer required to disclose which governmental fund will pay the liability.



Preparing for the Audit

Review Leave Policies

- Auditors will revisit your leave policies in FY26
- Discuss any updates or significant changes early in the process

Input Validation and Tie-Outs

- Review for any “negative” leave balances (used > accrued)
- Compare employee counts in the calculation to payroll records
- Verify assumptions in your calculation match your board approved policies
- Identify any employees above the “max” accrual
- Ensure applicable benefits are included in the liability

Refresh the Liability Calculation

Update your calculation for the year:

- Add new hires and remove terminated employees
- Current year usage and accruals
- Pay rates as of year-end

Common Audit Findings

Common Audit Findings

Segregation of Duties

Not enough staff in the business office to properly segregate duties – very common in smaller school districts.

Material Journal Entries

Large / material adjustments proposed by the auditors.

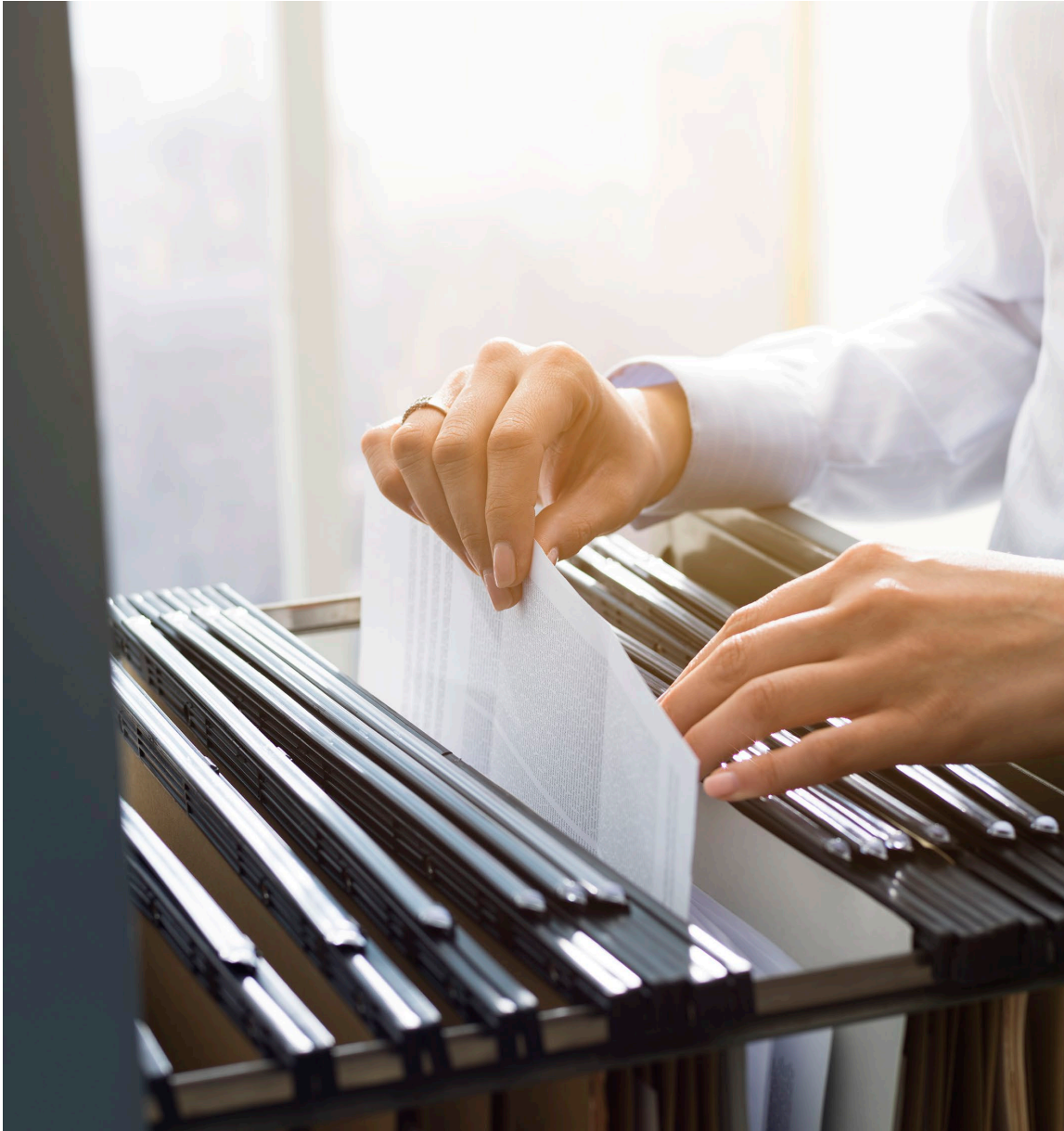
Preparation of Financial Statements, including the Schedule of Expenditures of Federal Awards (SEFA)

Management relies on the auditors to prepare the financial statements and disclosures.

Common Audit Findings

- Improper Retention or Documentation on Employee Personnel Forms
- Timing of Asset Purchases
- Federal Awards
 - Incomplete / inaccurate SEFA
 - Lack of proper review / approval
 - Unallowable costs
- Minnesota Legal Compliance
 - Unclaimed Property Not Reported to State
 - Noncompliance with Bid Law Requirements





Improper Retention or Documentation on Employee Personnel Forms

Auditors will typically perform some sort of census testing related to pension, OPEB, or compensated absences.

Ultimate goal is to verify hire date is accurate.

Ensure that I9's are completed in full, signed by the employee, and retained on file.

Timing of Asset Purchases

CAPITAL ASSETS

- Purchases made around year-end need to be recorded in the period in which they were received, regardless of when the purchase was budgeted for or put into use.
- Example: iPads budgeted for and purchased for student use in FY26 that were shipped early and received prior to 6/30/2025 – these must be considered a capital asset addition in FY25.

CONSTRUCTION IN PROGRESS

- Costs related to projects that are not (substantially) complete at year-end must be recorded as CIP in the period that the work was performed, regardless of when the project was finished or placed into service.
- Example: Contractor began work on a small project in mid-June 2025, with completion occurring in August 2025. The costs incurred prior to 6/30/2025 must be recorded as CIP in FY25.

Federal Awards

Incomplete or Inaccurate SEFA

- Omitting federal programs or dollars passed through to subrecipients
- Expenditures not in agreement with revenues noted on federal aid confirmations
- Expenditures reported in the wrong fiscal year

Lack of proper review / approval of expenditures

- Ensure that a proper individual is reviewing and approving all expenditures in a program, including payroll

Unallowable Costs

- Expenses being charged to federal programs that are not allowable or not properly supported

Minnesota Legal Compliance

Unclaimed Property Not Reported to State

- Unclaimed or uncashed checks held for more than three years (or one year for payroll checks) need to be reported and paid / delivered to the state
- Review your outstanding check listing on a regular basis to identify any old payments
- Materiality does not apply to legal compliance findings

Noncompliance with Bid Laws

- Failure to obtain contractor's performance and payment bonds for contracts > \$175k
- Not accepting the lowest bid without proper documentation of justification
- Bid documentation not retained

Minnesota Legal Compliance

Minnesota Legal Compliance

- <https://www.osa.state.mn.us/audit-resources/audit-guidance/legal-compliance-guide/>
- Compliance guides help ensure school districts are following state statutes designed to promote transparency, fairness, and proper stewardship of public funds.
- Required to be tested annually as part of the audit.

↑ Title

1. Depositories of Public Funds and Public Investments

2. Conflicts of Interest

3. Public Indebtedness

4. Contracting - Bid Laws

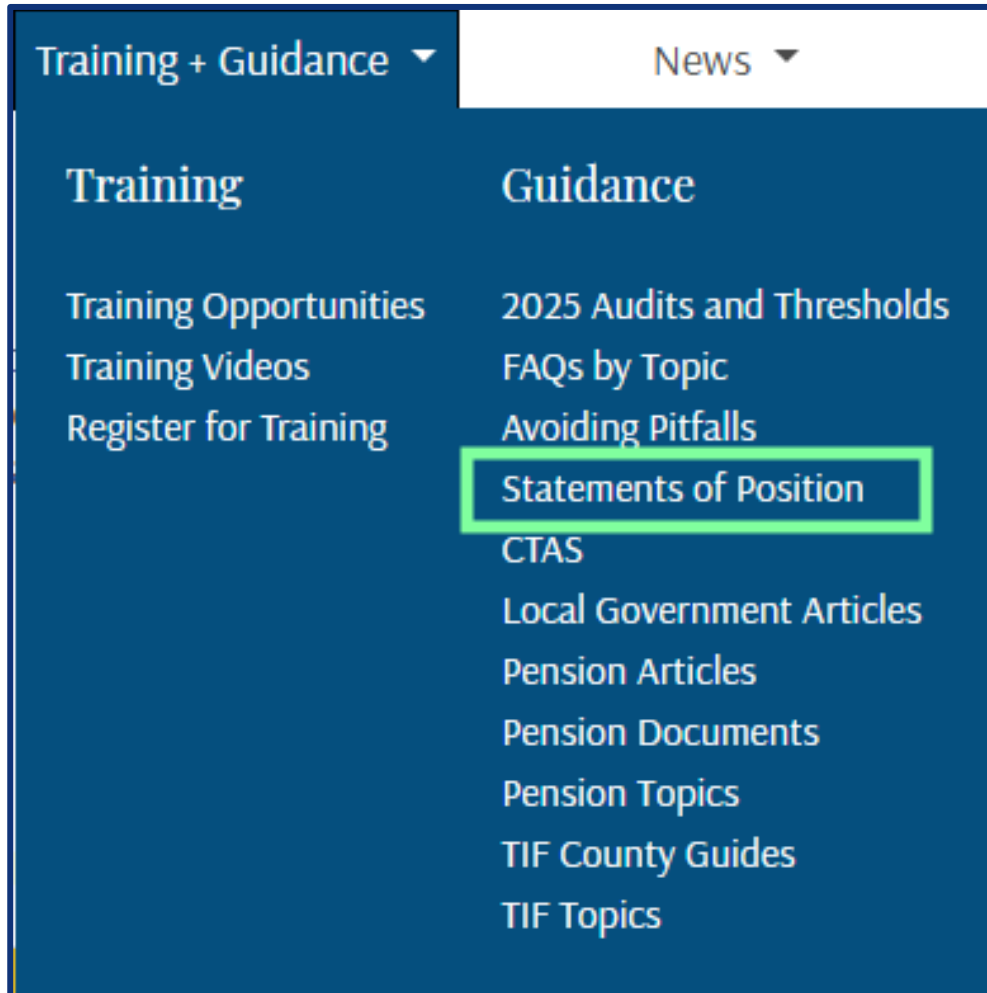
5. Claims and Disbursements

6. Examples of Independent Auditor's Reports

7. Uniform Financial Accounting and Reporting Standards

8. Miscellaneous Provisions

Minnesota Legal Compliance



- <https://www.osa.state.mn.us/training-guidance/guidance/statements-of-position/>
- Statements of Position provide guidance on a selection of “random” relevant topics.
- Examples would include vending machine policies, credit card or gift card usage, outside organizations supporting schools (Booster Clubs, PTA)

Single Audit Threshold Change

Single Audit Threshold Change



- **Federal expenditures greater than \$1,000,000 in a fiscal year will trigger a single audit**
 - Previously \$750,000
- **Effective for audits of periods ending on or after September 30, 2025**
 - Applies to FY26 for school districts with 6/30 year-ends
- **Federal compliance requirements still apply even if a single audit isn't required 😊**

Questions?

THANK YOU!

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