
Rules of
Department of Elementary and
Secondary Education
Division 30—Division of Administrative and
Financial Services
Chapter 4—General Administration

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**Title 5—DEPARTMENT OF
ELEMENTARY AND SECONDARY
EDUCATION**

**Division 30—Division of Administrative
and Financial Services**

Chapter 4—General Administration

**5 CSR 30-4.010 General Provisions for
Federal Programs**

PURPOSE: This rule incorporates by reference the general administrative and fiscal requirements for federal programs administered by the United States Department of Education.

PUBLISHER'S NOTE: The secretary of state has determined that the publication of the entire text of the material which is incorporated by reference as a portion of this rule would be unduly cumbersome or expensive. Therefore, the material which is so incorporated is on file with the agency who filed this rule, and with the Office of the Secretary of State. Any interested person may view this material at either agency's headquarters or the same will be made available at the Office of the Secretary of State at a cost not to exceed actual cost of copy reproduction. The entire text of the rule is printed here. This note refers only to the incorporated by reference material.

(1) This rule incorporates by reference administrative and fiscal requirements contained in 34 CFR Parts 74–78, which was formerly codified as 45 CFR Parts 100A–100D. Together these rules are referred to as “EDGAR” for “Education Division General Administrative Regulations.”

(2) 34 CFR Part 75 of the federal regulation concerns direct project grants and contract programs between the Department of Education (ED) and state and local education agencies. Subdivisions of the section detail requirements for applications, federal financial participation, grant payment requirements, cash depositories, cost principles, matching and cost sharing, procurement standards, bonding and insurance, construction requirements, property management requirements, program income, financial management and reporting requirements, reporting of program performance, accountability for federal funds and miscellaneous requirements.

(3) 34 CFR Part 76 of the federal regulation concerns federal programs which are administered by the state and have common requirements for state plan development, submission

and administration. Different parts of this section detail general requirements for state plans, federal financial participation, grant payments, cash depositories, cost principles, matching and cost sharing, procurement, bonding and insurance, construction, property management, program income, financial management and reporting, program monitoring and reporting and accountability for federal funds.

(4) 34 CFR Part 77 of the federal regulation deals with definitions and the Freedom of Information Act.

(5) 34 CFR Part 78 describes the process under which the Federal Education Appeals Board resolves audit findings and other compliance issues.

AUTHORITY: section 178.430, RSMo 1986. * Original rule filed Dec. 24, 1975, effective Jan. 3, 1976. Amended: Filed May 13, 1976, effective Sept. 1, 1976. Amended: Filed May 12, 1978, effective Aug. 14, 1978. Amended: Filed Aug. 13, 1980, effective Nov. 14, 1980. Amended: Filed July 23, 1982, effective Nov. 15, 1982.

*Original authority: 178.430, RSMo 1963.

5 CSR 30-4.020 Standards for the Approval of Courses and Administration of Reimbursement for the Education of Persons Under Veterans' Education, Vocational Rehabilitation, Job Training Partnership Act, P.L. 97-300 and Other Employment Training Funding Sources Contracting With the State Board of Education

(Rescinded February 28, 2001)

AUTHORITY: sections 161.172, 178.430, 178.590 and 178.610, RSMo 1986 and 178.530, RSMo Supp. 1991. Original rule filed May 20, 1981, effective Nov. 16, 1981. Amended: Filed Aug. 13, 1982, effective Nov. 15, 1982. Amended: Filed Nov. 1, 1983, effective March 15, 1984. Amended: Filed July 17, 1990, effective Dec. 31, 1990. Amended: Filed June 1, 1992, effective Feb. 26, 1993. Rescinded: Filed July 7, 2000, effective Feb. 28, 2001.

5 CSR 30-4.030 Audit Policy and Requirements

PURPOSE: This rule establishes a comprehensive policy for public school district and charter school audits. This policy outlines the purposes of audits, the responsibilities vari-

ous parties have in the audit and the audit review process, relationships in this process, minimum audit requirements and procedures the Department of Elementary and Secondary Education will follow in resolving any question or problem which may be disclosed by the audit.

PUBLISHER'S NOTE: The secretary of state has determined that the publication of the entire text of the material which is incorporated by reference as a portion of this rule would be unduly cumbersome or expensive. Therefore, the material which is so incorporated is on file with the agency who filed this rule, and with the Office of the Secretary of State. Any interested person may view this material at either agency's headquarters or the same will be made available at the Office of the Secretary of State at a cost not to exceed actual cost of copy reproduction. The entire text of the rule is printed here. This note refers only to the incorporated by reference material.

(1) For the purpose of this rule, unless the context clearly requires otherwise, the following terms shall mean:

(A) School. Public school district or charter school; and

(B) Board. Public school district board of education or charter school board of directors.

(2) Audits of schools are primarily intended to express an auditor's opinion on the fairness of presentation of the financial statements. Audits also provide an independent review of financial operations for local boards, verify selected data used to apportion state funds, review systems of internal control made as part of the financial audit, make recommendations for improvements and determine compliance with relevant state and federal laws and regulations.

(3) Responsibilities in the audit process are shared by the board, the independent auditor contracted by the board, and the Department of Elementary and Secondary Education (DESE).

(A) Each board is responsible for defining an appropriate scope of the audit, which at a minimum must meet the requirements of this rule. Each board is also responsible for selecting an independent auditor who is licensed according to state law and meets the qualifications regarding continuing professional education, peer review, and independence in accordance with government auditing standards. Upon receipt and review of the audit report, the board is responsible for transmitting one (1) copy of the report; the



related management letter, if one is prepared by the independent auditor; and a copy of the board minutes or board resolution, indicating approval of the audit report to DESE and other copies of the audit report as required by federal laws and regulations to the appropriate agency(ies). Each board is also responsible for ensuring implementation of audit recommendations as appropriate and resolving any questions or discrepancies disclosed by the audit or noted by DESE.

(B) The independent auditor is responsible for conducting the audit in accordance with generally accepted auditing standards, government auditing standards, federal audit requirements, and DESE audit guidelines as contained or referenced in this rule; submitting the audit report to the client board; and assisting in resolving questions or problems which may be disclosed by the audit. Depending on the contract or agreement the school has with its independent auditor, this assistance may require additional compensation to be paid to the auditor.

(C) DESE has the general responsibility to receive and review audits; to verify that minimum audit requirements have been met; and with the school's independent auditor, to resolve any questions or discrepancies. Specific responsibilities within DESE are assigned as follows:

1. The School Finance Section, within the Division of Administrative and Financial Services, is the primary point of contact with the school and their independent auditor regarding audit requirements and audit reports. The School Finance Section is responsible for reviewing the audit reports for general acceptability in accordance with state and federal guidelines; and

2. The program sections, both federal and state, are responsible for addressing relevant portions of the audit including follow-up with school officials and their independent auditors to resolve any questions, discrepancies or audit findings.

(4) DESE has an advisory and supervisory relationship with the board through the school's administrative staff. Questions regarding audit reports and any audit problems, discrepancies or findings will generally be resolved by DESE directly with the administrative staff at the school. However, in some cases, DESE staff may communicate directly with the school's auditor. DESE staff will communicate with the federal cognizant agency (typically, the U.S. Department of Education) regarding compliance with various federal requirements. The cognizant agency has the authority to make periodic contacts with school officials and their audi-

tors regarding specific questions, audit deficiencies or review of the audit process.

(5) School audits must contain at a minimum the following:

(A) A statement of the scope of examination;

(B) The independent auditor's opinion as to whether the audit was made in accordance with generally accepted auditing standards applicable in the circumstances;

(C) The independent auditor's opinion as to whether the financial statements included in the audit report present fairly the results of the operations during the period audited;

(D) The independent auditor's opinion as to whether the financial statements accompanying the audit report were prepared in accordance with generally accepted accounting principles applicable to schools;

(E) The reason or reasons an opinion is not rendered with respect to subsections (5)(C) and (5)(D) in the event the independent auditor is unable to express an opinion with respect thereto;

(F) The independent auditor's opinion as to whether the school's budgetary and disbursement procedures conform to the requirements of Chapter 67, RSMo;

(G) The independent auditor's opinion as to whether attendance and transportation records are so maintained by the school as to disclose accurately average daily attendance and average daily transportation of pupils during the period of the audit;

(H) Financial statements presented in such form as to disclose the operations of each fund of the school and a statement of the operations of all funds; and

(I) The schedule of selected statistics, as specified annually by DESE. At such time as the schedule of selected statistics becomes available in an electronic format, the schedule must be submitted in this manner and will be submitted separately from the audit.

(6) State law provides for the acceptance of federal acts and funds and for their necessary administration and supervision. Audit requirements are a part of federal acts and the implementing regulations adopted by the administering federal agencies. The requirements of the Single Audit Act, as amended by *The Single Audit Act Amendments of 1996*, Office of Management and Budget (OMB) Circular A-133, which is incorporated by reference and made a part of this rule, and *Government Auditing Standards*, issued by the Comptroller General of the United States, which is incorporated by reference and made a part of this rule are included in this audit

policy. Specific application of these requirements shall be as follows:

(A) All schools that expend a total amount of federal awards equal to or in excess of three hundred thousand dollars (\$300,000) (from all sources) or such other amount specified by the federal director of the OMB in any fiscal year shall have either a single audit or a program-specific audit made for such fiscal year in accordance with the requirements of *The Single Audit Act Amendments of 1996*, OMB Circular A-133 and the *Government Auditing Standards*.

(B) All schools that expend a total amount of federal awards of less than three hundred thousand dollars (\$300,000) or such other amount specified by the director of the OMB in any fiscal year shall be exempt for such fiscal year from compliance with *The Single Audit Act Amendments of 1996*. However, these schools shall be required to have an audit performed in accordance with *Government Auditing Standards* (a "Yellow Book" Audit).

(C) Audits conducted biennially for public school districts shall cover both years within the biennial period and may be reported in the aggregate. However, the schedule of selected statistics must clearly depict the information for each fiscal year.

(D) All charter school audits shall be single entity reports completed annually on a July 1 to June 30 basis.

(E) All audits shall be conducted by an independent auditor in accordance with generally accepted auditing standards and *Government Auditing Standards*.

(7) The audit report shall be submitted to DESE by public school officials not later than October 31 of each odd numbered year and by charter school officials not later than October 31 of each year, unless an extension is requested prior to that date. Extensions shall be requested in accordance with applicable state law. The audit will be stamped with the "received date" by the School Finance Section. If audits are not received, all Basic Formula and Line 14 aid may be withheld until the audit is received. The management letter (if applicable) and a copy of the board minutes or board resolution indicating approval of the audit report must be received by DESE before the audit file will be considered closed for the fiscal year.

(8) The School Finance Section will make a preliminary review to determine if the audit generally conforms to state and federal requirements referenced in this rule.

(A) Schools which receive an audit in accordance with subsection (6)(A) above and



who have federal findings and questioned costs shall submit the school's *Corrective Action Plan* prepared in accordance with OMB Circular A-133 with their audit report and management letter as stated above.

(B) Schools which receive an audit with a disclaimer of opinion shall institute corrective measures to ensure that the subsequent audit does not contain a disclaimer of opinion. If a disclaimer of opinion is rendered on the subsequent audit, the audit shall be deemed unacceptable and all Basic Formula and Line 14 aid may be withheld until such time as the school demonstrates to DESE that the situation resulting in the disclaimer of opinion has been corrected by the school.

(C) Audit reports containing an adverse opinion will be evaluated by DESE staff. Depending on the reasons for the adverse opinion, DESE may require the school to provide evidence that corrective action has been or is being taken to eliminate the adverse opinion from future reports. If corrective action is not taken as deemed necessary by DESE and an adverse opinion is rendered on the subsequent audit, the audit shall be deemed unacceptable and all Basic Formula and Line 14 aid may be withheld until such time as the district demonstrates to DESE that the situation resulting in the adverse opinion has been corrected by the school.

(9) Audits will be reviewed on a rotating basis by the School Finance Section via a formal desk review for adherence to the appropriate audit requirements (*The Single Audit Act Amendments of 1996*; OMB Circular A-133; *Government Auditing Standards*, as well as the state requirements) included or referenced in this rule.

(A) Any deficiencies with the audit, during this phase, will be communicated to school officials and/or independent auditor depending on the severity and type of deficiency noted. Resolution of desk review items should occur within the time frame provided by DESE in the written communication with the school or the independent auditor. Failure to address noted deficiencies may result in the withholding of funds distributed by DESE to the school. Severe deficiencies and/or inaction by the school's independent auditor may result in the reporting of the independent auditor to the Missouri State Board of Accountancy.

(10) For audits conducted in accordance with OMB Circular A-133, federal findings and questioned costs and the related *Corrective Action Plan* will be circulated to the appro-

priate program sections for follow-up with the school.

(A) The appropriate program section shall issue a written management decision to the school indicating approval/disapproval of the school's *Corrective Action Plan*. This must take place within six (6) months from the receipt of the audit.

(11) When the program section reviews suggest questions or disclose discrepancies, the individual program sections will correspond directly with the school. This correspondence initiates a procedure for resolving program audit questions and discrepancies which is outlined below:

(A) Personnel of the various program sections will advise the school officials of the findings and the nature of any discrepancy found in the audit report;

(B) Within the time frame provided by DESE, school officials will be expected to respond with clarifying information and, as appropriate, corrected data or a corrected page of the audit report issued by the independent auditor who conducted the original audit. DESE staff will assist in every reasonable way to help a school and/or its independent auditor find a solution to audit problems; and

(C) If a discrepancy cannot be resolved, DESE may recover or withhold applicable state or federal funds from the affected program.

(12) Review of the independent auditor's working papers may be conducted by DESE as deemed appropriate to ensure appropriate work has been performed to support statements, opinions, findings, etc. of the independent auditor.

AUTHORITY: sections 160.405 and 161.092, RSMo Supp. 2002, 165.121, 167.201 and 178.430, RSMo 2002. Original rule filed April 28, 1982, effective Sept. 12, 1982. Amended: Filed Oct. 12, 1982, effective Jan. 14, 1983. Amended: Filed March 7, 1985, effective Sept. 3, 1985. Amended: Filed Jan. 30, 1989, effective May 25, 1989. Emergency amendment filed June 21, 1995, effective July 1, 1995, expired Oct. 28, 1995. Amended: Filed May 11, 1995, effective Dec. 30, 1995. Emergency amendment filed May 1, 1997, effective May 11, 1997, expired Nov. 8, 1997. Amended: Filed April 29, 1997, effective Nov. 30, 1997. Rescinded and readopted: Filed Sept. 24, 2002, effective March 30, 2003.*

**Original authority: 160.405, RSMo 1998; 161.092, RSMo 1963, amended 1973, 2002; 165.121, RSMo 1963; 167.201, RSMo 1963 and 178.430, RSMo 1963.*

5 CSR 30-4.040 Annual Public Reporting of Information by School Districts

(Rescinded May 30, 2002)

AUTHORITY: section 160.522, RSMo 1994. Original rule filed March 21, 1995, effective Oct. 30, 1995. Rescinded: Filed Oct. 25, 2001, effective May 30, 2002.

5 CSR 30-4.045 Collection of School District Reports

(Rescinded May 30, 2002)

AUTHORITY: section 161.092(1) and (4), RSMo 1994. Original rule filed Aug. 26, 1996, effective March 30, 1997. Rescinded: Filed Oct. 25, 2001, effective May 30, 2002.