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**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**

(Rescinded: August 30, 2003)

*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. Rescinded: Filed Jan. 14, 2003, effective Aug. 30, 2003.*

**5 CSR 30-4.020 Standards for the Ap-  
proval of Courses and Administration of  
Reimbursement for the Education of  
Persons Under Veterans' Education, Voca-  
tional Rehabilitation, Job Training Part-  
nership 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(Rescinded February 28, 2001)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 Rescinded: Filed July 7, 2000, effective Feb. 28, 2001.*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 Require-  
ments**

*PURPOSE: This rule establishes a compre-  
hensive 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 ques-  
tion 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 incorpo-  
rated by reference as a portion of this rule  
would be unduly cumbersome or expensive.  
This material as incorporated by reference in  
this rule shall be maintained by the agency at  
its headquarters and shall be made available  
to the public for inspection and copying at no  
more than the actual cost of reproduction.  
This note applies only to the reference mate-  
rial. The entire text of the rule is printed  
here.*

(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, systems of internal control, and 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).

(4) The board's responsibilities are as follows:

(A) Each board is responsible for defining an appropriate scope of the audit.

1. At a minimum, the audit must include the school's:

A. General, Special Revenue, Debt Service, and Capital Projects funds;

B. Fiduciary funds;

C. Proprietary funds; and

D. Component units (unless a component unit issues its own audited financial statements).

2. A Single Audit of federal funds expended by the school may be required. 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*, 62 Fed. Reg. 35278-35319 (1997), Office of Management and Budget (OMB) Circular A-

133, which is incorporated by reference and made a part of this rule as published by the Office of the Federal Register, Office of Administration and is available by contacting the Office of Administration, Publications Office, Room 2200, New Executive Office Building, Washington, DC 20503, and *Government Auditing Standards*, July 2007 Revision, issued by the Comptroller General of the United States, which is incorporated by reference and made a part of this rule as published by the U.S. Government Accountability Office, 441 G St. NW, Washington, DC 20548, are included in this audit policy. This rule does not incorporate any subsequent amendments or additions. 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 the amount specified in OMB Circular A-133 as the Single Audit threshold or such other amount specified by the federal director of the OMB in any fiscal year shall either have 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*; or

B. All schools that expend a total amount of federal awards of less than the amount specified in OMB Circular A-133 as the Single Audit threshold 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*.

3. All charter school audits shall be single entity reports completed on a July 1 to June 30 basis.

4. Schools that cease operations are not exempt from the audit requirements. A final audit of the school's activities through the date it ceases operations must be performed and submitted to DESE as otherwise described in this rule;

(B) Each board is responsible for procuring audit services. Audit services should be competitively bid in accordance with district procurement policy.

1. Each board is responsible for selecting an independent auditor who holds a current permit to practice public accounting in the state of Missouri and meets the requirements for continuing professional education and peer review, as defined by the regulations of the Missouri State Board of Accountancy and *Government Auditing Standards*. Subcontractors must also meet these requirements.



2. Auditors performing Single Audits pursuant to OMB Circular A-133 must not be suspended or debarred from doing business with the federal government;

(C) The audit report shall be submitted to DESE by school officials no later than December 31 of each year. If the audit is not received by the deadline, all funds disbursed by DESE to the school may be withheld until the audit is received;

(D) 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). 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 complete for the fiscal year:

1. The audit report, related management letter, and copy of the board minutes or board resolution may be submitted electronically to DESE by the board or its designee to an email address established for this purpose. All signatures that would normally be included on the hard copy document must be present on the electronic document. Documents with scanned signatures will be accepted. Copies of unsigned audit reports, management letters, or board minutes or resolutions will not be accepted; and

2. Revisions to an audit report may also be submitted electronically to DESE but must be accompanied by a signed statement from the independent auditor on the firm's letterhead explaining the reason for the revision;

(E) Schools that have a Single Audit performed and have federal findings or 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;

(F) The board must notify DESE's School Administrative Services section if fraud or embezzlement is discovered during the course of the audit;

(G) The board is responsible for the accuracy of the audited financial statements, notes to the financial statements, and assertions related to compliance with state and federal laws and regulations; and

(H) Each board is responsible for ensuring implementation of audit recommendations as appropriate and resolving any questions or discrepancies disclosed by the audit or noted by DESE.

(5) 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.

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

1. A statement of the scope of examination;

2. A statement as to whether the audit was conducted in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States;

3. 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;

4. A statement as to whether the financial statements accompanying the audit report were prepared in accordance with generally accepted accounting principles or another comprehensive basis of accounting;

5. The reason or reasons an opinion is not rendered in the event the independent auditor is unable to express an opinion with respect thereto;

6. Except for charter schools, the independent auditor's opinion as to whether the school's budgetary and disbursement procedures conform to the requirements of Chapter 67, RSMo;

7. 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;

8. The schedule of selected statistics, as specified annually by DESE; and

9. 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.

(6) 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:

(A) 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 auditors regarding specific questions, audit deficiencies, or review of the audit process; and

(B) DESE's School Administrative Services section is the primary point of contact with the school and their independent auditor regarding audit requirements and audit reports. This section is responsible for reviewing the audit reports for general acceptability in accordance with state and federal guidelines.

1. DESE staff will make a preliminary review to determine if the audit generally conforms to state and federal requirements referenced in this rule.

2. 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 funds disbursed by DESE to the school 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.

3. 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 funds disbursed by DESE to the school 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.

4. Audits will be reviewed on a rotating basis 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 the 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.

B. 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. Auditors may be requested to provide their most recent peer review report to DESE.

5. 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 appropriate DESE program sections for follow-up with the school.

A. 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.

B. 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.

C. When the program section review suggests questions or discloses discrepancies, the individual program section will correspond directly with the school. This correspondence initiates a procedure for resolving program audit questions and discrepancies which is outlined below—

(I) 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;

(II) 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 prob-

lems; and

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

*AUTHORITY: sections 160.405 and 161.092, RSMo Supp. 2008 and sections 165.121, 167.201, and 178.430, RSMo 2000.\* 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. Rescinded and readopted: Filed April 8, 2009, effective Oct. 30, 2009.*

*\*Original authority: 160.405, RSMo 1998, amended 2005; 161.092, RSMo 1963, amended 1973, 2002, 2003; 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.*