

New Rules for Public School Finances



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Public Funds

- *Utah Code 51-7-3(25)* defines public funds as “Money, funds, and accounts, regardless of the source from which [these] are derived, that are owned, held, or administered by the state or any of its...school districts,... or other public body.”
- All funds received into a public entity, regardless of source, are subject to the rules and accounting procedures that apply to public funds.



R277-113 LEA Fiscal Policies and Accountability

Requires all LEAS to adopt the following by **September 15, 2013:**

- Definition of school sponsored activities
- Establish polices for non-sponsored activities /booster clubs
- Cash receipting policies and procedures
- Expenditures policies and procedures
- Fundraising policy
- Gifts and donation policy



R277-113-1 Definitions

Notable definitions:

- 1) Arm's Length Transaction
- 2) Exclusive Contract or Arrangement
- 3) Public Funds
- 4) School Sponsored Activities
- 5) Utah Public Officers' and Employees' Ethics Act



R277-113-3
Board
Responsibilities

- Provide training and informational materials
- Model policies
- Online training and resources



R277-113-4 LEA Responsibilities

By September 15, 2013

- Develop, approve, and implement the fiscal policies required in section 5
- Develop a plan for training LEA employees on these policies
- Adopted LEA policies will be made available in all main offices, schools, and on their websites
- Form an audit or finance committee responsible for:
 - Ensuring management develops internal controls
 - Receiving a report of the risk assessment process
 - Developing processes to review financial info, statements
 - Ensuring management conducts RFP processes for external audits and contracted services
 - Receiving communication and reports from external auditors yearly and reporting to full board
 - Ensuring matters reported by auditors and external regulatory bodies are resolved
- Monitor and approve “school sponsored events” and follow guidelines established



R277-113-5 Required LEA Policies

Required policies will comply with specific State Code, Board Rule, and The Public Officers' and Employee ethics act and the Utah Educator Standards

- Cash Handling at LEA main office and individual schools
- Expenditure of public funds at LEA main office and individual schools
- Fundraising
- Donation and gifts





State of Utah Legal Compliance Guide

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Public Education

GENERAL COMPLIANCE

- **GC-19 School Fees**
- **SOE1- Minimum School Program**
- **SOE2- School Building Program and Charter School Revolving Loan Fund**
- **SOE3- Driver's Education**
- **SOE 4- Locally Generated Taxes & Fees**

AGREED UPON PROCEDURES

- **APPC5-Fall Enrollment and Student Membership Reporting**
- **APPC6 – Adult Education**



GC-19 School Fees

NO CHANGES for Fiscal Year 2013

Please make sure to update your planning and complete this testwork.

Please update the state legal compliance guide report to include this section under the general compliance section.

HB 345 – Expanding Access for Sixth Graders to Secondary Education
Effective date July 1, 2013

“Fees may be charged to students in 6th grade if the student attends a school that includes grades 7-12.” –R277-407-3 (Proposed rule change)

SOE 1- Minimum School

Part 1- Categories of Programs

Pupil Transportation /Guarantee on Transportation Levy – modified to include the guarantee program

Charter school local replacement and administrative costs- moved from related to basic category into special populations. The purposes remain consistent.

Special Population Category: gang prevention, gifted and talented, advanced placement, international baccalaureate and adult high school.

SOE 1- Minimum School

Part 2- Risk Based audit approach

- CTE is removed as a cluster
- Transportation cluster added:
Pupil Transportation
Guarantee on Transportation Levy

SOE 1- Minimum School

SUGGESTED AUDIT Procedures:

(if specific programs are selected for testwork)

Restricted School Programs:

- Payroll and non-payroll related expenditures be included in the population from which the sample is selected.
- Expanded explanation of Maintenance of Effort for Special Education and CTE, but the audit procedures remain consistent.

Transportation Cluster:

- Procedures for the pupil transportation funding remain the same as PY.
- Testwork on the transportation guarantee program is discussed in SOE4.

SOE 1- Minimum School

Adult Education: (not new/just more detailed)

- Annual carryover cannot exceed 10% or \$50,000 (whichever is less) of LEA yearly allocation
- Tuition and fees charged for specific courses cannot exceed \$100 annually per student
- Ensure tuition and fees are used in the adult education and literacy services program

Class Size Reduction Funds:

NO CHANGES THIS FY

HB318 requires the collection of data either next school year or the year after. Reduction of funds could result from the data collected. This data collection may require compensation for teachers and student to teacher ratios. **It is probable that additional testing of the data reported may be added to this guide in the next year.**

SOE 1 - Minimum School

Concurrent Enrollment: (?)

- New program allows secondary students to earn high school and college credit at the same time.
- Funding prorated to LEAs based on qualifying courses.
Procedures:
 - ensure reports submitted by LEA agree to supporting documentation
 - Review tuition and fees for compliance

Early Intervention: (Replaces PY Early Intervention/extended day kindergarten)

- Enhanced kindergarten is an academic program based on early intervention models, targets at-risk students, delivered through additional hours or other means
Procedures:
 - Review LEA application
 - Ensure expenditures comply with approved plan

SOE 1- Minimum School

Reading Improvement: (used to be Reading Achievement)

3rd graders reading at or above grade level. Includes three funding programs:

- 1) BASE level
- 2) Guarantee Program
- 3) Low Income Students Program

Procedures:

- Review LEA plan
- Ensure expenditures comply with approved plan
- MATCHING tested in SOE 4.

SOE 1- Minimum School

SB 128

LEAs should be using the chart of accounts published on the USOE website

SOE 4- Local Taxes & Fees

Prior Levies (13)

Basic
Voted leeway
Board leeway
K-3 reading
Special Transportation
Tort liability
Community recreation
Debt service
Capital outlay
Voted capital leeway
10% of basic
Public law 81-874
Judgment recovery

Current Levies (6)

Basic
Voted local
Board local

Debt service
Capital local

Judgment recovery

SOE 4- Local Taxes & Fees

USES OF THE LOCALLY GENERATED REVENUES

Basic : The basic levy is the local-state shared portion to be used for each district's general fund expenditures. (operation and maintenance of schools)

Required rate is .001651

Voted Local: State and local funds received by a district under the voted leeway program are unrestricted revenue and may be budgeted and expended within the general fund as authorized by the local school board.

Board Local: State and local funds received by a district under the board leeway program are unrestricted revenue and may be budgeted and expended within the general fund as authorized by the local school board. **CEILINGS .001800 or .002500**

SOE 4- Local Taxes & Fees

USES OF THE LOCALLY GENERATED REVENUES

Capital Local: The local revenue generated from this tax rate may be used for capital outlay and debt service.

- LEA with enrollment of 2,500 students or more may utilize the proceeds of a maximum of .0002 per dollar of taxable value of the local school board's annual capital local levy for the maintenance of school facilities in the school district.
- shall maintain the same level of expenditure for maintenance in the current year as it did in the preceding year, plus the annual average percentage increase applied to the general fund budget for the current year
- identify the expenditure of capital outlay funds for the expansion of a maintenance program by a project number to ensure that the funds are expended in the manner intended in accordance with *Utah Code 53A-16-107(2)*.
- **Ceiling .0024**

SOE 4- Local Taxes & Fees

Capital Local: The local revenue generated from this tax rate may be used for capital outlay and debt service.

- LEA with an enrollment of fewer than 2,500 students, may use the proceeds of the local school board's capital local levy, in fiscal years **2011-12, 2012-13, and 2013-14**, for expenditures made within the accounting function classification 2600, Operation and Maintenance of Plant Services, of the Financial Accounting for Local and State School Systems guidelines developed by the National Center for Education Statistics, excluding expenditures for mobile phone service and vehicle operation and maintenance.

Debt Service: If a district elects to issue and sell general obligation bonds to finance its building program, the district must levy a debt service tax—which has no ceiling—that will derive at least its general obligation bond principal and interest debt payment annually less debt service fund balance.

Judgment Recovery: fund a property tax judgment (plus interest) against the district as a result of a successful appeal of over-collection of property tax.

SOE 4- Local Taxes & Fees

State Reading Improvement: To fully participate in the Guarantee Program of the Reading Improvement program

- a district must allocate to the program an amount of unrestricted local resources equal to the amount of revenue that would be generated by a tax rate of .000056.
- To fully participate in the Low Income Students Program of the Reading Improvement program a district must allocate to the program an amount of unrestricted local resources equal to the amount of revenue that would be generated by a tax rate of .000065.

State Pupil Transportation: To fully participate in the Guarantee Transportation program the district must expend an amount of revenue to at least .000200 per dollar of taxable value of the district's board local levy for eligible transportation costs.

SOE 4- Local Taxes & Fees

Procedures:

- 1) Verify district levies the correct basic rate
- 2) Verify levies are approved and certified by the Tax Commission
- 3) Verify tax levies are expended for the purpose levied
- 4) Verify collections and allocations to correct funds
- 5) Review allocation of earnings on cash and investment balances by fund

Basic, Voted Local, and Board Local – No specific tests are needed. These levies are for unspecified uses and may be applied to any educational program in the general fund.

SOE 4- Local Taxes & Fees

Procedures for Reading Improvement and Transportation Guarantee:

If District participates in either of these programs verify that the specified amount of local contributions are made to the programs

Other Matters – Prior to fiscal year 2012-13, thirteen property tax rates were available to districts. Any unspent property tax revenue remaining from these levies at June 30, 2012 is to be used for the original purpose for which the revenue was collected.

APP C-5 Fall Enrollment/Student Membership

Updates to reflect current Attestations standards

Updates for the UTREX system, and definitions

Official documentation:

official documentation” includes records of daily student attendance which meet the standards of State Board of Education rule R277-419-4(B), “Pupil Accounting, Official Records” and regardless of format should be maintained in accordance with the standards and guidelines set forth by the Government Access and Management Act (GRAMA) and Public Records Management Act.

APP C-5 Fall Enrollment/Student Membership

Section 6 – Transfer Students

The sample size schedule with the acceptable quality level thresholds has been removed, and replaced with sample of 20%.

Charter Schools may use code “CH” for students who transfer to home school (after registering with district of residence)

Reports have been updated

APP C-5 Fall Enrollment/Student Membership

Proposed Changes to R277-484

Move the first submission date for Oct 1 headcount date UP to 7 business days after Oct 1.

****Does not change testwork or report dates.**

FUTURE CHANGES TO R277-419

Definitions of nontraditional students, and more accurate ways to measure and determine compliance with 10 day rule

Utah Procurement Code

Utah Code 63G-6a effective May 1, 2013

Amended by SB 190 – STILL effective May 1, 2013

Most critical changes surround ethical guidelines and consequences found in 63G-6a-2301 through 2307

Other Guidance:

Utah Public Officers' and Employees Ethics Act
(*Utah Code 67-16*)

R277-515-3d Utah Educator Standards



Procurement Participant

A group of people, likely a team or committee, are gathered around a table. They are wearing blue caps and white shirts with blue stripes. They appear to be looking at a document or a screen together, possibly in a meeting or a collaborative work environment. The background is slightly blurred, showing a chain-link fence and some greenery.

Is a person involved in:

- Administering, conducting, or making decisions regarding a standard procurement process;
- Making a recommendation regarding award of a contract or regarding a decision to obtain a procurement item for a particular person;
- Evaluating a quote, a bid, or a response; or
- Awarding a contract or otherwise making a decision to obtain a procurement item from a particular person.

Contract Administrator

Is a person who:

- Administers a current contract on behalf of a public entity
- Makes contract payments
- Ensures compliance with contract
- Audits the contractor
- Enforces the contract

Interested Person

- Vendors
- Bidders
- Anyone interested in doing business with the school or LEA

Definition of Contribution

Voluntary gift/donation to a LEA for the LEA's use, and not for a particular person employed by a LEA, including:

- Philanthropic donation
- Services
- Money
- Other items of value
 - Admission to seminar, vendor fair, charitable event, fundraising event, or similar event that relates to the function of the LEA.
 - Purchase of a booth at event sponsored by the LEA or group of which the LEA is a member.
 - Sponsorship of event that is organized by the LEA.

❖ *Utah Code 63G-6a-2304.5(b)*

Acceptable Contributions

- Contributions are allowable **unless**:
 - directed at an individual, not LEA
 - given, offered, promised or pledged as an inducement to do business with the contributor, or as a result of a previous business transaction
 - received in exchange for making a procurement decision or as the result of a previous business transaction
 - given to an organization in which a procurement participant or contract administrator belong as an inducement for the procurement participant/contract administrator to do business with the contributor or are the result of previous business.

Definition of Gratuities

Anything of value, including:

- Money
- Loan at an interest rate below market value or terms more advantageous than offered generally on the market
- Award
- Employment
- Admission to event
- Meal
- Lodging
- Travel
- Entertainment for which a charge is normally made

❖ *Utah Code 63G-6a-2304.5(c)*

Definition of Hospitality Gift

- A promotional or hospitality item, including, a pen, pencil, stationery, toy, pin, trinket, snack, nonalcoholic beverage, or appetizer.
- This does not include money, a meal, a ticket, admittance to an event, entertainment for which a charge is normally made, travel, or lodging.

(THESE are Gratuities)

❖ *Utah Code 63G-6a-2304.5(e)*

Definition of Kickbacks

- A gratuity given in exchange for favorable treatment in a pending procurement or the administration of a contract.

❖ *Utah Code 63G-6a-2304.5(g)*

IT IS ILLEGAL TO...

GRATUITY

- for an interested person **to give** a gratuity to a procurement participant/contract administrator or to his family members
- for a procurement participant **to ask or receive** a gratuity from a interested person

Anything of value, including:

- Money
- Loan at an interest rate below market value or terms more advantageous than offered generally on the market
- Award
- Employment
- Admission to event
- Meal
- Lodging
- Travel
- Entertainment for which a charge is normally made

IT IS ILLEGAL TO...

KICKBACKS

- For **ANYONE to give** a kickback to a procurement participant or to someone else for the benefit of the procurement participant
- for a procurement participant **to use his position to obtain a personal benefit** for himself or for his family member from a vendor
- for a procurement participant **to ask or receive** a kickback

If violated~

2nd degree felony if the total value of the gratuity or kickback is \$1,000

3rd degree felony if total value of gratuity or kickback is \$250 - \$999

Class A misdemeanor if total value of gratuity or kickback is \$100 - \$249

Class B misdemeanor if total value of gratuity or kickback is less than \$100

63G-6a-2302

If a LEA has reason to believe that a person has engaged in violating 63G-6a-2304.5, collusion, or other anticompetitive practices, the LEA shall notify the attorney general.

Acceptable Gifts

- The total value of all hospitality gifts given, offered, or promised to, or received or accepted by, the procurement participant in relation to a particular procurement is less than \$10 in value.

and

- The total value of all hospitality gifts given, offered or promised to, or received or accepted by, the procurement participant from any one person, vendor, bidder, responder, or contractor in a calendar year is less than \$50.

If violated~

- Depending on amount of the gift varies the penalty from a class B misdemeanor to a felony and possible termination.

Artificially Dividing a Purchase

Law~

- *It is unlawful to intentionally or knowingly divide a procurement into one or more smaller procurements with the intent to make a purchase.*
- *This includes:*
 - *Making 2 or more separate purchases;*
 - *Dividing an invoice/P.O. into 2 or more invoices/P.O.;*
OR
 - *Making smaller purchases over a period of time*

If violated~

- *Depending on amount of procurement varies the penalty from a class B misdemeanor to a felony and possible termination.*

❖ Utah Code 63G-6a-408

Non Procurement Participants

Utah Public Employee and Ethics UCA 67-16 Utah Educator Standards (R277-515)

ACCEPTING GIFTS from students parents

- cannot accept any bonus or incentive from vendors, potential vendors, or gifts from parents and/or students **where there may be the appearance of a conflict of interest or impropriety** (R277-515-3D(3)(a))
- Any donations or gifts from students, parents, and business must be specifically and strictly to benefit students (R277-515-3D(3)(d))
- cannot use his position to further his own economic interest or to secure certain privileges for himself or others (U.C.A. 67-16-4)
- As a public employee, an educator cannot accept a gift of substantial value (safe rule of thumb is anything over \$50) that:
(1) Improperly influences him; (2) Is a reward for some official action the educator took; or (3) Or is from any entity the school is doing business with (U.C.A. 67-16-5)
 - **This does NOT include an award publicly presented in recognition of public services**

USOE Internal Audit

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