

CHAPTER 4 – SCHOOL COMPLIANCE TESTING

CHAPTER 4 APPLICABILITY	TRADITIONAL SCHOOLS COMMUNITY SCHOOLS STEM/STEAM SCHOOLS EDUCATIONAL SERVICE CENTERS (ESC)
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Due to the Auditor of State’s annual Fall/Winter release of the Ohio Compliance Supplement (OCS) AOS created Chapter 4. Schools operate on a June 30 fiscal year basis and legislative changes impacting school audits are often still occurring in the Fall/Winter months. For this reason, ~~beginning with the fiscal year 2023 Supplement~~, the OCS and Optional Procedures Manual (OPM) steps that are *only* applicable to Traditional Schools, Community Schools, ESCs, or STEM/STEAM Schools ~~will be~~ are self-contained in Chapter 4 to allow AOS to update and release school compliance changes separately (generally in the Spring/Early Summer) from the remainder of the Supplement when appropriate. Sections of the Ohio Compliance Supplement which apply to schools *and* other entity types are retained in Chapters 1-3 or the OPM.

CHAPTER 4 SECTIONS	PREVIOUSLY INCLUDED IN OCS CHAPTERS / MANUALS
CHAPTER 4A – DIRECT LAWS	CHAPTER 1
CHAPTER 4B – INDIRECT LAWS	CHAPTER 2
CHAPTER 4C – STATUTORILY MANDATED TESTS	CHAPTER 2
CHAPTER 4D – STEWARDSHIP	CHAPTER 3
CHAPTER 4E – SCHOOL OPTIONAL PROCEDURES	OPTIONAL PROCEDURES MANUAL (OPM)

**NOTE: Red text throughout this Ohio Compliance Supplement
is related to COVID-19**

The legal matrix matches the applicability of OCS steps to various entity types. The information in the matrix does not necessarily encompass every item requiring testing for these entities. Additionally, when footnotes in the matrix reference specific sections of the Ohio Rev. Code, you should read those sections when planning and/or conducting the audit.

The legal matrix is depicted in a separate Excel file: [Legal Matrix.xlsx](#). Entities are included alphabetically in the tab titled “OCS – Exhibit 5”. ~~See tab titled “OCS – Exhibit 6” for entity types not listed in Exhibit 5.~~

Ohio Rev. Code § 3301.13 (new section enacted by HB 33 of the 135th GA) changed the Ohio Department of Education’s name to the Department of Education and Workforce. Updates to the name and acronym (ODE to DEW) were not marked throughout this chapter, except for instances where the law was quoted & had the name change.

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CHAPTER 4A –DIRECT LAWS

AU-C 250 *Consideration of Laws and Regulations in an Audit of Financial Statements* clarifies the auditor’s responsibility regarding OCS tests:

“.02 . . . The provisions of some laws or regulations have a **direct** effect on the financial statements in that they **determine the reported amounts and [required] disclosures** in an entity’s financial statements. . .”

Conversely:

“.A13 Many laws and regulations relating principally to the operating aspects of the entity do not *directly* affect the financial statements (their financial statement effect is **indirect** and are *not captured by the entity’s information systems relevant to financial reporting*. Their **indirect effect** may result from the need to disclose a contingent liability because of the allegation or determination of identified or suspected noncompliance.”

A. Based on the above (and AU-C 250.A9 – .A11), “**direct** and material compliance” refers **only** to laws a government’s information system (which includes its accounting system) must “capture” to **determine financial statement amounts and required disclosures**¹. Therefore, we have classified a law as **direct** in this OCS if noncompliance has the potential to materially misstate the financial statements. Chapter 4A of this compliance supplement includes “direct” laws.

1. As one example, GAAP requires governments to present budgetary comparisons as basic statements or as RSI.
2. GAAP also requires these presentations to follow the government’s legal budget basis.
 - a. In Ohio, a “5705 government’s” information system must capture information using the accounting basis Ohio Rev. Code Chapter 5705 (via GASB Cod. 2400) prescribes to compile budget and actual amounts and budget variances GAAP requires.
 - b. Ohio Rev. Code Chapter 5705 generally prescribes a cash + encumbrance accounting basis, which a compiler must understand and follow to satisfy GAAP.

B. In addition to the discussion above from AU-C 250, the AICPA Audit and Accounting Guide *State and Local Governments* (AAG SLG), sections 4B.11 4.09 through 4B.24 4.22, discuss legal requirements which might directly and materially affect determining financial statement amounts for a governmental entity. Material noncompliance (having a direct or indirect effect) would often:

1. Require adjusting amounts or revising disclosures.
 - a. Auditors should do the same regarding noncompliance **indirectly** affecting financial statement amounts or disclosures, if they become aware of it.
 - i. For example, AU-C 250.06 b.iii describes material penalties as an **indirect effect**, though they may require disclosure or even accrual as a contingent expense.
2. Require reporting as a material GAGAS noncompliance finding.

¹ Few Ohio GAAP governments’ have “formal” systems to compile most balance sheet assets or liabilities. Therefore, GAAP governments’ “information systems” include trial balances, other spreadsheets or any other material used to compile GAAP amounts or disclosures.

Cash / AOS basis governments’ *information systems* include documents used to prepare financial statement amounts and support notes to the statements.

3. May represent significant / material violations of “finance-related legal and contractual provisions”
 - a. GASB Cod. 2300.106(h) require “notes to the financial statements should disclose significant violations of finance-related legal and contractual provisions” and “actions taken to address significant violations”.
 - b. See the OCS Implementation Guide page 7 for the Finance Related Legal or Contractual Provisions.

- C. AAG SLG 4B.14 4.12 lists examples of laws that may directly and materially affect the determination of financial statement amounts and disclosures. When preparing this edition of the OCS we considered the examples in AAG SLG 4B.14 4.12. Each law in OCS Chapter 4A has potential for a direct effect. Laws with indirect classification per AU-C 250.06 b are included in Chapter 4B.

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4A-1 Compliance Requirement: Ohio Rev. Code § 3313.33 - Board of Education (schools) conveyances and contracts.

Summary of Requirement: The board president and treasurer shall execute any “Conveyances.” No contract is binding unless authorized at a regular or special board meeting. A “conveyance” is not a donation; it is a transfer *between two entities* with adequate consideration other than money.

In determining how the government ensures compliance, consider the following:	What control procedures address the compliance requirement?	W/P Ref.
<ul style="list-style-type: none"> • Policies and Procedures Manuals • Knowledge and Training of personnel • Checklists • Legislative and Management Monitoring • Management’s identification of changes in laws and regulations • Management’s communication of changes in laws and regulations to employees 		

Suggested Audit Procedures - Compliance (Substantive) Tests:

1. Trace board approval from the minutes to the contracts or from the contracts to the minutes.
2. Inspect “conveyances” for board president and treasurer signatures.

Audit implications (adequacy of the system and controls, and the direct and material effects of non-compliance, effects on the audit opinions and/or footnote disclosures, significant deficiencies/material weaknesses, and management letter comments):

<p><u>Revised: HB 33, 135 GA</u> <u>Effective: October 3, 2023</u></p>
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4A-2 Compliance Requirement: Ohio Rev. Code Chapter 3318 (Traditional School Districts & STEM Schools); section 501.10 Am. Sub. House Bill 64, 131st GA, section 237.40 Am. Sub. House Bill 481, 133rd GA, section 237.17 Am. Sub. House Bill 597, 134th GA (Community Schools); section 237.10 Am. Sub. House Bill 33, 135th GA (School Security/Safety Program); section 287.20 Am. Sub. House Bill 33, 135th GA (Career Technical Construction Program) – Permissible expenditures for school districts participating in classroom facilities assistance programs; Interest accounting and allocation and maintenance plan funding and expenditures.

Summary of the Program

Background:

Several programs provide financial assistance to construct or repair classroom facilities. The Ohio Facilities Construction Commission (OFCC) administers these programs. The most common programs are the Classroom Facilities Assistance Program (CFAP), Community School Classroom Facilities Grant Project, Expedited Local Partnership Program (ELPP), STEM Public Schools, and Urban Initiative Program (i.e., applies to the following six city school districts: Akron, Cincinnati, Cleveland, Columbus, Dayton, and Toledo). Certain classroom assistance programs established by Ohio Rev. Code Chapter 3318 follow the basic guidelines of the CFAP. Guidance about these programs can be found on OFCC's website: <https://ofcc.ohio.gov/our-programs/k-12-schools> Maintenance Plan Guidelines and K-12 Schools.

Programs and Agreements:

Each project, regardless of the program, will be defined in the Project Agreement. Sample OFCC Project Agreements are located on OFCC's [website](#); however, auditors should obtain and review the school's own Project Agreement for compliance testing. The Project Agreement (updated in September of 2023 ~~July of 2022~~) is a contract that is signed by the Commission, the School Board President and Treasurer of the participating District. [Ohio Rev. Code § 3318.18(A)(5).] There can be many attachments to the Project Agreement and amendments to the Project Agreement. Some of the common attachments include schedules of the alternative funding sources for both the local portion for construction and/or the maintenance levy, and a Memorandum of Understanding (MOU) which sets forth the specific terms and conditions of the Locally Funded Initiative (LFI). The following sections of the updated Project Agreement for the CFAP (most common) define the Project and significant responsibilities and applicable compliance requirements:

- A. Scope of the Project (Section I) – provides the total budget for the project and the split between the State and Local share. In addition, if there's Required Locally Funded Initiatives (LFIs) each will be included. Other LFI's not specifically referenced in this section of the agreement will be described in Section VII. In addition, if Allowances are provided for the project each will be included. Allowances include: Demolition, Swing Space, Site Access Safety Improvements, Storm Shelter, Emergency Responder Radio Communications System, Enhanced ADA Playground Surface, and Abandoned Facilities.
- B. Ownership of the Project (Section II) – defines ownership of the Project from design and construction through completion. Until the Project is completed and a Certificate of Completion is issued both the School Board and the Commission share ownership according to their respective contributions defined in Section I of the Project Agreement. Once the Certificate of Completion is issued the Commission's interest is considered transferred to the School District Board.

- C. School District Board Share of Basic Project Cost (Section III) – defines how the District provided their share of the Project as a condition precedent to the execution of the Project Agreement. The funding options for a CFAP Project include:
1. CFAP Bonds or Notes [Ohio Rev. Code §§ 3318.05, 3318.06, or 3318.062 and 3318.08(A)]
 2. Property Tax\Income Tax Levy [Ohio Rev. Code § 3318.052]
 3. Local Donated Contributions including federal grant monies, monies donated or granted, letters of credit, cash on hand, other bonds (non 3318), lease purchase proceeds, and contributions spent directly by a third party source.
 4. Credit – credit given for the District’s participation in the Expedited Local Partnership Program (ELPP), if applicable, will be documented in this section. [Ohio Rev. Code § 3318.36(E)(1).]
- D. Maintenance of Completed Facilities (Section IV) - defines how the School District Board will provide for funding of the Maintenance Fund (USAS Fund 034), required approval of the maintenance plan, and allowable expenditures out of the fund. This fund should be classified as a governmental fund type, special revenue fund.
1. A maintenance plan is required to be prepared in accordance with the [Commission’s Maintenance Plan Guidelines](#) and submitted to the Commission for approval prior to the expenditure of monies out of this fund.
 - a. Allowable uses include the maintenance and repair of the completed facilities, periodic repairs, and the replacement of facility components.
 - b. Unallowable uses include routine janitorial and utility costs, equipment supplies, maintenance staff salaries and personnel associated with the day to day housekeeping and site upkeep per normal and customary standards.
 - c. The Commission pre-approves the use the maintenance fund to pay for the cost of the development of the plan in accordance with the Commission’s Guidelines, and to support training of the School District’s building operator and maintenance staff via a Building Operator Certification Program or additional training specific to the District’s mechanical and control systems.
 2. The School District Treasurer is required to identify the source of funds to be used to fund the maintenance fund. The following sources are available:
 - a. Levy an additional tax² for the maintenance of the Project of at least one-half mill [Ohio Rev. Code §§ 3318.05(B), 3318.06(A)(2)(a) and (A)(3), and 3318.17.]
 - b. Earmarking from the proceeds of an existing permanent improvement tax levied under Ohio Rev. Code § 5705.21, an amount equivalent to the amount required in accordance with maintenance fund requirements described above.
 - c. Funding can also be satisfied by applying the proceeds of a property tax or the proceeds of an income tax, or a combination thereof [Ohio Rev. Code § 3318.052.]
 - d. The School Board may extend a previously approved tax of one-half mill for each dollar of taxable value levied as a condition of participating in a previous state school

² The original regulations required a ½ mill levy, all of which was remitted to the State to repay project funding received. Later regulations still required the levy (or other funding), but provided that all or a portion would be retained by the district, to be used for maintenance of project facilities. All such funding is referred to as “maintenance funding” in this OCS Section. Some districts have entered into supplemental agreements which subject the district to the amended regulations.

- building assistance program so the half mill will be collected for at least twenty-three years after the completion of the Project Agreement [Ohio Rev. Code § 3318.061.]
- e. If approved by the Commission, the school district may deposit locally donated contributions as an offset of all or part of the district's obligation to provide for the maintenance fund as described above by the anticipated completion date of the Project according to a schedule for deposit approved by the Commission [Ohio Rev. Code §§ 3318.084(D)(2) and 3318.08(E)]
 - f. A district may deposit into its maintenance fund, annually for 23 years, an amount from other district resources equal to 1/2 mill of the district's tax valuation³, instead of levying the maintenance tax⁴. The district's board must pass a resolution petitioning the Ohio Facilities Construction Commission to approve the arrangement. [Ohio Rev. Code §§ 3318.05, 3318.051, and 3318.084]
 - g. Regardless of the funding mechanism selected, the total amount required to be deposited annually into Fund 034, the Maintenance Fund, should equal the amount that would be generated from a half mil levy over 23 years.
3. School Districts may not transfer money out of the 034 Fund and into other funds.
 4. If the district elects to deposit funding into the maintenance fund per Ohio Rev. Code § 3318.051, the district treasurer must annually certify to the OFCC and the Auditor of State that the amount required for the year has been transferred⁵ into the maintenance fund⁸.
 - a. In order to satisfy the transfer certification requirement to the Auditor of State, districts should upload a certification in the district's eServices account (see Certification of Maintenance Set-Aside Transfers under Required Filings & Notifications on the AOS website <https://ohioauditor.gov/resources/AOSNotifications.html>). ~~can electronically submit the copy of the Auditor of State's certification to OFCC@OhioAuditor.gov or carbon copy the Auditor of State regional offices on their Certification to the Commission at OFCC should be e-mailed to maintenancecertification@ofcc.ohio.gov. See the Auditor of State website www.ohioauditor.gov (Contact Us for regional office contact information.)~~
 - b. The Auditor of State must "verify" the transfer as part of any audit of the district. If the Auditor of State finds that less than the required amount has been deposited, the Auditor must notify the district board in writing and require the board to deposit the

³ Joint vocational school districts participating in a state facilities program, annually for 23 years, must deposit into a maintenance account an amount equal to 1.5% of the current insurance value of the acquired facilities. [Ohio Rev. Code § 3318.43.]

⁴ If a district board determines that it can no longer continue making the annual transfers, the act allows a district board to rescind its decision, but only if the district's voters approve the levy of a maintenance tax. The levy must be in effect for the remainder of the 23-year maintenance period (23 years minus the number of years that the district made transfers) and must be for not less than ½ mill for each dollar of district valuation. The act prescribes the ballot language to be used. A district electing to make the transfers authorized by the act is not relieved from its obligation to make annual deposits into its general "capital and maintenance fund," which applies to all districts under continuing law.

⁵ Districts electing to make the transfers, instead of levying the maintenance tax, may not receive the new state maintenance equalization payments. (*The Ohio Department of Education and Workforce is required to pay an equalized subsidy to city, exempted village, and local school districts participating in state-assisted facilities programs and have tax valuations per pupil below the statewide average. The subsidy equalizes to the statewide average the per pupil amount each eligible district raises from its 1/2-mill maintenance levy.*) [Ohio Rev. Code § 3318.18.]

- i. Note – if the School District chooses to use any or all of the investment earnings in this manner, and, subsequently, the cost of the project exceeds the amount in the Project Construction Fund, the School District is required to restore the Project Construction Fund the full amount of investment earnings used under Ohio Rev. Code § 3318.12(B)(2) before any additional state moneys are released for the project.
 - b. If interest earnings remain in the Project Construction Fund after the project has been completed, at the discretion of the School District Board the remaining local interest can be:
 - i. retained in the Project Construction Fund for future projects;
 - ii. transferred to the School District’s Maintenance Fund (Fund 034) and used solely for maintaining the classroom facilities included in the project⁶;
 - iii. transferred to the School District’s permanent improvement fund.
 - c. Any interest earnings related to the Commission’s contribution is required to be transferred to the Commission for expenditure pursuant to sections 3318.01 to 3318.20 or sections 3318.40 to 3318.45 of the Revised Code. [Ohio Rev. Code § 3318.12(C)(2).]
 3. The Treasurer is required to work with the Commission’s Designee to review and reconcile the fund transactions and balances with records maintained by the Commission’s Designee on a monthly basis. In addition, quarterly reconciliations are due along with updates to the draw tool by dates specified on the Commission’s website, <https://ofcc.ohio.gov/our-programs/k-12-schools/k12-resources/treasurer-resources> <https://ofcc.ohio.gov/Resources/For-Treasurers> .
 - a. Note - as described above, designated CPA firms have been hired by the Commission to perform quarterly monitoring procedures over the required reconciliations beginning with the quarter end date of September 30, 2021. The reconciliations and the completed monitoring procedures, with no unexplained variances, are required to be completed and approved by the Commission prior to the release of the Commission’s share of the Project through monthly draws.
- G. Locally Funded Initiatives (LFI) (Section VII) – a School District Board may elect to add to the scope of any project and separately fund a scope of work (“local initiative”), which involves improvements to all or part of a project funded through the Commission. The School District Board may request the Commission to approve the incorporation of design and construction of the LFI into the overall project.
 1. Whenever a LFI will be purchased through contracts that are subject to the Commission’s approval, a Locally Funded Initiative Budget Summary will be executed by the School District and the Commission, setting forth the budgeted and committed LFI amounts subject to the terms and conditions of the Project Agreement.
 2. The School District Board will assume all the financial responsibility for the LFI and establish a LFI Fund or special cost center in a fund other than the Project Construction Fund, Fund 010.

The sections of the Project Agreement described above relate to the Classroom Facilities Assistance Program (CFAP) which is the most utilized program of those offered by the Commission. The Project Agreement is the key document for all Programs offered by the Commission and the elements described

⁶ These monies shall be used solely for maintaining the classroom facilities included in the project.

above are commonly defined in each Project Agreement for each Program. If the district participates in other programs, auditors should review the terms of the agreement and identify those requirements which may be material. Other prevalent Programs available through the Commission include:

A. Expedited Local Partnership Program (ELPP) [Ohio Rev. Code §§ 3318.36 and 3318.364]

1. ELPP is designed to give districts not yet participating in the CFAP the opportunity to move ahead with portions of their project. The program allows school districts to pass a resolution to enter ELPP. The Commission then performs an assessment of the district's facilities and enters into an agreement with the district on a Facility Master Plan that covers the entire needs of the district. The district then chooses a "distinct portion" of their Master Plan to fund through local efforts. When the district's turn later arises in the Classroom Facilities Program, the money spent by the district on the distinct portion is credited against the local share of the entire Master Plan projects.

B. Alternative Facilities Assistance Program (AFAP) [Ohio Rev. Code § 3318.39]

1. Under this program, also known as the 1:1 School Facilities Option Program, the Commission provides a reduced portion of projected state funds to assist eligible districts in constructing acquiring, reconstructing or making additions to any feature of a classroom facility consistent with the Master Facilities Plan (MFP) and that meets the design standards of the Ohio School Design Manual (OSDM). In consideration for the reduced state share, the district has more flexibility to create its own reduced scope for the project.

C. Vocational Facilities Assistance Program (VFAP) [Ohio Rev. Code § 3318.40]

1. This program allows the Commission to provide assistance to Joint Vocational School Districts (JVSDs) for the acquisition of classroom facilities suitable to their vocational education programs. Current law requires the Commission to begin with the lowest ranked JVSD in terms of the three year average property valuation per pupil and provide funding for the entire district's needs. The projects are funded by a combination of state and local funds. State law prohibits the Commission from providing assistance for any space that will be used exclusively for an adult education program, the operation of a drive training school, or for any other space not used for education programs of the JVSD.

D. STEM Public Schools (STEM) [Ohio Rev. Code § 3318.70]

1. This program allows the Commission to provide funding to assist STEM schools. STEM schools not governed by a single school district board of education may apply for assistance in constructing, reconstructing, repairing, or making additions to classroom facilities. Further details about this program can be found on the OFCC website at: <https://ofcc.ohio.gov/our-programs/k-12-schools/programs/stem-public-schools>.

- E. Community Schools Classroom Facilities Grant [section 501.10 Am. Sub. House Bill 64, 131st GA, section 237.40 Am. Sub. House Bill 481, 133rd GA, section 237.17 Am. Sub. House Bill 597, 134th GA]
1. In June 2015, Ohio lawmakers authorized the creation of the Community School Classroom Facilities Grant Program. In the first three rounds of the program, a total of \$31.7 million in grants were awarded to nineteen high-performing schools.⁷
 2. The law permits the Commission to provide grants for the purchase, construction, reconstruction, renovation, remodeling, or addition to classroom facilities to (1) "eligible high-performing community schools" and (2) newly established community schools that are implementing a model that has a track record of high quality academic performance. Further details about this program, and the schools awarded the grants can be found on the OFCC site: <https://ofcc.ohio.gov/grants/community-school-classroom-facilities>, or DEW site: <http://education.ohio.gov/Topics/Community-Schools/Community-Schools-Classroom-Facilities-Grants>
 3. *Note:* This is a relatively new program and is likely to qualify as direct and material for any school that receives it. Procedures should be included as necessary in accordance with the grant agreement.

Upon Completion of Project, the Commission or their designee will work with the District as well as the Construction Manager or the equivalent, depends on the construction model, to reconcile the Project. Once the Project is reconciled and all parties sign off on the Closeout Calculator, the reconciliation, the Commission will provide notice to the District and the Construction Manager or the equivalent the Project is officially closed. This notification will include instructions on how the remaining funds should be distributed.

Other Grant Programs

A. School Security/Safety Program

1. Section 237.10 of Am. Sub. House Bill 33, 135th GA, authorized appropriations for the ARPA School Security grant program. The grants shall be used by the Facilities Construction Commission to award grants of up to \$100,000 per school building to eligible public school districts and chartered nonpublic schools. Grants shall be awarded according to guidelines adopted by the Commission after consultation with the Ohio Department of Education and Workforce and the division of Homeland Security of the Department of Public Safety. In awarding grants, the Commission may consider applications submitted by eligible public school districts in response to similar grant programs operated by the Commission that have not been awarded if such applications comply with guidelines adopted under this division.
2. The grant program is funded as a subaward from the State of Ohio's allocation of Coronavirus State Fiscal Recovery Funds (SFRF) (Assistance Listing No. 21.027) as authorized pursuant to the American Rescue Plan Act (ARPA). The ARPA School Security Grant must follow the federal requirements associated with ARPA, see (State and Local Fiscal Recovery Funds) and the terms and conditions of the program (see Terms and Conditions).

⁷The schools approved for grants in round 1 are listed here ([ODE 2016-2017 Annual Report.pdf](#) pg. 29), round 2 are listed here ([OFCC Awards Community School Facility Grants.pdf](#)), and round 3 grants are listed here ([Round 3 Awards](#)) are listed.

3. Therefore, this Program is required to be reported on the district's schedule of expenditures of federal awards (SEFA) and subject to the requirements of the Single Audit Act.
4. Other resources can be found on OFCC website at <https://ofcc.ohio.gov/grants/ohios-k-12-school-safety-grant-program>. A comprehensive list of districts receiving funding can be found at [SSGP-Award-Lists-R1-R5_1.pdf \(ohio.gov\)](#).

B. Ohio's Career Technical Construction Program

1. Section 287.20 of Am. Sub. House Bill 33, 135th GA, authorized appropriations for the Career Technical Construction Program. The Program aims to boost capacity at career tech institutions by granting funds to eligible vocational school districts for facility construction or expansion. This program is open to a joint vocational school district or city, local, and exempted village school district designated as the lead district of a Career Technical Planning District.
2. Funding is available for projects that renovate, improve, or build facilities to support the occupations on the Governor's Office of Workforce Transformation's Ohio's Top Jobs List or that qualify for the Innovative Workforce Incentive Program under the Ohio Department of Education and Workforce.
3. This is state funding and should not be reported on the district's schedule of expenditures of federal awards (SEFA). The activity should be accounted for in fund 495. Additional guidance on the program including FAQs and districts receiving awards can be found on OFCC's website <https://ofcc.ohio.gov/grants/career-technical-construction-program>
4. Expenditure of funds may be subject to applicable procurement requirements in OCS 4B-6.

POSSIBLE NONCOMPLIANCE RISK FACTORS:

Note: In assessing the risk of noncompliance, auditors should consider whether the District has a process in place to record interest earned on the Local and State funds (if material). In addition, the District should have internal controls in place to ensure the Maintenance Fund is funded in accordance with the Project Agreement and expenditures out of the Maintenance Fund are allowable.

Additionally, based upon the control process/procedures performed at the OFCC-level (quarterly reconciliation process, approval of disbursements prior to payment, etc. described above), there should be a reduced risk of noncompliance at the District-level over project disbursements. Auditors may consider documenting these controls and testing their implementation within the control section below if information to support their implementation is available from the District. In these cases substantive tests of disbursements would still be required but would not need to be extensive.

In determining how the government ensures compliance, consider the following:	What control procedures address the compliance requirement?	W/P Ref.
<ul style="list-style-type: none"> • Policies and Procedures Manuals • Knowledge and Training of personnel • Checklists • Legislative and Management Monitoring • Management’s identification of changes in laws and regulations • Management’s communication of changes in laws and regulations to employees 		

Suggested Audit Procedures - Compliance (Substantive) Tests:

Project Funding

1. Scan the accounting records to determine if the proper activities are being recorded in the project activities fund (USAS 010). Determine if the District/STEM school is accounting for the following four revenue streams **separately**: (1) Local Revenue, (2) Interest on Local Funds, (3) State Revenue – aka “drawdowns”, and (4) Interest on State Revenue.
2. Determine if the District/STEM school deposited the local share funds required by the Project Agreement into fund 010 for both the original contribution and any amendments.
3. Select contracts and related contract expenditures and determine through inspection, vouching, or other such means that contracts were awarded using competitive bidding procedures.
4. Vouch a few transactions from fund 010 for allowable cost as defined in the agreements. ~~We are not opining on this program, so we do not require a high level of assurance. Unless the program is a major program under Single Audit or a material opinion unit, testing high dollar transactions and scanning other selected transactions should suffice.~~ Review the supporting documentation to determine if the expenditure was:
 - a. allowed under the terms of the Project Budget Policy (OFCC policy number: [OP-FI-02, rev. Dec. 2017](#));
 - b. if it was processed in OAKS CI;
 - c. if it excludes any costs for a locally funded initiative;
 - d. if the amount paid agrees with the invoice and
 - e. if it is recorded in the correct amount in the correct fund.
 - f. If the District did not properly segregate transactions into a project construction fund (i.e., did not establish fund 010), report noncompliance accordingly. Auditors should also consider reporting a finding for adjustment. See the *OCS Implementation Guide* for guidelines pertaining to Findings for Adjustments.

5. Scan interfund activity in fund 010. Determine whether material transfers or advances were properly approved and/or allowable under Ohio Rev. Code. If an advance is repaid out of fund 010, request the District/STEM school provide the approval letter from the OFCC which authorized the reimbursement.

Interest Accounting and Allocation (if material)

6. If the District has an active project with the Commission, review the financial activity recorded in the Project Construction Fund (Fund 010) and determine if the School District separately accounted for interest earned on the State and Local contributions.
7. Vouch a few receipts to determine if the interest earned on Local and State funds is correctly posted to the Local and State special cost centers.
8. For active projects, scan Fund 010 to determine if the District transferred all or part of the local interest earnings out of the Fund in accordance with Ohio Rev. Code § 3318.12(B)(2). If the District transferred interest verify the School Board approved this transfer by Board resolution.

If the District did make a transfer in accordance with Ohio Rev. Code § 3318.12(B)(2), and, subsequently, the cost of the project exceeds the amount in the Project Construction Fund (over budget), determine the School District restored to the Project Construction Fund the full amount of investment earnings used before any additional state moneys are released for the project.

9. For projects completed during the fiscal year under audit with interest remaining in the Project Construction Fund determine the following:
 - a. The remaining local interest has been: 1) retained in the Project Construction Fund for future projects, 2) transferred to the School District's Maintenance Fund (Fund 034), 3) transferred to the School District's permanent improvement fund.
 - b. The remaining interest related to the Commission's contribution remains in the Project Construction Fund and returned to the Commission upon completion of the Closeout Calculator and final instructions regarding distribution of remaining funds by the Commission.

Maintenance Funding and Expenditures

10. Inquire with the client or review capital asset records to determine if the District/STEM school ever had an OFCC project. If so, determine whether the project maintenance fund (USAS Fund 034) has received the required ½ mill in accordance with the approved maintenance plan for the entire 23 years. *Note:* If they are using the alternate maintenance obligation see procedure number 11 below.
11. Determine whether the school district/STEM school has elected to use the new alternative mechanism for meeting its maintenance obligation. If so, obtain the district's annual certification⁸ to the Commission and determine if the school district uploaded a certification through the district's eServices account to notify the Auditor of State. ~~carbon copied the Auditor of State regional office that the amount required for the year has been transferred into the maintenance fund.~~
12. Vouch a few disbursement transactions from Fund 034. ~~We are not opining on this program, so we do not require a high level of assurance.~~ Testing high dollar transactions and scanning other selected

⁸ The following is sample annual certificate language: "The undersigned Treasurer of the Board of Education of the XYZ District, YYY County, Ohio hereby certifies that a resolution was duly passed by the Board of Education of said School District on MM/DD//YYYY to transfer \$XX,XXX from the General Fund to the OFCC Facility Maintenance Special Revenue Fund."

transactions should suffice. Determine whether expenditures were only for maintenance of the funded project facilities in accordance with the district’s approved maintenance plan. (If the District/STEM school did not segregate transactions related to project maintenance (i.e. did not establish Fund 034), report noncompliance accordingly. As noted above, the only allowable expenditures out of Fund 034 prior to the completion of the project are for the costs associated with the development of the maintenance plan.

- 13. Determine whether the school district made any illegal transfers out of the 034 Fund into other funds.

Locally Funded Initiative (LFI)

- 14. If applicable, review accounting records and related documents and determine if the district/STEM school established a separate fund, or special cost center in a fund other than Fund 010, to track receipts and expenditures related to a locally funded initiative.
- 15. Vouch selected disbursement transactions from the LFI fund/special cost center. We are not opining on this program, so we do not require a high level of assurance. Testing high dollar transactions and scanning other selected transactions should suffice. Determine whether expenditures were: (1) processed in OAKS CI, (2) in agreement with the vendor invoice, and (3) in compliance with the district’s/STEM school’s approved Memorandum of Understanding with the OFCC. If the district/STEM school did not segregate transactions related to LFI (i.e. did not establish a separate fund or a separate special cost center in a fund other than Fund 010), report noncompliance accordingly.

Other

- 16. If the Project was completed during the fiscal year and officially closed out by the Commission, verify the remaining funds in the Project Construction Fund were distributed in accordance with the instructions provided by the Commission.

Community School Grants:

- 17. If material grant revenues were received,⁷ determine if there were related expenditures made during the audit period and test them for compliance with significant grant agreement provisions.

School Security/Safety Program:

- 18. If School Safety Program funds were received, and are material, but the program is not selected for federal testing, vouch a few disbursements for compliance with significant grant agreement provisions.

Ohio’s Career Technical Construction Program:

- 19. If Ohio’s Career Technical Construction Program funds were received:
 - a. Determine if any contracts were entered into subject to competitive bidding requirements in OCS 4B-6 and if so, test accordingly in that section.
 - b. If material, vouch a representative number of disbursements and determine if the related expenditures complied with significant grant agreement provisions.

Audit implications (adequacy of the system and controls, and the direct and material effects of non-compliance, effects on the audit opinions and/or footnote disclosures, significant deficiencies/material weaknesses, and management letter comments):

4A-3 Compliance Requirement: Ohio Rev. Code §§ 3314.03, 3314.08 and 2015 Ohio Op. Att’y Gen. No. 2015-007 – Community School Debt.

*Note: This section applies if the community school had any previous debt still outstanding/being repaid during the current audit period, or new money loaned **to/from** the school during the current audit period*

Summary of Requirement:

Allowable community school debt:

- A. A community school may borrow money to pay any necessary and actual expenses in anticipation of State Foundation receipts. The school may issue notes to evidence such borrowing. The proceeds of the notes shall be used only for the purposes for which the school may lawfully expend the anticipated foundation receipts. [Ohio Rev. Code § 3314.08(G)(1)(a)]
- B. A school may also borrow money for a term not to exceed fifteen years to acquire facilities. [Ohio Rev. Code § 3314.08(G)(1)(b)]
- C. A community school may borrow money from the school’s operator (i.e. facilities loans / cash flow assistance), but such must be accounted for, documented, and bear interest at a fair market rate. [Ohio Rev. Code § 3314.03(A)(30)] See further information regarding loans from operator/management company to community school in Ohio Compliance Supplement, section 4B-2.

Unallowable community school debt:

- A. A community school cannot levy taxes or issue debt secured by taxes. [Ohio Rev. Code § 3314.08(E)]
- B. As mentioned in Section 2B-7 of the Ohio Compliance Supplement, a community school’s Treasurer should not loan money to a community school they work for, as this could violate Ohio Rev. Code § 2921.42.
- C. Community schools do not have legal authority to make loans to other community schools. Consult with AOS legal & CFAE if such a loan is encountered on either the loaning or recipient community school audit. A Finding for Recovery may be issued against the community school receiving the funds as part of the audit of the community school loaning the funds.⁹
 1. Unless a specific statute authorizes a public entity to loan public moneys, the public entity is without authority to do so. [2015 Ohio Op. Att’y Gen. No. 2015-007 (Mar. 6, 2015)]
 2. While Ohio Rev. Code § 3314.08(G)(1)(a) states a community school may borrow money, Ohio Rev. Code Chapter 3314 does not authorize a community school to loan money.

The state is not liable for debt incurred by the governing authority of a community school. (Ohio Rev. Code § 3314.08(G)(2))

See additional guidance related to debt in OCS Implementation Guide, Appendix C.

⁹ Although this would not be noncompliance at the receiving school, if such is noted being received by a community school, consult with AOS legal & CFAE. Legal will evaluate and determine if a FFR should be issued in the audit report of the loaning school. As a general rule, FFRs will be issued for loans entered into after the issuance date of AOS Bulletin 2021-002 (2/19/2021). Additionally, AOS legal and CFAE should notify the applicable regional Chief Auditors and Chief Deputy Auditor, or his designee, if a FFR should be issued in another community school’s audit report. Further implementation details are included in 2021-002, including guidance for existing loans outstanding on 2/19/2021.

In determining how the government ensures compliance, consider the following:	What control procedures address the compliance requirement?	W/P Ref.
<ul style="list-style-type: none"> • Policies and Procedures Manuals • Knowledge and Training of personnel • Checklists • Legislative and Management Monitoring • Management’s identification of changes in laws and regulations • Management’s communication of changes in laws and regulations to employees 		

Suggested Audit Procedures – Compliance (Substantive) Tests:

1. By reading the minutes, inspecting receipts journals, and by inquiry, determine whether or not the School received any type of debt proceeds during the audit period¹⁰.
 - a. Examine disbursements made of the proceeds to determine that they were used only for the purposes described in the debt agreement.
 - b. Determine that moneys borrowed were not collateralized by taxes.
 - c. Determine that moneys borrowed to acquire facilities are for a term of fifteen years or less.
 - d. Determine if the type of debt was allowable.
 - e. Review debt agreement for material covenants and test to ensure the school is in compliance.

2. For any previous loans still outstanding/being repaid during the current audit period, new money loaned to/from the school during the current audit period, determine if:
 - a. The type of debt was allowable
 - b. Moneys were borrowed from the school’s operator. If so, were they accounted for (recorded in accounting records / financial statements), documented, and bear interest at a fair market rate¹¹?
 - c. The school is maintaining ongoing compliance with material covenants.

Audit implications (adequacy of the system and controls, and the direct and material effects of non-compliance, effects on the audit opinions and/or footnote disclosures, significant deficiencies/material weaknesses, and management letter comments):

¹⁰ Also consider referencing the [5 year forecast](#) as another source indicating possible debt to evaluate.

¹¹ If the interest rate does not approximate market rates at the time of issuance, determine if a reasonable rate should be imputed. (Imputing interest, if material, is required by GASB Cod. I30 paragraphs 101-115 for full accrual statements.)

Revised: HB 33, 135 GA
Effective: October 3, 2023

4A-4 Compliance Requirement: Ohio Rev. Code §§ 3301.079, 3302.41, 3302.42, 3313.48, 3313.482, 3313.668, 3317.03, 3317.031, and 3317.034; Ohio Admin. Code 3301-35-01, 3301-35-03, 3301-35-16, and 3301-69-02- School District Funding.

Summary of Requirements:

Types of Traditional Schools	
Brick & Mortar (operating in a traditional in-person fashion)	<p>Brick and Mortar schools have a physical location (i.e. school facility/classroom facility) that students are expected to attend pursuant to the school calendar adopted by the governing board based on statutorily prescribed minimum instructional hours.</p> <p>See 34 C.F.R. § 222.176 Subpart L which defines a school facility as “a building used to provide free public education, including instructional, resource, food service, and general or administrative support areas, so long as they are a part of the facility.”</p> <p>Ohio Rev. Code § 3318.01 defines “classroom facilities” as rooms in which pupils regularly assemble in public school buildings to receive instruction and education and such facilities and building improvements for the operation and use of such rooms as may be needed in order to provide a complete educational program, and may include space within which a child care facility or a community resource center is housed. "Classroom facilities" includes any space necessary for the operation of a vocational education program for secondary students in any school district that operates such a program</p>
Brick & Mortar using a Blended Learning Model	<p>Districts using a Blended Learning Model must have a blended learning declaration on file with the Ohio Department of Education and Workforce (DEW). The use of a Blended Learning Model has been an available option to Brick & Mortar schools since 2012.</p> <p>Ohio Rev. Code § 3302.41 states “blended learning” has the same meaning as in Ohio Rev. Code § 3301.079.</p> <p>Ohio Rev. Code § 3301.079 states blended learning is the delivery of instruction in a combination of time primarily in a supervised physical location away from home and online delivery whereby the student has some element of control over time, place, path, or pace of learning and includes noncomputer-based learning opportunities. (For purposes of that definition, "primarily" means over the course of the school year, a student works more than fifty per cent of the time from a supervised physical location away from home [Ohio Admin. Code 3301-35-01].) <u>Ohio Admin. Code 3301-35-03(D) states district-operated schools using one or more blended learning models must comply with requirements in the Operating Standards for School and Districts, but only to the extent that said Operating Standards do not conflict with Ohio Admin. Code 3301-35-03.</u></p> <p>Use of a blended learning model(s) must be part of an overall plan to provide instruction throughout the entire school year. <u>A blended learning plan cannot be made on a contingent basis, but a blended learning plan can be adopted to permit online delivery based on contingent events. During FY 2023 and beyond—Blended learning</u></p>

	<p>is not to be used on an emergency or contingent basis including but not limited to the following reasons:</p> <ul style="list-style-type: none"> A. Temporary closure due to disease or sickness; B. Weather related closures; C. Parent teacher conferences, teacher workdays or other professional development; D. Staffing shortages. <p>See DEW's Blended Learning Guidance.</p> <p>Ohio Rev. Code § 3302.41(A) states if a school is operated using a Blended Learning Model or is to cease operating using a Blended Learning Model, the superintendent of the school or district or director of the school shall notify the department of education <u>and workforce</u> of that fact not later than the first day of July of the school year for which the change is effective.</p>
<p>Brick & Mortar with an Online Learning Model/School</p>	<p>Beginning with FY 2022, Districts can opt to add an Online Learning Model/School under Ohio Rev. Code § 3302.42 for those students attending primarily from home. Online Learning Schools are required to have a separate IRN.</p> <p>Ohio Rev. Code § 3302.42 states “online learning” has the same meaning as in Ohio Rev. Code § 3301.079.</p> <p>Ohio Rev. Code § 3301.079 states for Online Learning Models, students work primarily from their residence on assignments delivered via internet- or other computer-based instructional method. (For purposes of that definition, “primarily” means over the course of the school year, a student works more than fifty per cent of the time from their residence on assignments delivered via the internet or other computer-based instructional method [Ohio Admin. Code 3301-35-01].)</p> <p>Ohio Rev. Code § 3302.42 states the district superintendent must notify the Department, by July 1 of the school year for which the change is effective, that a school in the district is operated or is ceasing to operate using an Online Learning Model.</p> <p><u>A school district may operate an online learning school in addition to operating other schools with a different model, including blended learning. See: Traditional District Online Learning School Full Time Equivalency (FTE) Review Manual.</u></p>

Alert: Beginning with Fy24, certain schools are moving to a 4-day week for students.

- ***It is imperative that they are still complying with the minimum number of required hours, and learning model that they have in place.***
- ***For example, if they are utilizing a blended learning model, keep in mind that the definition of such has a required online component.***
- ***As another example, if they are operating as a traditional brick & mortar school, the only hours that count are those as described in the ‘required hours’ table below.***
- ***Auditors should consult with the CFAE OCS Team via Spiceworks (AOS) or the IPAcorrespondence@ohioauditor.gov email address (IPA) for any schools that do not appear to be operating as required.***

School Funding and Reporting Attendance:

Public school districts use a combination of state funds, local ~~sources such as~~ property taxes (and in some cases income taxes) and federal funds.

Payments from DEW are made twice each month according to a schedule published each spring. DEW calculates state Foundation funding payments from data reported by the district. **Students are counted in the district in which they are enrolled for foundation funding purposes (i.e., the educating district or school).**

~~House Bill 110, 134th GA requires~~ Often called the Fair School Funding Formula, state operating funding ~~is to be~~ paid directly to school districts, community schools, and STEM schools for the students they are educating but it excludes direct funding for contract career tech and special education co-op students. ~~This direct funding concept differs from prior law where community and STEM school students and students who open enroll were included in the student count of their resident school districts, and the funds attributable to those students were deducted from their resident districts and then paid to the schools in which they were enrolled.~~ Similarly, the Fair School Funding Formula ~~it~~ requires direct payment of state scholarships, rather than deducting the amounts of those scholarships from students' resident districts. [~~LSC HB 110 Bill Analysis~~] ~~LBO Final Analysis, p. 146-147~~ Retrieved from: [LSC HB 110, 134th GA Analysis](#).

~~The state operating budget for fiscal years 2024 and 2025, Am. Sub. HB 33 of the 135th Ohio General Assembly, continued the phase-in of the Fair School Funding formula, first implemented in FY22. The formula was subsequently updated in FY24, is the result of a workgroup of practitioners convened by the legislature in late 2017.~~

~~In addition to the language above, House Bill 110, 134th GA made significant changes to the calculation of state funding for primary and secondary education. The new The Fair School Funding Formula funding model includes the following key elements:~~

- ~~Funding students where they are educated rather than where they live. Generally, this eliminates the deduction and transfer of dollars from resident districts to other schools or districts for students who attend community schools, STEM schools, scholarship programs and open enrollment (as noted above).~~
- ~~Establishes an input-based funding model depending on the school size and make up informed by professional judgment. The formula establishes a base cost methodology using student/teacher ratios, minimum staffing levels and actual costs. This results in a unique base cost per-pupil for each school and district in the state.~~
- ~~Equalize funding and provide additional money to schools and districts that do not have capacity and wealth to raise revenues locally. The state and local cost methodology uses both assessed property values and income to determine the state share.~~
- ~~Provided supplemental funding (i.e., Categorical Aid) based on student need and demographics. This includes funding for students with disabilities, English learners, gifted students, economically disadvantaged students and those participating in career-technical education. Generally, these supplemental dollars are restricted to support these student subgroups.~~

Source: [DEW's FY2024 School Finance Payment Report Line by Line Explanation](#)

~~In June of 2022, the 134th General Assembly enacted House Bill 583. House Bill 583 made a number of technical corrections to the school funding formula identified following passage of House Bill 110, 134th GA. The amount of state foundation funding a district receives is directed by~~

~~a new formula. The calculation of the funding formula is still predicated on a base cost approach in which district wide base cost amounts are calculated to generate a universal statewide base cost per pupil for use in funding calculations. House Bill 583, 134th GA introduced some changes to the provisions of House Bill 110, 134th GA including the:~~

- ~~● State Share Percentage~~
- ~~● FY 2020 Funding Base~~
- ~~● Supplemental Targeted Assistance~~
- ~~● 20% Credit for Open Enrollment Students Participating in Career Technical Education (CTE) at a JVSD or Compact~~
- ~~● English Learner Categories~~
- ~~● Special Education Transportation (Education Service Center and County Boards of Developmental Disabilities)~~

~~Source: [DEW's September 2023 Payment #1 Letter](#).~~

For more information on Foundation Funding refer to [Supplemental Information - Foundation Funding - \(Amended HB 110 and HB 583, 134th GA\)](#)

~~Though state law does place many requirements on schools, much is still left up to local policy. DEW uses the data schools report in EMIS, in part, to calculate school foundation funding and to generate components of the school accountability report card. Districts must have local attendance and truancy policies which include maintaining a student "membership record" for at least five years (Ohio Rev. Code §3317.031). Superintendents must develop guidelines that establish procedures so that students and parents have an opportunity to challenge the district's attendance record prior to the withdrawal of a student. Districts must also have local policies to guide employees in addressing and resolving students' habitual truancy (Ohio Rev. Code § 3321.191). As these policies have an impact on EMIS reporting, it is important for EMIS coordinators to be aware of and familiar with these policies. [EMIS 2.1.1] Students with excused absences remain enrolled and will be funded. No school district or school shall suspend, expel, or remove a student from school solely on the basis of the student's absences from school without legitimate excuse [Ohio Rev. Code § 3313.668]. Instead, districts must have policies that outline their interventions and plans.~~

For additional guidance on enrollment, withdrawal, excused absences and unexcused absences refer to: [Enrollment, Withdrawal, Excused Absences and Unexcused Absences](#)

A. Education Management Information System (EMIS):

~~DEW's Education Management Information System (EMIS) provides a streamlined system for districts to report information required to receive state funding and to determine eligibility for federal funding. [School districts, data processing centers operated by ITCs, and other EMIS reporting entities are linked for the purposes of transferring data to the DEW.] EMIS automates the complexity of the funding formula calculations specified in Ohio law so that districts do not have to interpret the legislation to calculate and report total counts of students. Districts report specific information on each student, such as various student demographic attributes, percent of time educated, attendance/absence days, and disability condition, etc. EMIS aggregates and compiles the data to determine funding. [EMIS 1.1]~~

~~As part of their EMIS reporting requirements, school districts must collect the following data on each pupil which will be used, in part, for Foundation funding and report card calculations and is viewable by other attending schools within the [Student Cross Reference \(SCR\)](#):~~

- ~~● Student name (listed alphabetically)~~
- ~~● Grade level~~
- ~~● Date of enrollment (date pupil enrolled in the counting school)~~

- Status – this is the status code used in EMIS (i.e., most will be 0 = resident student).
- Resident district IRN number (i.e., Most students will be residents of the home school district). The counting school should use the child’s resident school district IRN number for students outside of the district, such as open enrollment students.
- Attending home IRN number and indicator
- Pupil attendance¹² (the attendance documents should indicate each day a student is not in attendance and the reason for the absence).

The data that districts ~~and community schools~~ report in EMIS significantly impacts the services and opportunities provided to students, by driving district funding, district and schools Report Cards, and other programs and services determined by district data. As such, it is critical for superintendents and treasurers to review their EMIS data and verify the data is accurate and complete.¹³

Superintendents are legally required to review and certify the quality of data, as noted in the following:

- Ohio Rev. Code § 3301.0714 requires districts to report data in the statewide education management information system (EMIS).
- Ohio Admin. Code 3301-14-01 (G) requires district superintendents and treasurers to verify and approve all EMIS data for reporting purposes.
- Ohio Rev. Code § 3317.03 (B) requires district superintendents to certify average daily membership (ADM) figures in the Funding Certification Report used to calculate funding.

Source: [EMIS 1.1.1](#) and <https://education.ohio.gov/Topics/Data/EMIS/Reporting-Responsibilities/EMIS-Data-Review-Verification/EMIS-Data-Review-Verification-FAQ/General-Questions>.

Reporting to DEW versus District Responsibilities

All children in the state of Ohio are entitled to a free and appropriate education. Between the ages of 6 and 18, children are required to attend school. Each district is responsible for the students living within the district’s boundaries who should be attending its schools. That responsibility extends beyond the reach of EMIS reporting. For instance, anytime a district learns that a student within its boundaries is allegedly truant, an investigation per state laws and local truancy policies must be undertaken. This is true regardless of whether or not the district is required to report that student via EMIS. [[EMIS 2.1.1](#)]

B. Required Hours:

¹² ~~Traditional district brick and mortar schools and blended schools receive funding regardless of student attendance (including excused and unexcused absences). Online learning schools receive funding based on documented learning opportunities and missed days (both excused and unexcused) or assignments do not count as hours. For additional guidance on documented learning opportunities for Online learning schools see [Traditional District Online Learning School Full Time Equivalency \(FTE\) Review Manual](#).~~

¹³ ~~DEW requires each student be assigned a Statewide Student Identifier (SSID) for funding because state law restricts DEW from collecting personally-identifiable student information. For this reason, most districts utilize an ITC (Information Technology Center) to format their data and remove personally-identifiable student information from the data set prior to submission to DEW in EMIS. SSIDs are different from the local IDs assigned to students. If the local district does not have a SSID for an entered student, they would not be included in the funding calculation.~~

<p>Brick & Mortar (operating in a traditional in-person fashion)</p>	<p>Schools must comply with minimum hours of instruction instead of a minimum number of school days each year (Ohio Rev. Code § 3313.48).</p> <p>The minimum “open for instruction” hours are:</p> <ul style="list-style-type: none"> • 455 hours for students in half-day kindergarten; • 910 hours for students in full-day kindergarten through Grade 6; and • 1,001 hours for students in Grades 7-12 <p>Open for instruction includes time when the district or building is open and all students are participating in:</p> <ul style="list-style-type: none"> • Regularly scheduled classes; • Supervised activities, such as assemblies; • Approved education options; and • Co-curricular activities during the scheduled school day. • As part of the minimum hours, districts and schools may use: • Up to two equivalent days for the purpose of individualized parent-teacher conferences and reporting periods; • Up to two equivalent days for the purpose of professional meetings of teachers; and • Morning and afternoon recess periods of no more than fifteen minutes each for students in Grades Kindergarten through 6. <p>Time spent during lunch periods, breakfast periods and extracurricular activities does not count as open for instruction.</p> <p>Calamity days are no longer applicable. Instead, schools may schedule “excess” hours above the minimum number. Hours missed above the minimum do not have to be made up. However, if a school loses <u>misses</u> enough <u>instructional hours</u> that it will fall below the minimum number of hours, the school must extend its scheduled year.</p>
<p>Brick & Mortar using a Blended Learning Model</p>	<p>Ohio Rev. Code § 3302.41 requires schools using a Blended Learning Model to operate an annual instructional calendar of not less than 910 hours.</p> <p>DEW interprets the law as Brick and Mortar School Districts using a Blended Learning Model do not have an obligation or expectation to adjust reported FTEs for funding purposes based on documented learning opportunities, as they do not affect funding.</p>

¹⁴ ~~One way to make up the hours missed below the minimum required is to use web lessons and blizzard bags (Ohio Rev. Code § 3313.482). Schools will adopt plans explaining how they will make up the missed hours, instead of days, up to the equivalent of three scheduled days. Web lessons/blizzard bags may only be used when it is necessary to close the school because of: disease epidemic; hazardous weather conditions; law enforcement emergencies; inoperability of school buses or other equipment necessary to the school's operation; damage to a school building; or other temporary circumstances due to utility failure rendering the school building unfit for school use. Ohio Rev. Code § 3313.482 states not later than the first day of August of each school year, the governing body of each qualifying school shall adopt a plan to provide instruction via online delivery in order to make up hours in that school year for which it is necessary to close schools for disease epidemic, hazardous weather conditions, law enforcement emergencies, inoperability of school buses or other equipment necessary to the school's operation, damage to a school building, or other temporary circumstances due to utility failure rendering the school building unfit for use....A plan adopted under this section shall provide for making up....a maximum of the number of hours that are the equivalent of three school days. Section (C) includes additional provisions for joint vocational school districts.~~

<p>Brick & Mortar with an Online Learning Model / School</p>	<p>Ohio Rev. Code § 3302.42 requires schools operating using an Online Learning Model are required to have an annual instructional calendar of not less than 910 hours.</p> <p>Online Learning Schools operated by a district shall implement a learning management system that tracks the time students participate in online learning activities. All student learning activities completed while off-line (non-online) shall be documented with all participation records checked and approved by the teacher of record [Ohio Rev. Code § 3302.42(A)(5)]. <u>The school may have more than one online system that tracks durational time. In these circumstances, a school may not overlap times or count the same time period more than once. Non-online time may not overlap online time.</u></p> <p>Students can generate full funding if they engage in the minimum required hours of instruction. This is a combination of in-person time, logged online learning activities and appropriately approved time related to off-line non-online learning activities. For students who engage in less than the minimum hours of instruction, the district will be required to reduce the student’s percent of time element in EMIS data reporting. This will have the impact of reducing the student’s calculated full time-equivalency (FTE) and the amount of funding the student generates for the district. The district should be prepared to provide evidence that supports the claimed engagement for each student. In this sense, traditional districts with an Online Learning Model/School are now funded similarly to community schools. The Ohio Department of Education suggests districts (and their auditors) review the community school FTE Review Manual for a more thorough description of the requirements related to documented learning opportunities. In particular, the Department recommends reviewing pages 15-16, 19-21, and 47-48 of the Manual.</p> <p>Districts may use their current student information system, if that system is able to track attendance, participation, online learning activities (usually tracked based on specific interaction with the computer in use) and off-line non-online learning activities <u>that must be certified by a teacher</u>. Schools should be prepared to show the daily, weekly and monthly accounting of learning opportunities a student participated in. <u>Reading resource documents, writing research papers, completing assignments offline, phone calls with teachers to discuss coursework, taking tests, field trips and credit-bearing work experience are some of the examples of non-online learning activities. However, travel time to and from a school building, state testing and field trips cannot be included. Schools may count other classroom-based learning and non-computer, non-classroom-based learning opportunities, but these must be documented and certified by a teacher to support EMIS data reporting.</u></p> <p>The department shall develop a review process and make all adjustments of state funding to districts to reflect any participation of students in Online Learning Schools for less than the equivalent of a full school year [Ohio Rev. Code § 3302.42(B)(3)(b)]. <u>Starting in FY2024, DEW is conducting FTE Reviews of Online Learning Model / Schools.</u></p> <p><u>See the Traditional District Online Learning School Full Time Equivalency (FTE) Review Manual for a more thorough description of the requirements related to the documented learning activities for Online Learning Models / Schools and the FTE Review process.</u></p>
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C. Enrolled Average Daily Membership, Per-Student Full-Time Equivalent, and Master Calendars:

For important definitions used in this section and additional guidance on the funding calculation, refer to [Supplemental Information - Foundation Funding \(Amended HB 110 and HB 583, 134th GA\)](#)

For purposes of testing a school's compliance with state funding, auditors should focus on:

1. Student-level FTE EMIS inputs that are used to generate state payments;
 - a. Funding continues to update and annualize with changes in student enrollment and any DEW formula corrections throughout the school year;
2. Verify calendar submissions to ensure compliance with minimum hour requirements.
3. For schools operating online schools, ensure schools adjust percent of time element for students with less than 910 hours of engagement.

Pursuant to Ohio Rev. Code § 3317.03, the school superintendent shall report to the ~~department~~ state board of education as of the last day of October, March, and June of each year the number of students entitled to receive services from schools under the superintendent's supervision, and the numbers of other students entitled to attend school in the district under Ohio Rev. Code §§ 3313.64 or 3313.65, so that the department of education can calculate the district's enrolled ADM, formula ADM, total ADM, category one through five career-technical education ADM, category one through three English learner ADM, category one through six special education ADM, transportation ADM, and, for purposes of provisions of law outside of Chapter 3317. of the Revised Code, average daily membership.

In order for DEW to calculate the State Foundation payments to schools on an hourly/per student FTE basis, schools are required to assign each student to a calendar in EMIS. DEW requires schools to create a Master Calendar that details each day a school is in session (or not in session). DEW uses the Master Calendar to validate that a particular day is a full or partial school day that students assigned to this calendar are supposed to be in attendance. Schools will generally also need to create sub calendars for different schools, buildings, grades, students enrolled in a Blended Learning Model or Online Learning Model / School or other groups of students that have a deviation from the Master Calendar (e.g., special education, career technical education, credit flex, etc.). For example, Kindergarten students might only have half day attendance where students in Grades 1 through 5 have full day attendance. In this example, schools would need to create a sub calendar for its Kindergarten students in order to document the deviation from the Master Calendar that students in Grades 1 through 5 are assigned.

Furthermore, if a district has five buildings and operates an Online Learning School, each building may need its own unique Master Calendar and one for the Online Learning School as well as other calendars to cover unique situations. For example, the district may require the high school students to attend the day before Thanksgiving but the elementary and middle school students have the day off because of Parent Teacher Conferences. Having a separate Master Calendar in each building allows for this and other scenarios.

Attending groups may consist of (but are not limited to) the following groups of students:

- KG grade level students with staggered start days (KG students starting on a later day than all other regular students);
- Seniors who get out of school earlier than all other students in the building;
- Post-secondary students who have attending patterns such as M/W/F and T/TH of the next week, M/W/1/2 day Friday, etc.;
- Students who attend another district but your district is responsible for reporting their attendance;

- Any other attending pattern where events/exceptions are neither district wide nor building wide for a particular subset of students.

Refer to [EMIS 2.1.1](#) and [Enrollment, Withdrawal, Excused Absences and Unexcused Absences](#) for requirements pertaining to student enrollment funding and reporting to Ohio Department of Education and Workforce.

DEW will continue to adjust the FTE used for the funding formula as the school updates its information throughout the year. At the close of the school’s fiscal year end, DEW will reconcile the Final FTE Foundation payments and determine whether the school has a corresponding receivable from or payable due to DEW based upon the accumulation of student FTE’s throughout the year. This reconciliation is particularly complex for mobile students. It is critical that schools accurately and timely report their student data to DEW in order for this reconciliation to be performed. Schools should continue to evaluate whether these adjustments could result in a receivable, payable, or potential contingency footnote disclosure in their GAAP-basis annual financial statements.

Refer to the EMIS Manual Student Standing Record for guidance on: [\[EMIS 2.4\]](#)

1. Reporting student percent of time when a student is being educated by multiple school districts, career centers or ESCs, and post-secondary options.

In determining how the government ensures compliance, consider the following:	What control procedures address the compliance requirement?	W/P Ref.
<ul style="list-style-type: none"> • Policies and Procedures Manuals, • Knowledge and Training of personnel • Checklists • Legislative and Management Monitoring and reconciliation • Management’s identification of changes in laws and regulations • Management’s communication of changes in laws and regulations to employees 	<p>Request the client provide a document/narrative describing/supporting how they operated during the school year.</p> <p>For example the document/narrative should explain controls in place over student attendance for each learning model utilized (i.e. how attendance was taken, how learning opportunities were offered to students, how student engagement in online opportunities was measured (if applicable), how the district monitored missing students for truancy, etc.). Referencing to various sections of plans/policies is strongly encouraged within this narrative.</p>	

Suggested Audit Procedures - Compliance (Substantive) Tests:

Note: For purposes of local school audits, the most effective audit procedures include a review and evaluation of school policies as well as verification that schools are maintaining the appropriate student enrollment, learning models, learning opportunities, attendance, and withdraw documentation. A school’s timeliness of student enrollment and withdrawal dates is also a critical component in ensuring accurate FTE reporting to DEW.

1. Obtain a copy of the school’s policy and procedures and:

- a. Determine the learning model(s) used during the engagement period (consider the document obtained in the controls box above, inquiries, etc.). Document and evaluate the related policies and procedures:
 - i. If the district operated under Brick & Mortar (operating in a traditional in-person fashion):
 - a) Select one week for one building & perform a walkthrough for one student. Based on documentation in controls box above & the school's policies and procedures, determine if documents exist to support such controls were in place.
 - b) Determine if the district adopted the Online Make-up Hours plan required by Ohio Rev. Code § 3313.482 by August 1st.¹⁵
 - ii. If the school used a Blended Learning Declaration, then complete the following [document](#) and add it to your working papers.
 - iii. If the school used an Online Learning Model/School, then complete the following [document](#) and add it to your working papers.

Issue a noncompliance citation if:

- i. The district operated remotely but was not an Online Learning Model/School (Ohio Rev. Code § 3302.42), and:
 1. did not have a Blended Learning Model (Ohio Rev. Code § 3302.41), or,
 2. operated outside their Ohio Rev. Code § 3313.482 Online Make-up Hours plan.
 - ii. A Blended Learning Model (Ohio Admin. Code 3301-35-03) or Online Learning Model/School (Ohio Rev. Code § 3302.42; Ohio Admin. Code 3301-35-16) was adopted but did not include all of the required items;
 - iii. The district operated remotely under an Online Learning Model/School but did not have procedures in place to provide all students with a computer or access to the internet, at no cost, for instructional use (Ohio Rev. Code § 3302.42).
 - iv. Lack of support or if it appears they are not following the policies/controls of model(s) chosen/utilized. (Ohio Rev. Code § 3302.41; Ohio Rev. Code § 3302.42; Ohio Admin. Code 3301-35-03; Ohio Admin. Code 3301-35-16).
- b. **For ALL districts, regardless of the model(s) they operate under** (Traditional In-Person, Blended Learning Model, or Online Learning Model/School), determine if the school has enrollment, learning model, participation in learning opportunities, withdrawal and attendance policies and procedures. Document and evaluate the school's procedures and inquire with the EMIS Coordinator to gain an understanding for:
- i. Enrolling and withdrawing pupils timely;
 - ii. Verification of student residence/address;
 - iii. Setting up school calendars for students in EMIS;
 - iv. Assigning students to instructional calendars;
 - v. Documenting learning model(s);
 - vi. Documenting participation in learning opportunities;
 - vii. Monitoring and documenting student absences, including truant students;

¹⁵ For Fy 2024, the budget bill made changes to Ohio's calamity day statute. The budget bill changes replace the use of blizzard bags starting Fy 2024. The budget bill changes were effective on Oct. 3, 2023. DEW encouraged school districts, community schools, chartered nonpublic schools and STEM schools to adopt or amend their calamity day plans by Nov. 1, 2023.

- viii. Documenting student absence excuses; and
- ix. Sufficient procedures for identifying and tracking all student for whom the district is financially responsible (i.e., some students may result in a district retaining truancy and missing child responsibilities for a student, even though it is no longer educating or receiving funding for that student):
 - a) students residing in and attending district schools,
 - b) students attending schools in other districts through open enrollment and contractual arrangements,
 - c) students placed by the courts in facilities outside the district,
 - d) students attending community schools, and
 - e) students attending non-public schools through one of the scholarship programs.

See additional guidance [here](#).

2. Determine whether the Master Calendars for ~~Brick & Mortar (operating in a traditional in-person fashion) and Brick & Mortar using a Blended Learning Model~~ for each grade, and/or school building, etc. include at least the requisite minimum number of instructional hours and was approved by the board.
 - a. At the end of the year, did the school meet the required minimum number of hours?
 - b. If the school district was open for instruction for less than the required minimum number of hours, determine whether the school district received a written waiver from the director of education and workforce. *Authorized waivers are rare and should always be evidenced in writing.*
3. For students with a SSID with excused absences, select five¹⁶ students and, request the representative building attendance officers or EMIS Coordinator to provide access to the students' attendance records, including the students' files, and determine whether the school maintained documentation to support excused absences. This may require reviewing attendance data in the school district's electronic student information system (e.g., DASL, PowerSchool, Progress-Books, etc.). *Note:* A call log might be sufficient documentation if it contains enough detail to justify an excused absence. For example, if excused for a medical reason, does the log document a conversation with a parent explaining the illness?
4. Select five¹⁶ students with a SSID that were withdrawn during the school year. The withdrawal list may be obtained by the school through EMIS or the school's student attendance database.
 - a. Identify when students were withdrawn and determine whether it was timely (e.g., waiting several weeks or more to withdrawal a student is not timely) based on evidence in the student's file.
 - b. Determine whether the appropriate EMIS withdrawal code was used (refer to Chapter 2 of the EMIS Manual) to withdraw the student based on evidence in the student's file. Chapter 2 of the EMIS manual [[EMIS 2.1.1 \(beginning on pg. 4\) and 2.4](#)] provides examples of the types of documentation required to be obtained and maintained by the school for each type of withdrawal code.

¹⁶ Identifying noncompliance during the test increases risk. If an attribute for one or more of the five students selected for testing fails consult with the Center for Audit Excellence to determine if testing should be expanded and/or if a noncompliance comment should be elevated.

- c. Compare the dates determined in the steps above to EMIS or other student attendance database reports. Inquire with management about any significant differences or adjustments. Consider reporting noncompliance or other client communication for any significant unexplained variances.
 - i. A school should not wait until March to remove a student from its enrollment if the student withdrew in October. Significant delays in reporting student withdrawals constitutes noncompliance. Likewise, a student with chronic absenteeism, excessive absences, or habitual truancy should have received multiple communications from the school. Schools should maintain a daily call log or obtain timely excuses from the parent, guardian, or adult-aged student), and/or if it escalates to the point that the student is withdrawn for failure to participate in learning opportunities documentation and reasoning should be made available.
5. Select five¹⁶ students with a SSID that enrolled during the school year. The new enrollment list may be obtained by the school through EMIS or the school's student attendance database.
 - a. Identify when students were enrolled and began participating in learning opportunities and determine whether it was timely (e.g., again, waiting several weeks or more is not timely) based on evidence in the student's file. Enrollment should not begin prior to the date a parent or guardian signs and approves a student's enrollment form unless the student is age 18 or older.
 - b. Compare the dates determined in the steps above to EMIS or other student attendance database reports. Inquire with management about any significant differences or adjustments. Considering reporting noncompliance or other client communication for any significant unexplained variances.
6. Since schools are funded on an annualized basis, DEW must reconcile and make Final Foundation Funding payments after the fiscal year end close out is performed. These Final Payments occur no sooner than August and may span several months before DEW finalizes the Foundation Funding payments. Therefore, Auditors should consider whether their auditees should include a receivable, payable, or [contingency footnote](#) in accordance with GAAP related to Final Foundation Funding adjustments made by DEW after year end.

Audit implications (adequacy of the system and controls, and the direct and material effects of non-compliance, effects on the audit opinions and/or footnote disclosures, significant deficiencies/material weaknesses, and management letter comments):

Revised: HB 33, 135 GA
Effective: October 3, 2023

4A-5A Compliance Requirement: Ohio Rev. Code §§ 3313.64, 3313.482, 3314.03, 3314.08, and 3317.022; Ohio Admin. Code 3301-102-02; 34 C.F.R. § 222.176 – Community School Funding (*Brick and Mortar only*).

Community schools may operate as either:

- **Brick & Mortar - In person as normal (4A-5A),**
- **Blended Learning Declaration (4A-5C– Ohio Rev. Code § 3302.41), or**
- **E-schools (Internet or Computer-based) (4A-5B - Ohio Rev. Code § 3314.02).**

This section applies to community schools operating in person as normal.

Note: If a community school filed a blended learning declaration but did not implement and use the declaration, the school would be tested as a normal, in person brick and mortar community school in 4A-5A.

Alert: Beginning with Fy24, certain schools are moving to a 4-day week for students.

- *It is imperative that they are still complying with the minimum number of required hours, and learning model that they have in place.*
- *For example, if they are utilizing a blended learning model, keep in mind that the definition of such has a required online component.*
- *As another example, if they are operating as a traditional brick & mortar school, the only hours that count are those as described below.*
- *Auditors should consult with the CFAE OCS Team via Spiceworks (AOS) or the IPAcorrespondence@ohioauditor.gov e-mail address (IPA) for any schools that do not appear to be operating as required.*

Brick and mortar community schools have a building / facility that students must attend the entire school day. These are similar to traditional school districts. As defined in DEW's FTE Review Manual, a brick-and-mortar facility is a school having a physical location specified in the contract with sponsor that students are expected to attend pursuant to the school calendar.

Brick & mortar schools may offer on-line learning opportunities within the building & credit flexibility.

- A. Online learning opportunities occurring within the brick & mortar location are funded under the brick & mortar rules – meaning if a student is using an online instructional program while at the school building, the school would receive funding for the student's daily attendance and not have to report online participation time.
- B. Credit flexibility is an option for high school students authorized by the State Board of Education under Alternative Pathway. If a Brick & Mortar utilizes credit flexibility, it is on a per student basis, and is not a requirement for all students. Additionally, credit flexibility students must have individual education plans. Credit flexibility can have an online component, or could be a reasonable explanation for the student spending part of their day outside the building (internship, post-secondary, etc.). However, time spent online or outside the building should be documented in the student's individual education plan¹⁷.

¹⁷ See exception for credit flexibility in the Attendance and Instruction section below.

Summary of Requirements:

Ohio Rev. Code § 3317.022 provides the formula by which Community Schools are funded. Community Schools receive funding from the state through the per-pupil foundation allocation through the community and STEM school funding unit. Unlike city, local, exempted village and joint vocational school districts, Community Schools have no tax base from which to draw funds for buildings and investment in infrastructure. Ohio Rev. Code § 3314.191 states that no payments will be made under Ohio Rev. Code § 3317.022 during the first year of operations unless certain conditions are met. Beginning with FY 2022, the ~~new Fair School~~ Funding formula requires state operating funding be paid *directly* to community schools for the students they are educating (but it excludes direct funding for contract career tech and special education co-op students), rather than being first paid to the traditional resident district, and then deducted and paid to the community school they are being educated at. Simply stated, DEW now funds students where they are educated, rather than where they live. For important definitions used in this section and additional guidance on the funding calculation, refer to [Supplemental Information - Foundation Funding, Community School Payment Letters, and DEW's FY2024 School Finance Payment Report Line by Line Explanation](#). ~~For additional guidance on state funding refer to the information starting on page 146 of the LSC HB 110, 134th GA Analysis, 134th GA, HB 583, DEW's September 2023 Community School Payment Letter, and Supplemental Information on Foundation Funding.~~

Community schools must provide documentation that clearly demonstrates students have commenced participation in learning opportunities, through attendance records. See [DEW's FTE Review Manual](#) for further information.

Ohio Rev. Code § 3314.03, in part, requires the contract between a sponsor and the governing authority of a community school state the following:

- A. That the governing authority will adopt an attendance policy that includes a procedure for automatically withdrawing a student from the school if the student, without a legitimate excuse, fails to participate in seventy-two (72) consecutive hours of the learning opportunities offered to the student.¹⁸
- B. The school will provide learning opportunities to a minimum of twenty-five students for a *minimum* of nine hundred twenty (920) hours per school year.
 1. The ~~Ohio Department of Education~~ shall determine each community school student's percentage of full-time equivalency based on the *percentage of learning opportunities* offered by the community school to that student, reported either as number of hours or number of days. Whether it reports hours or days of learning opportunities, each community school shall offer not less than nine hundred twenty hours of learning opportunities during the school year. [Ohio Rev. Code § 3314.08(H)(3)] *Note: While the statute mentions "days", DEW collects this information and calculates it in terms of hours. So schools must have a means of converting "days" to "hours" when reporting to DEW.*
- C. That the governing authority will adopt a policy regarding the admission of students who reside outside the district in which the school is located;
- D. A financial plan detailing an estimated school budget for each year of the period of the contract and specifying the total estimated per pupil expenditure amount of each such year.

¹⁸ Valid legal reasons for non-attendance are set forth in Ohio Admin. Code 3301-69-02.

- E. An addendum to the contract outlining the facilities to be used that contains at least the following information: (See additional information in OCS 4B-5)
 - 1. A detailed description of each facility used for instructional purposes;
 - 2. The annual costs associated with leasing each facility that are paid by or on behalf of the school;
 - 3. The annual mortgage principal and interest payments that are paid by the school;
 - 4. The name of the lender or landlord, identified as such, and the lender's or landlord's relationship to the operator, if any.
- F. A provision requiring the governing authority to adopt an enrollment and attendance policy that requires a student's parent to notify the community school in which the student is enrolled when there is a change in the location of the parent's or student's primary residence.
- G. A provision requiring the governing authority to adopt a student residence and address verification policy for students enrolling in or attending the school.
- H. That the school's attendance and participation¹⁹ records shall be made available to the Department of Education, Auditor of State, and school's sponsor to the extent permitted under and in accordance with the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. § 1232g, as amended, and any regulations promulgated under that act, and section 3319.321 of the Revised Code.
- I. A provision requiring that all moneys the school's operator loans to the school, including facilities loans or cash flow assistance, must be accounted for, documented, and bear interest at a fair market rate. (See OCS 4A-3 for testing such loans.)
- J. Shall specify that the school will comply with numerous sections of the Ohio Rev. Code including section 149.43 [Ohio Rev. Code § 3314.03(A)(11)(d)]

Ohio Rev. Code § 149.43 defines public records as follows: records kept by any public office, including, but not limited to, state, county, city, village, township, and school district²⁰ units, and records pertaining to the delivery of educational services by an alternative school in this state kept by the nonprofit or for-profit entity operating the alternative school pursuant to section Ohio Rev. Code. § 3313.533. Medical records are excluded from this definition of public records, however Ohio Rev. Code § 149.43(A)(3) explains that medical record does not by definition include any documents related to birth and are therefore considered public record by AOS and DEW.

Attendance and Instruction

As permitted by Ohio Rev. Code § 3314.08(H)(2), DEW has established student participation criteria and documentation requirements for brick and mortar community schools in their FTE Review Manual. Participation in learning opportunities provided by a community school as defined in the brick & mortar community school's contract with its sponsor, is documented through daily attendance. It does not include

¹⁹ Testing of records for purposes of determining funding does not require participation records in a brick and mortar school.

²⁰ We consider the reference to district/school district in Ohio Revised Code sections to also mean community schools, based on Ohio Rev. Code § 3314.03.

days on which only enrollment and or orientation activities occur, nor does it include calamity days²¹. Commencement of participation in learning opportunities is documented through attendance records.

Instructional hours in a community school are defined by learning opportunities provided to a student. As it pertains to Brick and Mortar schools, Ohio Admin. Code 3301-102-02(J) defines learning opportunity as classroom-based supervised instructional and educational activities that are defined in the community school's contract and are:

- (1) Provided by or supervised by a licensed teacher²²;
- (2) Goal-oriented; and
- (3) Certified by a licensed teacher as meeting the criteria established for completing the learning opportunity.

As outlined in the Instructional Hours/Learning Opportunities section of the FTE Review manual, a community school is required to define learning opportunities in its contract with its sponsor:

- A. For brick and mortar schools it would only include classroom based activities (see Credit Flexibility exception described below).
- B. These activities have to be either directly provided by a teacher or supervised by a teacher; the school should be able to identify the teacher.
- C. These activities have to be educational, instructional, and goal-oriented; there should be some school policy or guidance that in advance describes the goal. Reporting activities after-the-fact without prior goals, prior specification of activities, and/or teacher direction is not sufficient.

Instructional hours in a Brick and Mortar community school's day include time for changing classes, but not the recess, breakfast and lunch periods.

If a community school presents a computer printout of attendance, it must have original documents from which the computer printout, data was drawn, such as teachers' daily attendance and absence lists, teachers' grade books, and student sign-in sheets. If the school provides an absence only list to verify attendance, it must be accompanied by the total class list for that teacher. [\[DEW FTE Review Manual\]](#)

If the source of the computer printout data is a teacher personally entering data into the Student Information System, the computer printout itself is the original source document. In such a case, the community school must identify which staff members, including the teacher, have access to the attendance system to make data changes. The school must document in a separate log any changes made by staff members other than the classroom teacher. An example is an office clerk who changes an absence to a tardy based on a late sign-in sheet. [\[DEW FTE Review Manual\]](#)

²¹ Ohio Rev. Code § 3313.482 states not later than the first day of August of each school year, the governing body of each qualifying school shall adopt a plan to provide instruction via online delivery in order to make up hours in that school year for which it is necessary to close schools for disease epidemic, hazardous weather conditions, law enforcement emergencies, inoperability of school buses or other equipment necessary to the school's operation, damage to a school building, or other temporary circumstances due to utility failure rendering the school building unfit for use....A plan adopted under this section shall provide for making up....a maximum of the number of hours that are the equivalent of three school days.

²² Teachers in community schools must hold a teaching license in accordance with Ohio Rev. Code § 3314.03(A)(10), except that a community school may engage noncertificated persons to teach up to 12 hours or 40 hours per week pursuant to Ohio Rev. Code § 3319.301. Appropriate teaching licenses include professional licenses, resident educator licenses, alternative licenses, supplemental licenses, and substitute licenses issued under Ohio Rev. Code § 3319.226 or long-term substitute licenses. In addition, pre-service teacher permits are issued under Ohio Rev. Code § 3319.0812, and alternative temporary substitute teacher licenses are issued under Ohio Rev. Code § 3319.102.

If an office staff member records attendance in a computer, the attendance record of the classroom teacher, which is sent to the office staff member, is the original source document and should be used by the auditor to verify attendance. [[DEW FTE Review Manual](#)]

All schools must adjust percent of time for students who are attending part time, participating in courses at a joint vocational school district or taking College Credit Plus courses. [[DEW FTE Review Manual](#)]

Exception for Credit Flexibility: Each school district is mandated to have a policy on credit flexibility, as required by Ohio Rev. Code § 3313.603(J). Students can engage in credit flexibility, which can include a non-classroom component. Participation results in an individual education plan (IEP) for each student approved to participate in credit flexibility. Participation in credit flexibility having a non-classroom component does not mean that school is operating in a blended environment, since all students would not be engaging in the activity. Engaging in credit flexibility does not exempt a school from complying with the minimum number of hours of instruction for each school year. If the student is not expected to be at the brick and mortar facility for the full school day, the community school may only receive a portion of the full-time equivalency funding for that student.²³

Funding and Reporting Attendance

The community school's Foundation funding will be based on the annualized full-time equivalency (FTE) enrollment of each student. A student who enters at the beginning of a school year and receives instruction for the community school's total annual membership units will generate an FTE of 1.0. Students should never have an FTE greater than 1.0. Students who attend a community school for less than the entire year will have an FTE equal to the total hours of enrollment period divided by the number of hours in the school year calendar. Community schools can continuously update estimated student FTE information in DEW's Education Management Information System (EMIS), but must report actual FTE information no later than the end of the school year. A student's FTE will be determined based on the individualized calendar/class schedule each student is assigned to for the school year and his or her enrollment and withdrawal dates.

Pursuant to Ohio Rev. Code § 3314.03(A)(6)(b) & (A)(27-28) community schools must adopt attendance and participation policies for their students and attendance records shall be made available to the Department of Education, Auditor of State and the school's sponsor. The contract between the community school and sponsor should include requirements for measuring and documenting student attendance.

Pursuant to Ohio Rev. Code § 3301.0714, schools must enter data concerning the enrollment and attendance of their students into EMIS, which is used by all schools to enter and review student enrollment and demographic data.

Ohio Compulsory Attendance and Truancy laws still require community schools to have policies concerning excused and unexcused absence as well as policies to guide employees in addressing attendance practices of any student who is a habitual truant. Further, community schools must maintain documentation to support any withdrawal code reported for a student. Information regarding the preferred documentation that community schools should maintain in student files for the different withdrawal codes varies. Also, in instances where community schools are unable to secure the preferred documents, other documentation may be considered acceptable alternatives to support the relevant withdrawal code. A table of the acceptable documentation can be found in the [DEW EMIS Manual 2.1.1 - Required Documentation](#), and further guidance is available in DEW EMIS Manual 2.4.

²³ Any non-classroom time that is not included in the education plan as a part of meeting the 920 required hours would be considered homework, it cannot be used to meet the required school day hours. See DEW Guidance for Integrated Coursework -June 2018.

Brick and mortar community schools receive funding regardless of student attendance (including excused and unexcused absences). However, brick and mortar students with *unexcused* absences will be funded only up until the student reaches 72 consecutive hours of non-attendance, at which point the student must be immediately withdrawn. If a brick and mortar student is attending only on a part-time basis (e.g., a student is splitting his/her instructional time between the community school and a JVS), the community school should adjust the student's "Percent of Time Attended" factor in EMIS to reflect less than 1.0 FTE for the student. [\[DEW FTE Review Manual\]](#)

The following table assists in clarifying the difference between the following absentee categories. As noted in the DEW guide below, these categories indicate various steps schools must take to assist the student²⁴ and their family with an absentee issue. Students may not be suspended or expelled for truancy, and this does **not** indicate a student must be automatically withdrawn.

	Consecutive hours	Hours per school month	Hours per school year
Habitual Truancy	30 hours <i>without</i> a legitimate excuse for the consecutive absences	42 hours <i>without</i> legitimate excuses for absences	72 hours <i>without</i> legitimate excuses for absences
Excessive Absences	--	38 excused or unexcused hours absent <i>unless</i> the absence is medically excused	65 excused or unexcused hours absent <i>unless</i> the absence is medically excused
Chronic Absenteeism	--	--	10% of total hours either excused or unexcused

(Source: DEW's '<https://education.ohio.gov/Topics/Student-Supports/Attendance-Support/Ohio-Attendance-Laws-FAQs#FAQ4887>')

Brick and mortar community schools must follow all requirements in the table above. Both truancy and excessive absences apply to all public schools. Brick and mortar community schools implement interventions for students who have not participated in instructional activities and thus meet the triggers for habitual truancy and/or excessive absences.

In addition, for community schools, Ohio Rev. Code Chapter 3314 does require the following, which is a separate law from the categories in the table above.

- A. 3314.03(A)(6)(b): the governing authority must adopt an attendance policy that includes a procedure for **automatically withdrawing** a student from the school if the student without a

²⁴ If the student is no longer of compulsory school age (Ohio Rev. Code § 3321.01(A)(1)), while schools should perform their due diligence for absentee issues, they are not obligated to follow absence intervention plans.

legitimate excuse fails to participate in seventy-two (72) **consecutive** hours of the learning opportunities offered to the student.

- B. 3314.08(H)(2): if the student without a legitimate excuse fails to participate in the first seventy-two (72) consecutive hours of learning opportunities offered to the student in that subsequent school year, the student shall be considered not to have re-enrolled in the school for that school year.

Ohio Rev. Code § 3313.64(J) states that the treasurer of each school district shall, by the fifteenth day of January and July, furnish the ~~director of education and workforce~~ ~~superintendent of public instruction~~ a report listing the names of each child in the permanent or legal custody of a government agency or person other than the child's parent and each child who resides in a home, who attended the district's schools during the preceding six calendar months. For each child, the report shall state the duration of attendance of that child, the school district responsible for tuition on behalf of the child, and any other information that the ~~director~~ ~~superintendent~~ requires. Upon receipt of this report, the ~~director~~ ~~superintendent~~ shall deduct each district's tuition obligations and pay to the district of attendance that amount plus any amount required to be paid by the state.

Ohio Rev. Code § 3314.08(B) requires the governing authority of each community school to annually report the number of students enrolled in the community school. For each student, the governing board of the community school must report the city, exempted village, or local school district in which the student is entitled to attend.

- A. Ohio Rev. Code § 3313.672 specifies documentation that must be provided in the enrollment process and includes a birth record and any pertinent court orders. Proof of residency is also needed to establish where a student is entitled to attend school under Ohio Rev. Code § 3313.64 and 3313.65. However, see specific McKinney-Vento Homeless Assistance Act guidance in DEW FTE Review Manual if testing a homeless student.
- B. Ohio Rev. Code § 3317.031 requires membership records be kept intact for at least 5 years.

DEW will continue to adjust the FTE used for the funding formula as the school updates its information throughout the year. At the close of the school's fiscal year end, DEW will reconcile the Final FTE Foundation payments and determine whether the school has a corresponding receivable from or payable due to DEW based upon the accumulation of student FTE's throughout the year. This reconciliation is particularly complex for mobile students. It is critical that schools accurately and timely report their student data to DEW in order for this reconciliation to be performed.

Community schools should continuously review FTE adjustments that impact their monthly foundation payments. All community schools have access to FTE Detail (FTED-001) and FTE Adjustments (FTED-003) reports in the Data Collector. These reports allow a community school to see the impact of all adjustments on FTEs. These reports are updated on a regular basis (by DEW). [[DEW EMIS Manual, Section 1.3](#)]

DEW FTE Reviews

Ohio Rev. Code § 3314.08(K) permits FTE reviews, which DEW performs to verify the accuracy of the enrollment and attendance data reported by community schools into EMIS, which sometimes result in FTE adjustments (errors identified by DEW and the community school adjusts their EMIS records), or can result in "clawbacks" (errors identified by DEW in the FTE Review but the community school does not adjust their EMIS records); both of which can be money due back to DEW. These FTE reviews occur at a minimum once every 5 years, but may occur more often. Schools should therefore continue to evaluate whether [DEW's Final FTE Foundation adjustments](#), and FTE reviews, could result in a material receivable, payable, or potential [contingency footnote disclosure](#) in their GAAP-basis annual financial statements.

Auditors should consider when testing controls and compliance whether or not:

- A. DEW conducted a FTE Review for the period under audit.
 1. Reliance on DEW's FTE Review is based on the following factors:
 - a. DEW is the regulator and considered an expert in FTE reporting matters
 - b. As permitted by Ohio Rev. Code § 3314.08(H)(2), DEW has established student participation criteria and documentation requirements for brick and mortar community schools in their FTE Review Manual.
- B. Compare the community schools master calendar submitted to DEW in EMIS with the board approved school year calendar reflected in the minutes²⁵ and published on the school's webpage/or in the parent handbook (differences and their impact on reliance are considered in the steps below). If not in agreement consult with the CFAE Community School Specialist. See testing procedures step 3 below.
- C. DEW's FTE review included a sample test of 25 or more students. If not, consult with the CFAE Community School Specialist. See footnote in step 7a below for further information.
- D. The school had any contracts/agreements paid on a percentage/number of FTE (or anything that changes), and therefore whether a true-up was required, and properly reported on the financial statements/disclosed in footnotes (if necessary). Such payment terms are common in sponsor/authorizer, management company/operator, and some vendor agreements.
 1. A finding for recovery will likely be issued when the true-up calculation(s)/evaluation(s) have not been performed and the auditor determines an amount is due; or an unreasonable legal evaluation/determination has been relied on; or the amount due has not been repaid, or is not in the process of being repaid under the terms of a reasonable and enforceable repayment agreement.
- E. The community school had appropriate policies and internal control procedures in place to ensure compliance with enrollment, student withdrawal and other requirements relevant to a community school's FTE reporting, and perform implementation tests.

Note: If in the normal course of performing the testing procedures below, information is obtained that you feel is relevant and DEW wouldn't have had available for their review, raising significant concerns on the reliance on DEW's FTE Review to satisfy the participation requirement, auditors should consult with the Center for Audit Excellence Community School Specialist to determine whether additional testing may be necessary.

²⁵ Minutes should include an exhibit of the calendar approved or document within the body of the minutes the details of the approved calendar. If this level of documentation is not available, the actual approval control process cannot be adequately verified.

In determining how the government ensures compliance, consider the following:	What control procedures address the compliance requirement?	W/P Ref.
<ul style="list-style-type: none"> • Policies and Procedures Manuals, • Knowledge and Training of personnel • Checklists • Legislative and Management Monitoring • Management’s identification of changes in laws and regulations • Management’s communication of changes in laws and regulations to employees 	<p>Request the client provide a document/narrative describing/ supporting how they operated during the year.</p> <p>For example the document / narrative should explain controls in place over student attendance for each learning model utilized (i.e. how attendance was taken, how learning opportunities were offered to students, how the school monitored missing students for truancy, etc.). Referencing to various sections of plans/policies is strongly encouraged within this narrative.</p>	

Suggested Audit Procedures - Compliance (Substantive) Tests:

Auditors should refer to DEW’s FTE Review Manual & section 1.3 of DEW’s EMIS Manual for additional guidance about the compliance requirements described in this OCS Step. Reviewing and understanding the guidance in this Manual is a critical part of accurately testing student enrollment and attendance. The FTE Review Manual is available at the link above.

Note: The most effective audit procedures include a review and evaluation of school policies as well as verification that schools are maintaining the appropriate student enrollment, learning models, learning opportunities, attendance, and withdrawal documentation. A school’s timeliness of student enrollment and withdrawal dates is also a critical component in ensuring accurate FTE reporting to DEW.

AOS provides DEW copies of all community school audit reports. As a result of issues identified and reported under audit, auditors should be aware that DEW may perform a FTE review in a subsequent fiscal year to assess compliance and determine the accuracy of the school’s reported FTE. This could potentially impact future school funding.

Procedures for Brick and Mortar Schools:

1. Obtain a copy of the school’s enrollment and attendance policies and procedures, and inquire with the EMIS Coordinator to gain an understanding. Document and evaluate the school’s procedures for:
 - a. Enrolling and withdrawing pupils timely;
 - b. Verification of student residence/address
 - c. Setting up school calendars for students in EMIS;
 - d. Offering and documenting credit flexibility;
 - e. Documenting attendance;
 - f. Monitoring and documenting student absences; and
 - g. Monitoring, withdrawing, and notifying the resident public school of withdrawn students or students truant for 72 or more consecutive hours. *Note: If the school has a stricter policy than 72*

hours, consult with CFAE Community School Specialist.

Determine if the school adopted the Online Make-up Hours plan required by Ohio Rev. Code § 3313.482 by August 1st.²⁶

Issue a noncompliance citation if:

- a. The school operated remotely, but was not an e-school, and:
 1. did not have a Blended Learning Model Declaration (Ohio Rev. Code § 3302.41), or
 2. operated outside their Ohio Rev. Code § 3313.482 Online Make-up Hours plan.
- b. Lack of support or if it appears they are not following the policies/controls of model(s) chosen/utilized.

For items above not addressed in the schools written policies/procedures, consider whether an internal control comment is appropriate under AU-C 265.

2. As part of this evaluation, determine whether the Community School's policies and procedures are consistent with the Educational Plan in the Community School's Charter, as approved by the school's sponsor, and include sufficient procedures for identifying and tracking attendance for all students for whom the *community school* is responsible.
3. Inquire with community school management about the learning opportunities it offered as part of its operating standards during the audit period.
 - a. Determine whether the community school offered the minimum 920 hours of learning opportunities by reviewing the master school calendar in EMIS and student attendance records (step 8 below)²⁷.
 - b. Inquire with management to determine if school was canceled during the audit period due to weather or electrical outages and ensure the EMIS calendar included sufficient hours to meet the minimum 920 hours of learning opportunities despite these closures (i.e., the closures should be reflected in the final EMIS calendar for the school year).
 - c. If the community school offered more or less than the required minimum, determine whether the community school reported the accurate number of learning opportunities to the Ohio Department of Education and Workforce (this will be the Master Calendar in EMIS).
 - d. Compare the community schools master calendar submitted to DEW in EMIS with the board approved school year calendar reflected in the minutes and published on the school's webpage/or in the parent handbook. If not in agreement consult with the CFAE Community School Specialist.
4. Review Ohio Rev. Code § 3314.03, the charter, and the community school's policies and procedures, to determine what the sponsor requires for appropriate documentation of excused and unexcused absences. Select five²⁸ students with absences and review the student file or other documentation to verify the community school is gathering appropriate supporting documentation for excused absences. If the absence is unexcused, determine whether the community school is tracking the total unexcused absences for the student and following its truancy policies and procedures.

²⁶ For Fy 2024, the budget bill made changes to Ohio's calamity day statute. The budget bill changes replace the use of blizzard bags starting Fy 2024. The budget bill changes were effective on Oct. 3, 2023. DEW encouraged school districts, community schools, chartered nonpublic schools and STEM schools to adopt or amend their calamity day plans by Nov. 1, 2023.

²⁷ Auditors should review the education plan and student handbook to see if there is an ala carte plan to "supplement" the required 920 hours of classroom time. If all classroom time the supplement is considered homework.

²⁸ Identifying noncompliance during the test increases risk. If an attribute for one or more of the five students selected for testing fails consult with the Center for Audit Excellence to determine if testing should be expanded and/or if a noncompliance comment should be elevated.

Note: If the charter does not address minimum documentation requirements, this would be a control deficiency. The EMIS Manual may be referenced as an additional basis for your control deficiency. [\[DEW EMIS Manual 2.1.1 - Required Documentation\]](#)

5. Consider whether the community school should include a receivable, payable, or contingency footnote in accordance with the financial reporting framework requirements (i.e., GAAP) related to Final [Foundation Funding adjustments](#) after year end and/or as a result of DEW FTE Reviews.

Note: Since community schools are funded on an annual basis, DEW must reconcile and make Final Foundation Funding payments after the fiscal year end close out is performed. These Final Payments occur no sooner than August and may span several months before DEW finalizes the Foundation Funding payments. Schools should evaluate each FTE Foundation adjustment at the time made, rather than waiting until all FTE Foundation adjustments have occurred for the fiscal year and just evaluating the net. ~~We anticipate community school receivable amounts at year end would be less significant under the new funding model as compared to the old funding model.~~

- a. Also consider whether a true-up was required for any contracts/agreements paid on a percentage/number of FTE (or anything that changes), and if so, whether it was treated properly in accordance with the summary of audit requirements above. (AOS auditors see guidance in Teammate / IPA's see guidance above, and suggested steps in Community School Audit Programs for IPA's at <https://ohioauditor.gov/references/guidance/communityschools.html>).
6. Perform the following procedures:
 - a. Select a representative number of **newly enrolled** students during the school year (normally five²⁸ students is sufficient). The new enrollment list may be obtained by the community school through EMIS or other student attendance information system.
 - i. Identify when students were enrolled and determine whether it was timely. Waiting several weeks or more from the date a parent or guardian signs the student enrollment form is not timely.
 - ii. Determine whether the school maintained copies of the student's birth record²⁹, proof of residency, and parent/guardian signed enrollment forms in the student file to support enrollment and resident district determinations.
 - b. Select a representative number of students from the community school's **withdrawal** list (normally five²⁸ students is sufficient). The withdrawal list may be obtained by the community school through EMIS or the community school's student information system.
 - i. Identify when students were withdrawn and determine whether it was timely (e.g., waiting several weeks or more from withdrawal notification is not timely).
 - a) For example: using grade records and/or attendance records, determine the last day students were reported as attending the community school. If a student was reported absent for 72 consecutive hours, determine the date the student should have been withdrawn and ascertain whether the school reported the withdrawal timely.
 - ii. Determine whether the appropriate EMIS withdrawal code was used to withdraw the student based on evidence in the student's file. [DEW EMIS Manual 2.1.1 & 2.4](#) provides examples of the types of documentation required to be obtained and maintained by the school for each type of withdrawal code.
 - iii. Inquire with management about any significant differences or adjustments. Consider

²⁹ The original source document for a birth record may be a photocopy of a birth certificate or a properly attested documentation of birth. ([DEW FTE Review Manual](#), p. 33 of FY 24 manual)

reporting noncompliance or other client communication for any significant unexplained variances.

A community school should not wait until March to remove a student from its enrollment if the student withdrew in October. Significant delays in reporting student withdrawals constitute noncompliance. Likewise, a student with excessive truancy should have received multiple communications from the school to verify the student's absence during the 72-hour period. Community schools should maintain a daily call log, copies of written correspondence to parents/guardians, or obtain timely excuses from the parent, guardian, or adult-aged student for excessive absenteeism that does not result in removal of a student from enrollment.

When DEW has conducted a FTE review for the fiscal year:

7. If DEW has conducted a FTE review for the fiscal year: (Note: if a FTE review **has not been conducted**, proceed to step 8)
 - a. Obtain a copy of the written report³⁰ and review the results of procedures performed³¹.
 - b. If DEW reported an issue(s), auditors should assess materiality and consider reporting a similar finding(s) in the audit report or management letter based upon the results of DEW's FTE Review.

When DEW has not conducted a FTE review for the fiscal year:

8. Determine whether the school has support for meeting the 920 hours of learning opportunities and whether the school is following its policies for documenting and measuring student enrollment and attendance.
 - a. Student file testing: Select a representative number of students enrolled for **any part of the school year** (normally five²⁸ students is sufficient and this is a separate sample from the step below; however, auditors should assess the risk of noncompliance for their particular school and increase this selection, if appropriate).

Review the student files for the selected students and determine whether the school is following its policies for documenting and measuring student enrollment and attendance.

- i. Determine whether the school has birth record²⁹ and proof of residency documentation for the student contained in the student file.
- ii. Determine whether the school has completed/signed student enrollment forms contained in the student file.

³⁰ AOS Auditors should check the community school master spreadsheet available on the Community School intranet page for the status of FTE reviews. If available, these letters can be obtained from *W:\Community School FTE Review Letters & Other DEW Correspondence\Community Schools*. IPA's should check the same spreadsheet in the AOS IPA Portal, and obtain the report from the client, if one is noted.

³¹ Auditors should determine if a sample size of at least 25 students was tested. If the size was less than 25 and there was not a valid reason evident for the reduction, the CFAE Community School Specialist should be contacted to see if the review can be relied upon or if step 8 will need to be performed. Be aware that some FTE letters indicate a 'modified' review/sample was performed (which typically concentrates on various areas of non-compliance noted in the schools prior year review). If the schools letter states such, review the modified protocol listing on the [AOS Community School intranet page](#) for details of the modified review. For items tested by DEW, as long as the number of students tested is greater than or equal to the number of students required by OCS 4A-5, DEW's review may be relied on *for the specific items the modified protocol listing/FTE review document mentions were tested* at the particular school. IPA's may request the modified protocol listing from CommunitySchoolQuestions@ohioauditor.gov.

- iii. Determine whether the community school is retaining the membership record for at least five years.
- iv. Determine whether the school has maintained a record of student tardiness and absences in the student file (or elsewhere) sufficient to enable the school to monitor its compliance with their policy/procedures on the 72 consecutive hour rule for withdrawal. If the student was reported absent for 72 consecutive hours, determine the date the student should have been withdrawn, ascertain whether the school reported it timely, and verify that less than 1 FTE was claimed for the student. You do not have to calculate the exact FTE. If you find the school claimed 1 FTE for a student that should have been withdrawn, consider that when selecting the number of students to test in step 8b.
 - a) When students are noted nearing the 72 consecutive hour withdrawal mark, and then attend for just a few days, determine if the school complied with Ohio Rev. Code § 3321.191 requirements & the school's truancy policy (send parent notices, maintain call logs, refer to court (if required), etc.). Also, look for proof of completed assignments for the few days the student was marked as attending to substantiate that they did attend. <https://education.ohio.gov/Topics/Student-Supports/Attendance-Support/Ohio-Attendance-Laws-FAQs>
- b. Daily Attendance Testing: Select five²⁸ community school students that were enrolled for **any part of the school year** from the school's EMIS report.

Using the applicable student files, attendance records, and school calendar, determine if the student should have 1.0 or less than 1.0 FTE and compare to what the school reported to DEW in EMIS. If it is evident that a FTE should have been reduced and wasn't we would consider this an exception. You do not have to calculate the exact FTE. Exceptions should be discussed with the CFAE Community School Specialist.³²

Audit implications (adequacy of the system and controls, and the direct and material effects of non-compliance, effects on the audit opinions and/or footnote disclosures, significant deficiencies/material weaknesses, and management letter comments):

- Consider the results of all procedures in this Section when evaluating the school's compliance with FTE requirements.
- Evaluate whether the community school had appropriate policies and internal control procedures in place to ensure compliance with enrollment, student withdrawal and other requirements relevant to a community school's FTE reporting. Most likely non-compliance as well as missing or inadequate controls for FTE reporting is indicative of an AU-C 265 control comment.

³² We will only test the Individual Student Education Plan and adherence to that plan if a student selected is participating in [credit flexibility](#). Did the school have an approved IEP and was it completed according to DEW requirements. Also consider information contained in the guidance about credit flexibility if such a student is selected. If the student's 920 hours involves non-classroom time, the student will never have 1 FTE. As long as that student had less than 1 FTE, we would not take exception, but you should determine that the conditions of the IEP were met. Additional details can be found in section 4B-4 of Chapter 4.

Revised: HB 33, 135 GA
Effective: October 3, 2023

4A-5B Compliance Requirement: Ohio Rev. Code §§ 3313.64, 3314.02, 3314.03, 3314.08, 3314.086, 3314.26, 3314.261, 3314.262, 3314.27, 3317.022, 3317.22; Ohio Admin. Code 3301-102-02 –Community School Funding (*Electronic Schools (E-Schools) only*).

This section only applies to actual ‘e-schools’ – meaning those that fall within the definition in Ohio Rev. Code § 3314.02(A)(7).

- **If auditing an e-school that is not implementing a Dropout Prevention and Recovery (DOPR) program, complete the following [document](#) and add it to your working papers.** There are different student attendance requirements for such e-schools.

E-School students work from home via the computer and are not required to attend a school building. Per Ohio Rev. Code § 3314.02(A)(7) "Internet- or computer-based community school" means “a community school established under this chapter in which the enrolled students work primarily from their residences on assignments in nonclassroom-based learning opportunities provided via an internet- or other computer-based instructional method that does not rely on regular classroom instruction or via comprehensive instructional methods that include internet-based, other computer-based, and noncomputer-based learning opportunities unless a student receives career-technical education under section 3314.086 of the Revised Code.” (Some career tech classes may be classroom-based so long as the remaining instruction is provided at home via the computer.)

Summary of Requirements:

Ohio Rev. Code § 3317.022 provides the formula by which Community Schools are funded. Community Schools receive funding from the state through the per-pupil foundation allocation through the community and STEM school funding unit. Unlike city, local, exempted village and joint vocational school districts, Community Schools have no tax base from which to draw funds for buildings and investment in infrastructure. Ohio Rev. Code § 3314.191 states that no payments will be made under Ohio Rev. Code § 3317.022 during the first year of operations unless certain conditions are met. Beginning with FY 2022, the new Fair School funding formula requires state operating funding be paid *directly* to community schools for the students they are educating (but it excludes direct funding for contract career tech and special education co-op students), rather than being first paid to the traditional resident district, and then deducted and paid to the community school they are being educated at. Simply stated, DEW now funds students where they are educated, rather than where they live. In some respects, e-school funding is different from funding of other community schools. E-school funding is based on Total Learning Opportunities, and consists only of the base cost (based on an accurate FTE calculation), the special education weighted funding, English Learners and career-technical education funding. There are no funds for economically disadvantaged students or transportation. In addition, effective during Fy 2024, a temporary pilot program was codified into Ohio Rev. Code § 3317.22 which provides additional funding for students enrolled in grades eight through twelve in eligible internet community schools. An eligible internet community school may choose to participate in the program by notifying the department not later than the first day of February of the school year in which the school will participate in the hybrid funding program. For important definitions used in this section and additional guidance on the funding calculation, refer to [Supplemental Information - Foundation Funding, Community School Payment Letters](#), and [DEW’s FY2024 School Finance Payment Report Line by Line Explanation](#). For additional guidance on state funding refer to the information starting on page 146 of the [LSC HB 110, 134th GA Analysis, 134th GA, HB 583, DEW’s September 2023 Community School Payment Letter](#) and [Supplemental Information on Foundation Funding](#).

Pursuant to Ohio Rev. Code § 3314.08(J)(1), “no student shall be considered enrolled in any internet- or computer-based community school or, if applicable to the student, in any community school that is required to provide the student with a computer pursuant to division (C) of section 3314.22 of the Revised Code, unless both of the following conditions are satisfied: (a) The student possesses or has been provided with all required hardware and software materials and all such materials are operational so that the student is capable of fully participating in the learning opportunities specified in the contract between the school and the school's sponsor as required by division (A)(23) of section 3314.03 of the Revised Code; (b) The school is in compliance with division (A) of section 3314.22 of the Revised Code, relative to such student.”

Community schools must provide documentation that clearly demonstrates students have participated in learning opportunities. Participation in learning opportunities for e-schools is determined based upon durational time. See the “Learning Opportunity Documentation Requirements for E-schools” in [DEW's FTE Review Manual](#) for further information.

Ohio Rev. Code § 3314.03, in part, requires the contract between a sponsor and the governing authority of a community school state the following:

- A. That the governing authority will adopt an attendance policy that includes a procedure for automatically withdrawing a student from the school if the student, without a legitimate excuse, fails to participate in seventy-two (72) consecutive hours of the learning opportunities offered to the student.³³
- B. The school will provide learning opportunities to a minimum of twenty-five students for a *minimum* of nine hundred twenty (920) hours per school year.
 1. The ~~Ohio department of Education~~ shall determine each community school student's percentage of full-time equivalency based on the *percentage of learning opportunities* offered by the community school to that student, reported either as number of hours or number of days. However, no E-School shall be credited for any time a student spends participating in learning opportunities beyond ten hours within any period of twenty-four consecutive hours. Whether it reports hours or days of learning opportunities, each community school shall offer not less than nine hundred twenty hours of learning opportunities during the school year. [Ohio Rev. Code § 3314.08(H)(3)] *Note: While the statute mentions “days”, DEW collects this information and calculates it in terms of hours. So schools must have a means of converting “days” to “hours” when reporting to DEW.*
- C. That the governing authority will adopt a policy regarding the admission of students who reside outside the district in which the school is located;
- D. A financial plan detailing an estimated school budget for each year of the period of the contract and specifying the total estimated per pupil expenditure amount of each such year.
- E. While it would be uncommon and optional depending on the facts and circumstances, if they have an instructional facility, an addendum to the contract outlining the facilities to be used containing at least a detailed description of each facility used for instructional purposes, the annual costs, annual mortgage, and name of lender or landlord including any such relationship to the operator. Auditors should evaluate the reasonableness of using an instructional building for an e-school environment, outside of a career tech scenario. If in question, auditors should contact the CFAE Community School Specialist. (See additional information in OCS 4B-5)

³³ Valid legal reasons for non-attendance are set forth in Ohio Admin. Code 3301-69-02.

- F. A provision requiring the governing authority to adopt an enrollment and attendance policy that requires a student's parent to notify the community school in which the student is enrolled when there is a change in the location of the parent's or student's primary residence.
- G. A provision requiring the governing authority to adopt a student residence and address verification policy for students enrolling in or attending the school.
- H. That the school's attendance and participation records shall be made available to the Department of Education, Auditor of State, and school's sponsor to the extent permitted under and in accordance with the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. § 1232g, as amended, and any regulations promulgated under that act, and section 3319.321 of the Revised Code.
- I. A provision requiring that all moneys the school's operator loans to the school, including facilities loans or cash flow assistance, must be accounted for, documented, and bear interest at a fair market rate. (See OCS 4A-3 for testing such loans.)
- J. Shall specify that the school will comply with numerous sections of the Ohio Rev. Code including section 149.43 [Ohio Rev. Code § 3314.03(A)(11)(d)]

Ohio Rev. Code § 149.43 defines public records as follows: records kept by any public office, including, but not limited to, state, county, city, village, township, and school district³⁴ units, and records pertaining to the delivery of educational services by an alternative school in this state kept by the nonprofit or for-profit entity operating the alternative school pursuant to section Ohio Rev. Code. § 3313.533 Medical records are excluded from this definition of public records, however Ohio Rev. Code § 149.43(A)(3), explains that medical record does not by definition include any documents related to birth and are therefore considered public record by AOS and DEW.

Attendance and Instruction

Pursuant to Ohio Rev. Code § 3314.03(A)(6)(b) & (A)(27-28), community schools must adopt attendance and participation policies for their students and attendance and participation records shall be made available to the Department of Education, Auditor of State and the school's sponsor. The contract between the community school and sponsor should include requirements for measuring and documenting student attendance and participation.

In the case, *Electronic Classroom of Tomorrow v. Ohio Dept. of Edn.*, Slip Opinion No. 2018-Ohio-3126, the Ohio Supreme Court ruled "Ohio Department of Education has authority under R.C. 3314.08 to base funding of an e-school on the duration of student participation."

- A. DEW has established student participation criteria and documentation requirements for electronic community schools in their FTE Review Manual. Participation in learning opportunities provided by a community school is defined in the community school's contract with its sponsor. This would include documentation of learning opportunity participation by a student enrolled in an e-school (see DEW's FTE Review Manual, Learning Opportunity Documentation Requirements for E-schools). It does not include days on which only enrollment and/or orientation activities occur.

Instructional hours in a community school are defined by learning opportunities engaged in by a student. As it pertains to e-schools, Ohio Admin. Code 3301-102-02(J) defines learning opportunity as non-

³⁴ We consider the reference to district/school district in Ohio Revised Code sections to also mean community schools, based on Ohio Rev. Code § 3314.03.

classroom-based supervised instructional and educational activities that are defined in the community school's contract and are:

- (1) Provided by or supervised by a licensed teacher³⁵;
- (2) Goal-oriented; and
- (3) Certified by a licensed teacher as meeting the criteria established for completing the learning opportunity.

As outlined in the Instructional Hours/Learning Opportunities section of DEW's FTE Review manual, a community school is required to define learning opportunities in its contract with its sponsor:

- A. It may include both classroom-based and non-classroom-based activities. (In an e-school, classroom-based learning is taking place online from the student's home. Conversely, non-classroom-based learning is occurring off of the computer and away from home)
- B. These activities have to be either directly provided by a teacher or supervised by a teacher; the school should be able to identify the teacher.
- C. These activities have to be educational, instructional, and goal-oriented; there should be some school policy or guidance that in advance describes the goal, mainly of non-classroom-based activities. Reporting activities after-the-fact without prior goals, prior specification of activities, and/or teacher direction is not sufficient.

In an e-school, students can earn credit on evenings, weekends, and holidays.

Funding and Reporting Attendance

The community school's Foundation funding will be based on the annualized full-time equivalency (FTE) enrollment of each student. A student who enters at the beginning of a school year and receives instruction for the community school's total annual membership units will generate an FTE of 1.0. Students should never have an FTE greater than 1.0. Students who attend a community school for less than the entire year will have an FTE equal to the total hours of enrollment period divided by the number of hours in the school year calendar. Community schools can continuously update estimated student FTE information in DEW's Education Management Information System (EMIS), but must report actual FTE information no later than the end of the school year. A student's FTE will be determined based on the individualized calendar/class schedule each student is assigned to for the school year and his or her enrollment and withdrawal dates.

Pursuant to the Ohio Department of Education and Workforce's FTE Review Manual, e-schools are required to maintain durational evidence of online participation. Pursuant to Ohio Rev. Code § 3314.27, each internet- or computer-based community school (i.e., e-school) is also required to keep accurate records of each student's participation in daily learning opportunities. The records should be easily submitted to the Department of Education and Workforce upon request by the Department or the Auditor of State. No student enrolled in an e-school may participate in more than ten (10) hours of learning opportunities in any period of 24 consecutive hours. If a student participates beyond the 10 hour daily limit, the additional time does not count toward the annual minimum number of hours required to be provided to a student. If any internet- or computer-based community school requires its students to participate in learning opportunities on the basis of days rather than hours, one day shall consist of a minimum of five hours of such participation.

³⁵ Teachers in community schools must hold a teaching license in accordance with Ohio Rev. Code § 3314.03(A)(10), except that a community school may engage noncertificated persons to teach up to 12 hours or 40 hours per week pursuant to Ohio Rev. Code § 3319.301. Appropriate teaching licenses include professional licenses, resident educator licenses, alternative licenses, supplemental licenses, and substitute licenses issued under Ohio Rev. Code § 3319.226 or long-term substitute licenses. In addition, pre-service teacher permits are issued under Ohio Rev. Code § 3319.0812, and alternative temporary substitute teacher licenses are issued under Ohio Rev. Code § 3319.102.

While an E-school is not funded for student absences, Ohio Compulsory Attendance and Truancy laws still require E-schools to have policies concerning excused and unexcused absence as well as policies to guide employees in addressing attendance practices of any student who is a habitual truant. Further, community schools must maintain documentation to support any EMIS withdrawal code reported for a student. Information regarding the preferred documentation that community schools should maintain in student files for the different withdrawal codes varies. Also, in instances where schools are unable to secure the preferred documents, other documentation may be considered acceptable alternatives to support the relevant withdrawal code. A table of the acceptable documentation can be found in the [DEW EMIS Manual](#) 2.1.1 Required Documentation section, and further guidance is available in DEW EMIS Manual 2.4.

The following table assists in clarifying the difference between the following absentee categories. As noted in the DEW guide below, these categories indicate various steps schools must take to assist the student³⁶ and their family with an absentee issue. Students may not be suspended or expelled for truancy, and this does **not** indicate a student must be automatically withdrawn.

	Consecutive hours	Hours per school month	Hours per school year
Habitual Truancy	30 hours <i>without a legitimate excuse for the consecutive absences</i>	42 hours <i>without legitimate excuses for absences</i>	72 hours <i>without legitimate excuses for absences</i>
Excessive Absences	--	38 excused or unexcused hours absent <i>unless</i> the absence is medically excused	65 excused or unexcused hours absent <i>unless</i> the absence is medically excused
Chronic Absenteeism	--	--	10% of total hours either excused or unexcused

(Source: DEW's '<https://education.ohio.gov/Topics/Student-Supports/Attendance-Support/Ohio-Attendance-Laws-FAQs#FAQ4887>')

Community schools, e-schools, and dropout prevention and recovery schools must follow all requirements in the table above. Both truancy and excessive absences apply to all public schools, including e-schools. All public schools must implement interventions for students who have not participated in instructional activities and thus meet the triggers for habitual truancy and/or excessive absences. Students in a virtual environment are expected to participate in instructional activities on a consistent basis that conforms to the school calendar.

In addition, for community schools, Ohio Rev. Code Chapter 3314 does require the following, which are separate laws from the categories in the table above.

³⁶ If the student is no longer of compulsory school age (Ohio Rev. Code § 3321.01(A)(1)), while schools should perform their due diligence for absentee issues, they are not obligated to follow absence intervention plans.

- A. 3314.03(A)(6)(b): the governing authority must adopt an attendance policy that includes a procedure for **automatically withdrawing** a student from the school if the student without a legitimate excuse fails to participate in seventy-two (72) **consecutive** hours of the learning opportunities offered to the student.
- B. 3314.08(H)(2): if the student without a legitimate excuse fails to participate in the first seventy-two (72) consecutive hours of learning opportunities offered to the student in that subsequent school year, the student shall be considered not to have re-enrolled in the school for that school year.
- C. 3314.26(A): Each internet- or computer-based community school **shall withdraw** from the school any student who, for two consecutive school years of enrollment in the school, has failed to participate in the spring administration of any assessment prescribed under section 3301.0710 or 3301.0712 of the Revised Code for the student's grade level and was not excused from the assessment pursuant to division (C)(1) or (3) of section 3301.0711 of the Revised Code, regardless of whether a waiver was granted for the student under division (L)(3) of section 3314.08 of the Revised Code. However, due to 3314.262, the 2021-2022 school year shall constitute the first year of the two consecutive years of enrollment.

An e-school may have a system that tracks learning opportunity participation within the school's online system. If an e-school's online system has this capability, the school must produce Excel spreadsheets showing the daily, weekly, and monthly accounting of learning opportunities and the final total of all online learning opportunities that the student participated in and the e-school's system tracked. The e-school may have more than one online system that tracks durational time. In these circumstances, an e-school may not overlap times or count times more than once. Time not on the computer (self-reported) may not overlap online time. (FTE Review Manual).

If the school's online system does not track the amount of time students participate in online learning opportunities, schools may alternatively follow the guidance for "Minimum Documentation Requirements for Non-Classroom, Non-Computer Based Learning Opportunities". It is recognized that schools may track learning opportunities in different ways due to different system capabilities. (FTE Review Manual).

Excused and unexcused days of absence or assignments do not count as hours in e-schools. E-school students who are absent (i.e., do not log in on a designated school day or have documentation of participating in approved non-classroom based learning) are not funded. That is to say, if an e-school student is not participating 100% of the time (based on the school's calendar in EMIS) but remains enrolled the entire school year (i.e., the student did not reach 72 consecutive hours of unexcused absence), the school should adjust the student's *Percent of Time Attended* factor in EMIS to reflect less than 1.0 FTE for the entire school year. A school has not provided a learning opportunity to an e-school student until the student either accesses the online educational system or completes documentation of non-computer-based learning opportunities. All e-schools must adjust the percent of time in EMIS for their students based on the documented learning opportunities. The Department recommends updating the percent of time in EMIS quarterly. All community schools must adjust the percent of time in EMIS for their students who are part time or participating in courses at joint vocational school districts or taking College Credit Plus courses. [FTE Review Manual, Regular and Year-End Percent of Time Adjustment for E-School and /or Non-Computer, Non-Classroom Based Students]

Pursuant to Ohio Rev. Code § 3301.0714, schools must enter data concerning the enrollment and attendance of their students into EMIS. The system is used by all schools to enter and review student enrollment and demographic data.

Ohio Rev. Code § 3313.64(J) states that the treasurer of each school district shall, by the fifteenth day of January and July, furnish the director of education and workforce superintendent of public instruction a report listing the names of each child in the permanent or legal custody of a government agency or person other than the child's parent and each child who resides in a home, who attended the district's schools

during the preceding six calendar months. For each child, the report shall state the duration of attendance of that child, the school district responsible for tuition on behalf of the child, and any other information that the ~~director~~ ~~superintendent~~ requires. Upon receipt of this report, the ~~director~~ ~~superintendent~~ shall deduct each district's tuition obligations and pay to the district of attendance that amount plus any amount required to be paid by the state.

Ohio Rev. Code § 3314.08(B) requires the governing authority of each community school to annually report the number of students enrolled in the community school. For each student, the governing board of the community school must report the city, exempted village, or local school district in which the student is entitled to attend.

- A. Ohio Rev. Code § 3313.672 specifies documentation that must be provided in the enrollment process and includes a birth record and any pertinent court orders. Proof of residency is also needed to establish where a student is entitled to attend school under Ohio Rev. Code § 3313.64 and 3313.65. However, see specific McKinney-Vento Homeless Assistance Act guidance in DEW FTE Review Manual if testing a homeless student.
- B. Ohio Rev. Code § 3317.031 requires membership records be kept intact for at least 5 years.

DEW will continue to adjust the FTE used for the funding formula as the school updates its information throughout the year. At the close of the school's fiscal year end, DEW will reconcile the Final FTE Foundation payments and determine whether the school has a corresponding receivable from or payable due to DEW based upon the accumulation of student FTE's throughout the year. This reconciliation is particularly complex for mobile students. It is critical that schools accurately and timely report their student data to DEW in order for this reconciliation to be performed.

Community schools should continuously review FTE adjustments that impact their monthly foundation payments. All community schools have access to FTE Detail (FTED-001) and FTE Adjustments (FTED-003) reports in the Data Collector. These reports allow a community school to see the impact of all adjustments on FTEs. These reports are updated on a regular basis (by DEW). [DEW EMIS Manual, Section 1.3]

DEW FTE Reviews

Ohio Rev. Code § 3314.08(K) permits FTE reviews, which DEW performs to verify the accuracy of the enrollment and attendance data reported by community schools into EMIS, which sometimes result in FTE adjustments (errors identified by DEW and the community school adjusts their EMIS records), or can result in "clawbacks" (errors identified by DEW FTE Reviews but the community school does not adjust their EMIS records); both of which can be money due back to DEW. These FTE reviews occur at a minimum once every 5 years, but may occur more often. Schools should therefore continue to evaluate whether [DEW's Final FTE Foundation adjustments](#), and FTE reviews, could result in a material receivable, payable, or potential [contingency footnote disclosure](#) in their GAAP-basis annual financial statements.

Tracking Student Participation for Learning Opportunities

Inquire with management and document how the online educational system tracks student participation. The capabilities of online educational systems vary from e-school to e-school. Some e-schools can track log-ins and log-outs; however, the duration of time online may not equate to the hours a student actually spends learning. When evaluating student attendance and participation in an online system, it is important to understand how much reliance the school/auditor can place upon a student's time spent logged into the system as evidence of participation. If an e-school's online system is capable of tracking learning opportunity participation, the school must produce Excel spreadsheets showing the daily, weekly, and monthly accounting of learning opportunities. It also must be able to show the final total of all online learning opportunities that a student participated in. Where there can be little reliance on log reports, the

school may need to supplement online durational learning documentation with manually kept student activity logs certified by teachers. No e-school shall be credited for any time a student spends participating in learning opportunities beyond the ten hours within any twenty-four consecutive hours per Ohio Rev. Code § 3314.08(H)(3).

E-school's may offer learning opportunities that the school's online system does not track or that take place off-line or not on a computer. In addition, some e-schools' online systems may not be able to track and document a student's participation in the online system learning opportunities. E-schools that have these situations must use the following minimum documentation requirements and must be able to provide the needed information on request. (FTE Review Manual)

Documentation must exist for all learning opportunities and must be certified by a teacher. Hours spent on other learning opportunities should not include the online hours that the e-school already counted. Below are minimum requirements for "Other Learning Opportunities": (FTE Review Manual)

- A. Student SSID;
- B. Brief Description of learning opportunities (such as, class or course information);
- C. Dates and times of actual learning opportunities;
- D. Total of verified learning opportunities time
- E. Teacher certification of the reported learning opportunities.

E-Schools may use DEW's "Alternative Learning Opportunity Documentation Log" to document these learning opportunities, but it is not required. The log is simply an example of how an e-school can track these learning opportunities. It is up to the school to decide how to meet the tracking requirements. (FTE Review Manual)

E-schools cannot use estimated or approximated times to calculate percent of time. For example, if a school estimates an assignment should take 15 hours to complete and a student took only 10 hours to complete it, that student would receive credit for 10 hours. (FTE Review Manual)

Auditors should consider when testing controls and compliance whether or not:

- A. DEW conducted a FTE Review for the period under audit.
 1. Reliance on DEW's FTE Review is based on the following factors:
 - a. DEW is the regulator and considered an expert in FTE reporting matters
 - b. In the case, *Electronic Classroom of Tomorrow v. Ohio Dept. of Edn.*, Slip Opinion No. 2018-Ohio-3126, the Ohio Supreme Court ruled "Ohio Department of Education has authority under R.C. 3314.08 to base funding of an e-school on the duration of student participation." DEW has established student participation criteria and documentation requirements for electronic community schools in their FTE Review Manual.
- B. Compare the community schools master calendar submitted to DEW in EMIS with the board approved school year calendar reflected in the minutes³⁷ and published on the school's webpage/or in the parent handbook (differences and their impact on reliance are considered in the steps below). If not in agreement consult with the CFAE Community School Specialist. See testing procedures step 3 below.

³⁷ Minutes should include an exhibit of the calendar approved or document within the body of the minutes the details of the approved calendar. If this level of documentation is not available, the actual approval control process cannot be adequately verified.

- C. DEW’s FTE review included a sample test of 25 or more students. If not, consult with the CFAE Community School Specialist. See footnote in step 6a below for further information.
- D. The school had any contracts/agreements paid on a percentage/number of FTE (or anything that changes), and therefore whether a true-up was required, and properly reported on the financial statements/disclosed in footnotes (if necessary). Such payment terms are common in sponsor/authorizer, management company/operator, and some vendor agreements.
 - 1. A finding for recovery will likely be issued when the true-up calculation(s)/evaluation(s) have not been performed and the auditor determines an amount is due; or an unreasonable legal evaluation/determination has been relied on; or the amount due has not been repaid, or is not in the process of being repaid under the terms of a reasonable and enforceable repayment agreement.
- E. The community school had appropriate policies and internal control procedures in place to ensure compliance with enrollment, durational participation, student withdrawal and other requirements relevant to a community school’s FTE reporting, and perform implementation tests.

Note: If in the normal course of performing the testing procedures below, information is obtained that you feel is relevant and DEW wouldn’t have had available for their review, raising significant concerns on the reliance on DEW’s FTE Review to satisfy the participation requirement, auditors should consult with the Center for Audit Excellence Community School Specialist to determine whether additional testing may be necessary.

In determining how the government ensures compliance, consider the following:	What control procedures address the compliance requirement?	W/P Ref.
<ul style="list-style-type: none"> • Policies and Procedures Manuals, • Knowledge and Training of personnel • Checklists • Legislative and Management Monitoring • Management’s identification of changes in laws and regulations • Management’s communication of changes in laws and regulations to employees 	<p>Request the client provide a document/narrative describing/ supporting how they operated during the year.</p> <p>For example the document / narrative should explain controls in place over student attendance for the learning model utilized (i.e.. how attendance was taken, how learning opportunities were offered to students, how student engagement in remote or online opportunities were measured, how the school monitored missing students for truancy, etc.). Referencing to various sections of plans/policies is strongly encouraged within this narrative.</p>	

Suggested Audit Procedures - Compliance (Substantive) Tests:

Auditors should refer to DEW’s FTE Review Manual & section 1.3 of DEW’s EMIS Manual for additional guidance about the compliance requirements for E-schools described in this OCS Step. Reviewing and understanding the guidance in this Manual is a critical part of accurately testing student enrollment and attendance. The FTE Review Manual is available at the link above.

Note: The most effective audit procedures include a review and evaluation of school policies as well as verification that schools are maintaining the appropriate student enrollment, learning models, learning opportunities participation, duration, and withdrawal documentation. A school's timeliness of student enrollment and withdrawal dates is also a critical component in ensuring accurate FTE reporting to DEW.

AOS provides DEW copies of all community school audit reports. As a result of issues identified and reported under audit, auditors should be aware that DEW may perform a FTE review in a subsequent fiscal year to assess compliance and determine the accuracy of the school's reported FTE. This could potentially impact future school funding.

Procedures for Electronic Community Schools:

1. Obtain a copy of the school's enrollment and attendance policies and procedures and inquire with the EMIS Coordinator to gain an understanding. Document and evaluate the school's procedures for:
 - a. Enrolling and withdrawing pupils timely;
 - b. Verification of student residence/address;
 - c. Setting up school calendars for students in EMIS;
 - d. Offering and documenting credit flexibility
 - e. Documenting participation in learning opportunities for both at home, online and off-line/non-classroom time, if applicable.
 - i. **It is important that their policy/procedures address how they identify and monitor overlap/duplication of time between various online learning systems; as well as duplication of time between online learning systems, and online or other off-line/non-classroom. The school must have controls in place to ensure the same period of time does not overlap or be counted more than once;**
 - f. Capturing and reporting idle time when calculating a student's participation;
 - g. Monitoring and documenting student absences; and
 - h. Monitoring, withdrawing, and notifying the resident public school of withdrawn students or students truant for 72 or more consecutive hours. *Note: If the school has a stricter policy than 72 hours, consult with CFAE Community School Specialist.*

If auditing an e-school that is not implementing a Dropout Prevention and Recovery (DOPR) program, complete the following [document](#) and add it to your working papers. There are different student attendance requirements for such e-schools.

For items above not addressed in the schools written policies/procedures, consider whether an internal control comment is appropriate under AU-C265.

2. As part of this evaluation, determine whether the Community School's policies and procedures are consistent with the Educational Plan in the Community School's Charter, as approved by the school's sponsor, and include sufficient procedures for identifying and tracking attendance and participation for all students for whom the *community school* is responsible.
3. Inquire with community school management about the learning opportunities it offered as part of its operating standards during the audit period.
 - a. Determine whether the community school offered the minimum 920 hours of learning opportunities by reviewing the master school calendar in EMIS and student participation records (both online and off-line/non-classroom as applicable in step 7 below).
 - b. If the community school offered more or less than the required minimum, determine whether the community school reported the accurate number of learning opportunities to the Ohio Department of Education and Workforce (this will be the Master Calendar in EMIS).
 - c. Compare the community schools master calendar submitted to DEW in EMIS with the board

approved school year calendar reflected in the minutes and published on the school's webpage/or in the parent handbook (differences and their impact are considered in the steps below). If not in agreement consult with the CFAE Community School Specialist.

4. Consider whether the community school should include a receivable, payable, or contingency footnote in accordance with the financial reporting framework requirements (i.e. GAAP) related to Final [Foundation Funding adjustments](#) after year end and/or as a result of DEW FTE Reviews.

Note: Since community schools are funded on an annual basis, DEW must reconcile and make Final Foundation Funding payments after the fiscal year end close out is performed. These Final Payments occur no sooner than August and may span several months before DEW finalizes the Foundation Funding payments. Schools should evaluate each FTE Foundation adjustment at the time made, rather than waiting until all FTE Foundation adjustments have occurred for the fiscal year and just evaluating the net. ~~We anticipate community school receivable amounts at year end would be less significant under the new funding model as compared to the old funding model.~~

- a. Also consider whether a true-up was required for any contracts/agreements paid on a percentage/number of FTE (or anything that changes), and if so, whether it was treated properly in accordance with the summary of audit requirements above. (AOS auditors see guidance in Teammate / IPA's see guidance above, and suggested steps in Community School Audit Programs for IPA's at <https://ohioauditor.gov/references/guidance/communityschools.html>).
5. Perform the following procedures:
 - a. Select a representative number of **newly enrolled** students during the school year (normally five³⁸ students is sufficient). The new enrollment list may be obtained by the E-school through EMIS or other student attendance information system.
 - i. Compare the reported enrollment date to the latter of the: (1) first login date, or (2) date the computer was received.³⁹

Note: Students are not enrolled in an E-school until the latter of first login date or the date the computer was received. Students may waive the right to a computer; however, this documentation must be kept on file by the community school. The community school should be able to produce a report that documents login dates. Community schools should also maintain shipping logs (with tracking numbers) from the computer vendor. If the student's parent physically picked up the computer, the community school should have the parent's signature on file to support receipt of the computer or contained in the student's file.

³⁸ Identifying noncompliance during the test increases risk. If an attribute for one or more of the five students selected for testing fails consult with the Center for Audit Excellence to determine if testing should be expanded and/or if a noncompliance comment should be elevated.

³⁹ For students who login from a different computer (while waiting to receive their issued computer), this login date may be considered the enrollment date even though it may not be the "latter" of these. In this case, auditors should still inspect support indicating the computer was received at a later date. In this case, determining compliance with Ohio Rev. Code § 3314.08(J)(2) should be on the date when the school hardware was provided with installation/access to school software.

- ii. Determine whether the school maintained copies of the student's birth record⁴⁰, proof of residency, and parent/guardian signed enrollment forms in the student file to support enrollment and resident district determinations.
- b. Select a representative number of students from the community school's **withdrawal** list (normally five³⁸ students is sufficient). The withdrawal list may be obtained by the community school through EMIS or the community school's student information system.
 - i. Identify when students were withdrawn and determine whether it was timely (e.g., waiting several weeks or more from withdrawal notification is not timely).
 - a) For example, using grade records and/or attendance records, determine the last day students were reported as attending the community school. If a student was reported absent for 72 consecutive hours, determine the date the student should have been withdrawn and ascertain whether the school reported the withdrawal timely.
 - ii. Determine whether the appropriate EMIS withdrawal code was used to withdraw the student based on evidence in the student's file. [DEW EMIS Manual 2.1.1 & 2.4](#) provides examples of the types of documentation required to be obtained and maintained by the school for each type of withdrawal code.
 - iii. Inquire with management about any significant differences or adjustments. Consider reporting noncompliance or other client communication for any significant unexplained variances.
 - a) *A community school should not wait until March to remove a student from its enrollment if the student withdrew in October. Significant delays in reporting student withdrawals constitute noncompliance. Likewise, a student with excessive truancy should have received multiple communications from the school to verify the student's absence during the 72-hour period. Community schools should maintain a daily call log, copies of written correspondence to parents/guardians, or obtain timely excuses from the parent, guardian, or adult-aged student for excessive absenteeism that does not result in removal of a student from enrollment.*

When DEW has conducted a FTE review for the fiscal year:

6. If DEW has conducted a FTE review for the fiscal year: (Note: if a FTE review **has not been conducted**, proceed to step 7):
 - a. Obtain a copy of the written report⁴¹ and review the results of procedures performed⁴².

⁴⁰ The original source document for a birth record may be a photocopy of a birth certificate or a properly attested documentation of birth. ([DEW FTE Review Manual](#), p. 33 of FY 24 manual)

⁴¹ AOS Auditors should check the community school master spreadsheet available on the Community School intranet page for the status of FTE reviews. If available, these letters can be obtained from *W:\Community School FTE Review Letters & Other DEW Correspondence\Community Schools*. IPA's should check the same spreadsheet in the AOS IPA Portal, and obtain the report from the client, if one is noted.

⁴² Auditors should determine if a sample size of at least 25 students was tested. If the size was less than 25 and there was not a valid reason evident for the reduction, the CFAE Community School Specialist should be contacted to see if the review can be relied upon or if step 7 will need to be performed. Be aware that some FTE letters indicate a 'modified' review/sample was performed (which typically concentrates on various areas of non-compliance noted in the schools prior year review). If the schools letter states such, review the modified protocol listing on the [AOS Community School intranet page](#) for details of the modified review. For items tested by DEW, as long as the number of students tested is greater than or equal to the number of students required by OCS 4A-5, DEW's review may be relied on *for the specific items the modified protocol listing/FTE review document mentions were tested* at the

- b. If DEW reported an issue(s), auditors should assess materiality and consider reporting a similar finding(s) in the audit report or management letter based upon the results of DEW's FTE Review.

When DEW has not conducted a FTE review for the fiscal year:

7. Determine whether the school has support for meeting the 920 hours of learning opportunities and whether the school is following its policies for documenting and measuring student enrollment and participation.
 - a. Student file testing: Select a representative number of students enrolled for **any part of the school year** (normally five³⁸ students is sufficient and this is a separate sample from the step below; however, auditors should assess the risk of noncompliance for their particular school and increase this selection, if appropriate).

Review the student files for the selected students and determine whether the school is following its policies for documenting and measuring student enrollment, attendance and participation.

- i. Determine whether the school has birth record⁴⁰ and proof of residency documentation for the student contained in the student file.
- ii. Determine whether the school has completed/signed student enrollment forms contained in the student file.
- iii. Determine whether the community school is retaining the membership record for at least five years.
- iv. Determine whether the school has maintained records of student absences in the student file (or elsewhere) sufficient to enable the school to monitor its compliance with their policy/procedures/education plan on the 72 consecutive hour rule for withdrawal. If the student was reported absent for 72 consecutive hours, determine the date the student should have been withdrawn, ascertain whether the school reported it timely, and verify that less than 1 FTE was claimed for the student. You do not have to calculate the exact FTE. If you find the school claimed 1 FTE for a student that should have been withdrawn, consider that when selecting the number of students to test in step 7c(ii).
 - a) When students are noted nearing the 72 consecutive hour withdrawal mark, and then attend for just a few days, determine if the school complied with Ohio Rev. Code § 3321.191 requirements & the schools truancy policy (send parent notices, maintain call logs, refer to court (if required), etc.). Also, look for proof of completed assignments for the few days the student was marked as attending to substantiate that they did attend. <https://education.ohio.gov/Topics/Student-Supports/Attendance-Support/Ohio-Attendance-Laws-FAQs>
- b. Determine and document how the e-school's online educational learning system operates and how much reliance can be placed upon log in and log out times (i.e., duration of time) in the system as evidence of student participation (step c below). Consider utilizing the 'E-school and Blended School FTE Review Guiding Questions' appendix in the DEW FTE Review Manual.
- c. Participation testing: Select five³⁸ community school students that were **enrolled for any part of the school year** from the school's EMIS report.

particular school. IPA's may request the modified protocol listing from CommunitySchoolQuestions@ohioauditor.gov.

- i. For each student identified, select, 5 non-consecutive enrollment days under the audit period and determine whether the student participated⁴³ in and received credit for more than 10 hours of learning opportunities in any 24-hour period. Also determine whether overlap/duplication of time between various online learning systems; as well as duplication of time between online learning systems, and off-line/other non-classroom time exists. Finally, determine whether the school maintains log records or student-prepared participation logs that match the daily hours of instructions listed in the school's daily EMIS calendar for selected students. The total log time hours and off-line/non-classroom learning documentation for each student should match the hours reported in EMIS. If the student has non-computer learning opportunities, the school should maintain documentation in the student file to document participation and approval in writing by a teacher of such time. *Auditors should report noncompliance or other client communication where log and non-computer hours documented in the student files do not match EMIS and no other supporting documentation exists; as well if overlap/duplication of time is noted, or if students are receiving credit for more than 10 hours in a 24 hour period.*
Note: This is admittedly a difficult step; however, the total computer and non-computer-based learning opportunities must be adequately supported and be reasonably comparable to the total hours of instruction claimed by the school to be provided to the student based upon the FTE reported in EMIS.
 - ii. Using the applicable student files, participation records and school calendar, determine if the student should have 1.0 or less than 1.0 FTE and compare to what the school reported to DEW in EMIS. For example, if the e-school's attendance policy requires the students to participate during certain hours/days, and a student is documented as being absent, whether excused or unexcused, the students FTE should not equal 1.0. If it is evident that a FTE should have been reduced and wasn't we would consider this an exception. You do not have to calculate the exact FTE. Exceptions should be discussed with the CFAE Community School Specialist.
- d. If the school did not maintain durational participation data, determine whether or not the required standard contingency footnote for funding was reported by the school.

Audit implications (adequacy of the system and controls, and the direct and material effects of non-compliance, effects on the audit opinions and/or footnote disclosures, significant deficiencies/material weaknesses, and management letter comments):

- Consider the results of all procedures in this Section when evaluating the school's compliance with FTE requirements.
- Evaluate whether the community school had appropriate policies and internal control procedures in place to ensure compliance with enrollment, durational participation, student withdrawal and other requirements relevant to a community school's FTE reporting. Most likely non-compliance as well as missing or inadequate controls for FTE reporting is indicative of an AU-C 265 control comment.

⁴³ While we do not expect [credit flexibility](#) to be something you will see in an e-school, we will only test the Individual Student Education Plan and adherence to that plan if a student selected is participating in credit flex. So durational support will not be needed to be tested for the credit flex portion of the student day. However, the remaining portion of the days learning opportunity (if any) will still be required to be tested. Additionally, there should not be overlap that results in more learning opportunity hours than what was actually participated in.

Revised: HB 33, 135 GA
Effective: October 3, 2023

4A-5C Compliance Requirement: Ohio Rev. Code §§ 3301.079, 3302.41, 3313.64, 3314.03, 3314.08, and 3317.022; Ohio Admin. Code 3301-102-02, 3301-35-01 – Community School Funding (*Blended only*).

Community schools may operate as either:

- **Brick & Mortar - In person as normal (4A-5A),**
- **Blended Learning Declaration (4A-5C – Ohio Rev. Code § 3302.41), or**
- **E-schools (Internet or Computer-based) (4A-5B - Ohio Rev. Code § 3314.02).**

This section applies to community schools operating under blended learning declarations.

- A. A list of schools that filed a blended learning declaration form with DEW is available [here](#).
- B. Note: If a community school filed a blended learning declaration but did not implement and use the declaration, the school would be tested in 4A-5A.
- C. Use of a blended learning model(s) must be part of an overall plan to provide instruction throughout the entire school year. ~~A blended learning plan cannot be made on a contingent basis, but a blended learning plan can be adopted to permit online delivery based on contingent events. During Fy 2023 and beyond—Blended learning is not to be used on an emergency or contingent basis including but not limited to the following reasons:~~
 1. ~~Temporary closure due to disease or sickness;~~
 2. ~~Weather related closures;~~
 3. ~~Parent teacher conferences, teacher workdays or other professional development;~~
 4. ~~Staffing shortages.~~

See DEW's [Blended Learning Guidance](#).
- D. For more information about blended learning in community schools, refer to DEW's Guidance for Blended Learning available at: [Blended-Learning-Guidance.pdf](#).

~~**Alert: Beginning with Fy24, certain schools are moving to a 4-day week for students.**~~

- ~~• **It is imperative that they are still complying with the minimum number of required hours, and learning model that they have in place.**~~
- ~~• **For example, if they are utilizing a blended learning model, keep in mind that the definition of such has a required online component.**~~
- ~~• **As another example, if they do not have a blended learning declaration, and are operating as a traditional brick & mortar school, the only hours that count are those as described below.**~~
- ~~• **Auditors should consult with the CFAE OCS Team via Spiceworks (AOS) or the IPAcorrespondence@ohioauditor.gov e-mail address (IPA) for any schools that do not appear to be operating as required.**~~

Only brick and mortar community schools that meet certain statutory requirements may operate all or part of a school using one or more blended learning models (Ohio Rev. Code § 3302.41(A) & (C)).

Blended community school students work part of the time from home, and are required by the community school charter's Educational Plan and Student Policy Handbook to attend the school facility a majority of the time. There are several types of blended learning models. Ohio Rev. Code § 3301.079(J)(1) states "Blended learning" means the delivery of instruction in a combination of time primarily in a supervised physical location away from home and online delivery whereby the student has some element of control over time, place, path, or pace of learning and includes noncomputer-based learning opportunities. Ohio Admin. Code 3301-35-01 clarifies that for purposes of that definition, "primarily" means over the course

of the school year, a student works more than fifty per cent of the time from a supervised physical location away from home.

The key components of this include instruction in both a physical learning space away from home and online. The other components include some student choice of certain elements, like “time, place, path or pace of learning.” All these elements must be present to be considered a blended learning environment.

To operate using a blended learning model for instruction in the community school, the school and sponsor should negotiate and agree in the community school contract to include the blended learning provisions. Specific information about how the school intends to implement blended learning must be included in the community school contract (Ohio Rev. Code § 3314.03(A)(29)(a)-(g)):

- (a) what blended learning model(s) will be used,
- (b) description of how student instructional needs will be determined and documented,
- (c) the method to be used for determining competency, granting credit, and promoting students to a higher grade level,
- (d) attendance requirements, including how the school will document participation in learning opportunities,
- (e) a statement describing how student progress will be monitored,
- (f) a statement describing how private student data will be protected,
- (g) description of the professional development activities offered to teachers.

In addition to contract language, the community school also must notify the ~~Ohio Department of Education’s Office of Community Schools~~ department of education and workforce, in writing, no later than July 1 preceding the school year if it wishes to begin or cease using a blended learning model, pursuant to Ohio Rev. Code § 3302.41(A). DEW’s opening assurances, however, are required to be completed by the sponsor for the school’s **first year** of operation, or if the school is not an e-school and it **changed buildings**, the first year operating from the new building, which include a section regarding whether the school will operate a blended learning model. Additional details can be found in section 4B-4 of Chapter 4.

Summary of Requirements:

Ohio Rev. Code § 3317.022 provides the formula by which Community Schools are funded. Community Schools receive funding from the state through the per-pupil foundation allocation through the community and STEM school funding unit. Unlike city, local, exempted village and joint vocational school districts, Community Schools have no tax base from which to draw funds for buildings and investment in infrastructure. Ohio Rev. Code § 3314.191 states that no payments will be made under Ohio Rev. Code § 3317.022 during the first year of operations unless certain conditions are met. Beginning with FY 2022, the ~~new Fair School~~ funding formula requires state operating funding be paid *directly* to community schools for the students they are educating (but it excludes direct funding for contract career tech and special education co-op students), rather than being first paid to the traditional resident district, and then deducted and paid to the community school they are being educated at. Simply stated, DEW now funds students where they are educated, rather than where they live. ~~For important definitions used in this section and additional guidance on the funding calculation, refer to Supplemental Information - Foundation Funding, Community School Payment Letters, and DEW’s FY2024 School Finance Payment Report Line by Line Explanation. For additional guidance on state funding refer to the information starting on page 146 of the LSC HB 110, 134th GA Analysis, 134th GA, HB 583, DEW’s September 2023 Community School Payment Letter and Supplemental Information on Foundation Funding.~~

Community schools must provide documentation that clearly demonstrates students have participated in learning opportunities. Community schools with blended learning environments (i.e. a mixture of both classroom and non-classroom/internet-based learning) have unique challenges in documenting and assessing student participation. Attendance requirements, including a majority of time required in the

school facility, should be detailed in each community school's education plan and student handbook. Appropriate documentation of student learning activities should include a combination of attendance in the school facility and documentation of online learning activities. See the "Learning Opportunity Documentation Requirements for Schools Using Blended Learning Models" in [DEW's FTE Review Manual](#) for further information.

Ohio Rev. Code § 3314.03, in part, requires the contract between a sponsor and the governing authority of a community school state the following:

- A. That the governing authority will adopt an attendance policy that includes a procedure for automatically withdrawing a student from the school if the student, without a legitimate excuse, fails to participate in seventy-two (72) consecutive hours of the learning opportunities offered to the student.⁴⁴
- B. The school will provide learning opportunities to a minimum of twenty-five students for a *minimum* of nine hundred twenty (920) hours per school year.
 1. The ~~Ohio~~ department of ~~Education~~ shall determine each community school student's percentage of full-time equivalency based on the *percentage of learning opportunities* offered by the community school to that student, reported either as number of hours or number of days. Whether it reports hours or days of learning opportunities, each community school shall offer not less than nine hundred twenty hours of learning opportunities during the school year. [Ohio Rev. Code § 3314.08(H)(3)] *Note: While the statute mentions "days", DEW collects this information and calculates it in terms of hours. So schools must have a means of converting "days" to "hours" when reporting to DEW.*
- C. That the governing authority will adopt a policy regarding the admission of students who reside outside the district in which the school is located;
- D. A financial plan detailing an estimated school budget for each year of the period of the contract and specifying the total estimated per pupil expenditure amount of each such year.
- E. An addendum to the contract outlining the facilities to be used containing at least the following information: (See additional information in OCS 4B-5)
 1. A detailed description of each facility used for instructional purposes;
 2. The annual costs associated with leasing each facility that are paid by or on behalf of the school;
 3. The annual mortgage principal and interest payments that are paid by the school;
 4. The name of the lender or landlord, identified as such, and the lender's or landlord's relationship to the operator, if any.
- F. A provision requiring the governing authority to adopt an enrollment and attendance policy that requires a student's parent to notify the community school in which the student is enrolled when there is a change in the location of the parent's or student's primary residence.
- G. A provision requiring the governing authority to adopt a student residence and address verification policy for students enrolling in or attending the school.
- H. That the school's attendance and participation records shall be made available to the Department of ~~Education~~, Auditor of State, and school's sponsor to the extent permitted under and in accordance with the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. § 1232g, as

⁴⁴ Valid legal reasons for non-attendance are set forth in Ohio Admin. Code 3301-69-02.

amended, and any regulations promulgated under that act, and section 3319.321 of the Revised Code.

- I. A provision requiring that all moneys the school's operator loans to the school, including facilities loans or cash flow assistance, must be accounted for, documented, and bear interest at a fair market rate. (See OCS 4A-3 for testing such loans.)
- J. Shall specify that the school will comply with numerous sections of the Ohio Rev. Code including section 149.43 [Ohio Rev. Code § 3314.03(A)(11)(d)]

Ohio Rev. Code § 149.43 defines public records as follows: records kept by any public office, including, but not limited to, state, county, city, village, township, and school district⁴⁵ units, and records pertaining to the delivery of educational services by an alternative school in this state kept by the nonprofit or for-profit entity operating the alternative school pursuant to section Ohio Rev. Code. § 3313.533 Medical records are excluded from this definition of public records, however Ohio Rev. Code § 149.43(A)(3) explains that medical record does not by definition include any documents related to birth, and are therefore considered public record by AOS and DEW.

Attendance and Instruction

As permitted by Ohio Rev. Code § 3314.08(H)(2), DEW has established student participation criteria and documentation requirements for community schools with blended learning in their FTE Review Manual. Participation in learning opportunities provided by a community school as defined in the community school's contract with its sponsor and is documented through daily attendance for the brick and mortar portion and participation in durational learning opportunities for non-classroom time similar to an e-school. (See DEW's FTE Review Manual "Learning Opportunity Documentation Requirements for Schools using Blended Learning Models".) It does not include days on which only enrollment and/or orientation activities or calamity days occur.

Instructional hours in a community school are defined by learning opportunities provided to or engaged in by a student. As it pertains to blended learning models, Ohio Admin. Code 3301-102-02(J) defines learning opportunity as classroom-based or non-classroom-based supervised instructional and educational activities that are defined in the community school's contract and are:

- (1) Provided by or supervised by a licensed teacher⁴⁶;
- (2) Goal-oriented; and
- (3) Certified by a licensed teacher as meeting the criteria established for completing the learning opportunity.

As outlined in the Instructional Hours/Learning Opportunities section of DEW's FTE Review manual, a community school is required to define learning opportunities in its contract with its sponsor:

- A. It may include both classroom-based and non-classroom-based activities.
- B. These activities have to be either directly provided by a teacher or supervised by a teacher; the school should be able to identify the teacher.

⁴⁵ We consider the reference to district/school district in Ohio Revised Code sections to also mean community schools, based on Ohio Rev. Code § 3314.03.

⁴⁶ Teachers in community schools must hold a teaching license in accordance with Ohio Rev. Code §3314.03(A)(10), except that a community school may engage noncertificated persons to teach up to 12 hours or 40 hours per week pursuant to Ohio Rev. Code § 3319.301. Appropriate teaching licenses include professional licenses, resident educator licenses, alternative licenses, supplemental licenses, and substitute licenses issued under Ohio Rev. Code § 3319.226 or long-term substitute licenses. In addition, pre-service teacher permits are issued under Ohio Rev. Code § 3319.0812, and alternative temporary substitute teacher licenses are issued under Ohio Rev. Code § 3319.102.

- C. These activities have to be educational, instructional, and goal-oriented; there should be some school policy or guidance that in advance describes the goal, mainly of non-classroom-based activities. Reporting activities after-the-fact without prior goals, prior specification of activities, and/or teacher direction is not sufficient.

Instructional hours in a community school's day include time for changing classes, but not the recess, breakfast and lunch periods. In a blended school, students can earn credit on evenings, weekends, and holidays.

If a community school presents a computer printout of attendance, it must have original documents from which the computer printout, data was drawn, such as teachers' daily attendance and absence lists, teachers' grade books, and student sign-in sheets. If the school provides an absence only list to verify attendance, it must be accompanied by the total class list for that teacher. [[DEW FTE Review Manual](#)]

If the source of the computer printout data is a teacher personally entering data into the Student Information System, the computer printout itself is the original source document. In such a case, the community school must identify which staff members, including the teacher, have access to the attendance system to make data changes. The school must document in a separate log any changes made by staff members other than the classroom teacher. An example is an office clerk who changes an absence to a tardy based on a late sign-in sheet. [[DEW FTE Review Manual](#)]

If an office staff member records attendance in a computer, the attendance record of the classroom teacher, which is sent to the office staff member, is the original source document and should be used by the auditor to verify attendance. [[DEW FTE Review Manual](#)]

All schools must adjust percent of time for students who are attending part time, participating in courses at a joint vocational school district or taking College Credit Plus courses. [[DEW FTE Review Manual](#)]

Exception for Credit Flexibility: Each school district is mandated to have a policy on credit flexibility, as required by Ohio Rev. Code § 3313.603(J). Students can engage in credit flexibility, which can include a non-classroom component. Participation results in an individual education plan (IEP) for each student approved to participate in credit flexibility. Participation in credit flexibility having a non-classroom component does not mean that school is operating in a blended environment, since all students would not be engaging in the activity. Engaging in credit flexibility does not exempt a school from complying with the minimum number of hours of instruction for each school year.

Funding and Reporting Attendance

The community school's Foundation funding will be based on the annualized full-time equivalency (FTE) enrollment of each student. A student who enters at the beginning of a school year and receives instruction for the community school's total annual membership units will generate an FTE of 1.0. Students should never have an FTE greater than 1.0. Students who attend a community school for less than the entire year will have an FTE equal to the total hours of enrollment period divided by the number of hours in the school year calendar. Community schools can continuously update estimated student FTE information in DEW's Education Management Information System (EMIS), but must report actual FTE information no later than the end of the school year. A student's FTE will be determined based on the individualized calendar/class schedule each student is assigned to for the school year and his or her enrollment and withdrawal dates.

Pursuant to Ohio Rev. Code § 3314.03(A)(6)(b) & (A)(27-28) community schools must adopt attendance and participation policies for their students and attendance and participation records shall be made available to the Department of Education, Auditor of State and the school's sponsor. The contract between the

community school and sponsor should include requirements for measuring and documenting student attendance and participation.

Community schools that offer blended learning are permissible under the law, subject to approval by their sponsor (Ohio Rev. Code §§ 3301.079(J)(1) and 3314.03). Correspondence courses are not a recognized blended learning model as they do not provide opportunities for both in-person and online learning; therefore, correspondence courses do not meet the definition of blended learning. Additionally, community schools offering blended learning opportunities are required to make a declaration of such to DEW, however Internet- or computer-based community schools are not blended learning schools under Ohio Law (Ohio Rev. Code § 3302.41(A) & (C)). In this model the actual number of hours the student participates in learning opportunities must be tracked and documented as required per DEW's FTE Review Manual. A student may combine hours from different learning modes, so total hours can be a combination of both classroom-based instruction and non-classroom hours. Students participating in classroom-based learning opportunities, with *excused* absences remain enrolled and will be funded since the school provided the learning opportunity. That is, a teacher provided instruction to the class even though the student was absent on a given day. However, students with *unexcused* absences will be funded only up until the student reaches 72 consecutive hours of non-attendance, at which point the student must be immediately withdrawn. If a student is attending only on a part-time basis (e.g., a student is splitting his/her instructional time between the community school and a JVS), the community school should adjust the student's "Percent of Time Attended" factor in EMIS to reflect less than 1.0 FTE for the student. Non-classroom learning opportunities are only credited for actual documented hours, missed days for those learning opportunities (both excused and unexcused absences) or assignments do not count as hours.

Blended learning models used by Ohio community schools must require that students spend the majority of their school year onsite at their school facility. Schools should include all classroom-based learning opportunities that the students were expected to attend. Provided the school requires the students to attend a majority of time on-site, the school may get credit for all those classroom-based learning opportunities even if the student was absent, either excused or unexcused. For funding, these days and hours are treated just like learning opportunities at a brick and mortar school. If the school does not require the students to attend a majority of time on-site, the school may receive funding for classroom-based learning opportunities, but the school may be referred to the Office of Community Schools for noncompliance. [FTE Review Manual]

Pursuant to Ohio Rev. Code § 3301.0714, schools must enter data concerning the enrollment and attendance of their students into EMIS, which is used by all schools to enter and review student enrollment and demographic data.

Ohio Compulsory Attendance and Truancy laws still require community schools to have policies concerning excused and unexcused absence as well as policies to guide employees in addressing attendance practices of any student who is a habitual truant. Further, community schools must maintain documentation to support any withdrawal code reported for a student. Information regarding the preferred documentation that community schools should maintain in student files for the different withdrawal codes varies. Also, in instances where districts are unable to secure the preferred documents, other documentation may be considered acceptable alternatives to support the relevant withdrawal code. A table of the acceptable documentation can be found in the [DEW EMIS Manual](#) 2.1.1 - Required Documentation and further guidance is available in DEW EMIS Manual 2.4.

The following table assists in clarifying the difference between the following absentee categories. As noted in the DEW guide below, these categories indicate various steps schools must take to assist the student⁴⁷

⁴⁷ If the student is no longer of compulsory school age (Ohio Rev. Code § 3321.01(A)(1)), while schools should perform their due diligence for absentee issues, they are not obligated to follow absence intervention plans.

and their family with an absentee issue. Students may not be suspended or expelled for truancy, and this does **not** indicate a student must be automatically withdrawn.

	Consecutive hours	Hours per school month	Hours per school year
Habitual Truancy	30 hours <i>without</i> a legitimate excuse for the consecutive absences	42 hours <i>without</i> legitimate excuses for absences	72 hours <i>without</i> legitimate excuses for absences
Excessive Absences	--	38 excused or unexcused hours absent <i>unless</i> the absence is medically excused	65 excused or unexcused hours absent <i>unless</i> the absence is medically excused
Chronic Absenteeism	--	--	10% of total hours either excused or unexcused

(Source: DEW's '<https://education.ohio.gov/Topics/Student-Supports/Attendance-Support/Ohio-Attendance-Laws-FAQs#FAQ4887>')

Brick and mortar community schools (including those using a blended learning model) must follow all requirements in the table above. Both truancy and excessive absences apply to all public schools, including e-schools. All public schools must implement interventions for students who have not participated in instructional activities and thus meet the triggers for habitual truancy and/or excessive absences. Students in a virtual environment are expected to participate in instructional activities on a consistent basis that conforms to the school calendar.

In addition, for community schools, Ohio Rev. Code Chapter 3314 does require the following, which is a separate law from the categories in the table above.

- A. 3314.03(A)(6)(b): the governing authority must adopt an attendance policy that includes a procedure for **automatically withdrawing** a student from the school if the student without a legitimate excuse fails to participate in seventy-two (72) **consecutive** hours of the learning opportunities offered to the student.
- B. 3314.08(H)(2): if the student without a legitimate excuse fails to participate in the first seventy-two (72) consecutive hours of learning opportunities offered to the student in that subsequent school year, the student shall be considered not to have re-enrolled in the school for that school year.

Ohio Rev. Code § 3313.64(J) states that the treasurer of each school district shall, by the fifteenth day of January and July, furnish the director of education and workforce ~~superintendent of public instruction~~ a report listing the names of each child in the permanent or legal custody of a government agency or person other than the child's parent and each child who resides in a home, who attended the district's schools during the preceding six calendar months. For each child, the report shall state the duration of attendance

of that child, the school district responsible for tuition on behalf of the child, and any other information that the ~~director~~ ~~superintendent~~ requires. Upon receipt of this report, the ~~director~~ ~~superintendent~~ shall deduct each district's tuition obligations and pay to the district of attendance that amount plus any amount required to be paid by the state.

Ohio Rev. Code § 3314.08(B) requires the governing authority of each community school to annually report the number of students enrolled in the community school. For each student, the governing board of the community school must report the city, exempted village, or local school district in which the student is entitled to attend.

- A. Ohio Rev. Code § 3313.672 specifies documentation that must be provided in the enrollment process and includes a birth record and any pertinent court orders. Proof of residency is also needed to establish where a student is entitled to attend school under Ohio Rev. Code § 3313.64 and 3313.65. However, see specific McKinney-Vento Homeless Assistance Act guidance in DEW FTE Review Manual if testing a homeless student.
- B. Ohio Rev. Code § 3317.031 requires membership records be kept intact for at least 5 years.

DEW will continue to adjust the FTE used for the funding formula as the school updates its information throughout the year. At the close of the school's fiscal year end, DEW will reconcile the Final FTE Foundation payments and determine whether the school has a corresponding receivable from or payable due to DEW based upon the accumulation of student FTE's throughout the year. This reconciliation is particularly complex for mobile students. It is critical that schools accurately and timely report their student data to DEW in order for this reconciliation to be performed.

Community schools should continuously review FTE adjustments that impact their monthly payments. All community schools have access to FTE Detail (FTED-001) and FTE Adjustments (FTED-003) reports in the Data Collector. These reports allow a community school to see the impact of all adjustments on FTEs. These reports are updated on a regular basis (by DEW). [DEW EMIS Manual, Section 1.3]

DEW FTE Reviews

Ohio Rev. Code § 3314.08(K) permits FTE reviews, which DEW performs to verify the accuracy of the enrollment and attendance data reported by community schools into EMIS, which sometimes result in FTE adjustments (errors identified by DEW and the community school adjusts their EMIS records), or can result in "clawbacks" (errors identified by DEW FTE Reviews but the community school does not adjust their EMIS records); both of which can be money due back to DEW. These FTE reviews occur at a minimum once every 5 years, but may occur more often. Schools should therefore continue to evaluate whether [DEW's Final FTE Foundation adjustments](#) and FTE reviews, could result in a material receivable, payable, or potential [contingency footnote disclosure](#) in their GAAP-basis annual financial statements.

Tracking Student Participation for Non-Classroom Learning Opportunities

For schools with blended learning opportunities that have an online component, inquire with management and document how the online educational system tracks student participation. The capabilities of online educational systems vary from school to school. Some schools can track log-ins and log-outs; however, the duration of time online may not equate to the hours a student actually spends learning. When evaluating student attendance and participation in non-classroom learning opportunities in a blended learning school, it is important to understand how much reliance the school/auditor can place upon a student's time spent logged into the system as evidence of participation. If an online system is capable of tracking learning opportunity participation, the school must produce Excel spreadsheets showing the daily, weekly, and monthly accounting of learning opportunities. It also must be able to show the final total of all online learning opportunities that a student participated in. The blended school may have more than one online system that tracks the duration of learning opportunities. In these circumstances, the times may not overlap

or be counted more than once. Time not on the computer (self-reported) may not overlap online time. Where there can be little reliance on log reports, the school may need to supplement online durational learning documentation with manually kept student activity logs certified by teachers. Blended learning schools might also maintain student activity grade books, which document assignments completed, and teacher grades throughout the year to help support participation. Such books should be maintained on a per student, per subject, per assignment basis.

If the blended learning school's online system does not track the amount of time students participate in online learning opportunities, schools may alternatively follow the guidance for "Minimum Documentation Requirements for Non-Classroom, Non-Computer Based Learning Opportunities" in DEW's FTE Review Manual. It is recognized that schools may track learning opportunities in different ways due to different system capabilities. [[DEW FTE Review Manual](#)]

Schools may have learning opportunities their online systems do not track and that take place offline or not on a computer. Also, some school's online systems may not be able to track and document a student's participation in online learning opportunities. These schools must use the documentation requirements for other learning opportunities and be able to provide the information on request. [[DEW FTE Review Manual](#)]

Documentation must exist for all learning opportunities and must be certified by a teacher. Other learning opportunity hours should not include the online hours that already have been counted. The following are minimum requirements for "Other Learning Opportunities": [[DEW FTE Review Manual](#)]

- A. Student SSID;
- B. Brief Description of learning opportunities (e.g. class or course information);
- C. Dates and times of actual learning opportunities;
- D. Total of verified learning opportunities time; and
- E. Teacher certification of the reported learning opportunities.

Schools may use the "Alternative Learning Opportunity Documentation Log" to document these learning opportunities, but they are not required to. This is an example of how these learning opportunities can be tracked. It is up to the school to decide on how best to meet these requirements. [[DEW FTE Review Manual](#)]

Auditors should consider when testing controls and compliance whether or not:

- A. The community school's Education Plan in its charter adequately describes the blended learning environment and how the school will capture attendance and participation.
- B. The community school notified DEW as required of its intent to operate a blended learning model for the school year.
 1. As noted above the community school must notify the Ohio Department of Education and Workforce's Office of Community Schools, in writing, no later than July 1 preceding the school year if it wishes to begin or cease using a blended learning model, pursuant to Ohio Rev. Code § 3302.41(A). DEW's opening assurances, however, are required to be completed by the sponsor for the school's **first year** of operation, or if the school is not an e-school and it **changed buildings**, the first year operating from the new building, which include a section regarding whether the school will operate a blended learning model.
- C. DEW conducted a FTE Review for the period under audit.
 1. Reliance on DEW's FTE Review is based on the following factors:
 - a. DEW is the regulator and considered an expert in FTE reporting matters

- b. As permitted by Ohio Rev. Code § 3314.08(H)(2), DEW has established student participation criteria and documentation requirements for community schools with blended learning in their FTE Review Manual.
- D. Compare the community schools master calendar submitted to DEW in EMIS with the board approved school year calendar reflected in the minutes⁴⁸ and published on the school's webpage/or in the parent handbook (differences and their impact on reliance are considered in the steps below). If not in agreement consult with the CFAE Community School Specialist. See testing procedures step 3 below.
 - E. DEW's FTE review included a sample test of 25 or more students. If not, consult with the CFAE Community School Specialist. See footnote in step 7a below for further information.
 - F. The school had any contracts/agreements paid on a percentage/number of FTE (or anything that changes), and therefore whether a true-up was required, and properly reported on the financial statements/disclosed in footnotes (if necessary). Such payment terms are common in sponsor/authorizer, management company/operator, and some vendor agreements.
 1. A finding for recovery will likely be issued when the true-up calculation(s)/evaluation(s) have not been performed and the auditor determines an amount is due; or an unreasonable legal evaluation/determination has been relied on; or the amount due has not been repaid, or is not in the process of being repaid under the terms of a reasonable and enforceable repayment agreement.
 - G. The community school had appropriate policies and internal control procedures in place to ensure compliance with enrollment, durational participation, student withdrawal and other requirements relevant to a community school's FTE reporting, and perform implementation tests.

Note: If in the normal course of performing the testing procedures below, information is obtained that you feel is relevant and DEW wouldn't have had available for their review, raising significant concerns on the reliance on DEW's FTE Review to satisfy the participation requirement, auditors should consult with the Center for Audit Excellence Community School Specialist to determine whether additional testing may be necessary.

⁴⁸ Minutes should include an exhibit of the calendar approved or document within the body of the minutes the details of the approved calendar. If this level of documentation is not available, the actual approval control process cannot be adequately verified.

In determining how the government ensures compliance, consider the following:	What control procedures address the compliance requirement?	W/P Ref.
<ul style="list-style-type: none"> • Policies and Procedures Manuals, • Knowledge and Training of personnel • Checklists • Legislative and Management Monitoring • Management’s identification of changes in laws and regulations • Management’s communication of changes in laws and regulations to employees 	<p>Request the client provide a document/narrative describing/ supporting how they operated during the year.</p> <p>For example the document / narrative should explain controls in place over student attendance for each learning model utilized (i.e.. how attendance was taken, how learning opportunities were offered to students, how student engagement in remote or online opportunities were measured, how the school monitored missing students for truancy, etc.). Referencing to various sections of plans/policies is strongly encouraged within this narrative.</p>	

Suggested Audit Procedures - Compliance (Substantive) Tests:

Auditors should refer to DEW’s FTE Review Manual & section 1.3 of DEWs EMIS Manual for additional guidance about the Blended Learning compliance requirements described in this OCS Step. Reviewing and understanding the guidance in this Manual is a critical part of accurately testing student enrollment and attendance. The FTE Review Manual is available at the link above.

Note: The most effective audit procedures include a review and evaluation of school policies as well as verification that schools are maintaining the appropriate student enrollment, learning models, learning opportunities, attendance, participation, duration and withdrawal documentation. A school’s timeliness of student enrollment and withdrawal dates is also a critical component in ensuring accurate FTE reporting to DEW.

AOS provides DEW copies of all community school audit reports. As a result of issues identified and reported under audit, auditors should be aware that DEW may perform a FTE review in a subsequent fiscal year to assess compliance and determine the accuracy of the school’s reported FTE. This could potentially impact future school funding.

Procedures for Blended Schools

1. Obtain a copy of the school’s enrollment and attendance policies and procedures and inquire with the EMIS Coordinator to gain an understanding. Document and evaluate the school’s procedures for:
 - a. Annually notifying DEW of its intent to operating a blended learning program;
 - b. Enrolling and withdrawing pupils timely;
 - c. Verification of student residence/address;
 - d. Setting up school calendars for students in EMIS;

- e. Offering and documenting credit flexibility⁴⁹;
- f. Offering and documenting blended learning attendance and/or participation, for both classroom and non-classroom time, if applicable.
 - i. **For blended schools, it is important that their policy/procedures address how they identify and monitor overlap/duplication of time between various online learning systems; as well as duplication of time between online learning systems, and classroom or other non-classroom/non-computer time. The school must have controls in place to ensure the same period of time does not overlap or be counted more than once;**
- g. Monitoring and documenting student absences; and
- h. Monitoring, withdrawing, and notifying the resident public school of withdrawn students or students truant for 72 or more consecutive hours. *Note: If the school has a stricter policy than 72 hours, consult with CFAE Community School Specialist.*

Issue a noncompliance citation if:

- a. The school operated remotely but was not an e-school, and did not have a Blended Learning Model Declaration (Ohio Rev. Code § 3302.41)
- b. Lack of support or if it appears they are not following the policies/controls of model(s) chosen/utilized.

For items above not addressed in the schools written policies/procedures, consider whether an internal control comment is appropriate under AU-C 265.

- 2. As part of this evaluation, determine whether the Community School's policies and procedures are consistent with the Educational Plan in the Community School's Charter, as approved by the school's sponsor, and include sufficient procedures for identifying and tracking attendance and participation for all students for whom the *community school* is responsible.
- 3. Inquire with community school management about the learning opportunities it offered as part of its operating standards during the audit period.
 - a. Determine whether the community school offered the minimum 920 hours of learning opportunities by reviewing the master school calendar in EMIS and student participation records (both classroom and non-classroom as applicable in step 8 below).
 - b. Inquire with management to determine if school was canceled during the audit period due to weather or electrical outages and ensure the EMIS calendar included sufficient hours to meet the minimum 920 hours of learning opportunities despite these closures (i.e., the closures should be reflected in the final EMIS calendar for the school year).
 - c. If the community school offered more or less than the required minimum, determine whether the community school reported the accurate number of learning opportunities to the Ohio Department of Education and Workforce (this will be the Master Calendar in EMIS).
 - d. Compare the community schools master calendar submitted to DEW in EMIS with the board approved school year calendar reflected in the minutes and published on the school's webpage/or in the parent handbook. If not in agreement consult with the CFAE Community School Specialist.
- 4. Review Ohio Rev. Code § 3314.03, the charter, and the community school's policies and procedures, to determine what the sponsor requires for appropriate documentation of excused and unexcused

⁴⁹ Each school using credit flexibility is mandated to have a policy on credit flexibility, as required by Ohio Rev. Code § 3313.603(J). Participation results in an individual education plan (IEP) for each student approved to participate in credit flexibility. Engaging in a credit flexibility activity may count in the instructional hours of a student if the student requests to use credit flexibility and the other procedures associated with credit flexibility, such as goal-setting, specification and completion of activities, and review by a licensed teacher, are in place.

absences. Select five⁵⁰ students with absences and review the student file or other documentation to verify the community school is gathering appropriate supporting documentation for excused absences. If the absence is unexcused, determine whether the community school is tracking the total unexcused absences for the student and following its truancy policies and procedures. (Note excused absences for the online/non-classroom portion will not count towards obtaining the required hours for FTE.)

Note: If the charter does not address minimum documentation requirements, this would be a control deficiency. The EMIS Manual may be referenced as an additional basis for your control deficiency. [DEW EMIS Manual 2.1.1 - Required Documentation]

5. Consider whether the community school should include a receivable, payable, or contingency footnote in accordance with the financial reporting framework requirements (i.e.. GAAP) related to Final [Foundation Funding adjustments](#) after year end and/or as a result of DEW FTE Reviews.

Note: Since community schools are funded on an annual basis, DEW must reconcile and make Final Foundation Funding payments after the fiscal year end close out is performed. These Final Payments occur no sooner than August and may span several months before DEW finalizes the Foundation Funding payments. Schools should evaluate each FTE Foundation adjustment at the time made, rather than waiting until all FTE Foundation adjustments have occurred for the fiscal year and just evaluating the net. ~~We anticipate community school receivable amounts at year end would be less significant under the new funding model as compared to the old funding model.~~

- a. Also consider whether a true-up was required for any contracts/agreements paid on a percentage/number of FTE (or anything that changes), and if so, whether it was treated properly in accordance with the summary of audit requirements above. (AOS auditors see guidance in Teammate / IPA's see guidance above, and suggested steps in Community School Audit Programs for IPA's at <https://ohioauditor.gov/references/guidance/communityschools.html>).
6. Perform the following procedures:
 - a. Select a representative number of **newly enrolled** students during the school year (normally five⁵⁰ students is sufficient). The new enrollment list may be obtained by the community school through EMIS or other student attendance information system.
 - i. Identify when students were enrolled and began participating in learning opportunities (or for blended students, this could be their first log on date) and determine whether it was timely. Waiting several weeks or more from the date a parent or guardian signs the student enrollment form is not timely.
 - ii. Determine whether the school maintained copies of the student's birth record⁵¹, proof of residency, and parent/guardian signed enrollment forms in the student file to support enrollment and resident district determinations.
 - b. Select a representative number of students from the community school's **withdrawal** list (normally five⁵⁰ students is sufficient). The withdrawal list may be obtained by the community school through EMIS or the community school's student information system.

⁵⁰ Identifying noncompliance during the test increases risk. If an attribute for one or more of the five students selected for testing fails consult with the Center for Audit Excellence to determine if testing should be expanded and/or if a noncompliance comment should be elevated.

⁵¹ The original source document for a birth record may be a photocopy of a birth certificate or a properly attested documentation of birth. ([DEW FTE Review Manual](#), p. 33 of FY 24 manual)

- i. Identify when students were withdrawn and determine whether it was timely (e.g., waiting several weeks or more from withdrawal notification is not timely).
 - a) For example: using grade records and/or attendance records, determine the last day students were reported as attending the community school. If a student was reported absent for 72 consecutive hours, determine the date the student should have been withdrawn and ascertain whether the school reported the withdrawal timely.
- ii. Determine whether the appropriate EMIS withdrawal code was used to withdraw the student based on evidence in the student's file. [DEW EMIS Manual 2.1.1 & 2.4](#) provides examples of the types of documentation required to be obtained and maintained by the school for each type of withdrawal code.
- iii. Inquire with management about any significant differences or adjustments. Consider reporting noncompliance or other client communication for any significant unexplained variances.

A community school should not wait until March to remove a student from its enrollment if the student withdrew in October. Significant delays in reporting student withdrawals constitute noncompliance. Likewise, a student with excessive truancy should have received multiple communications from the school to verify the student's absence during the 72-hour period. Community schools should maintain a daily call log, copies of written correspondence to parents/guardians, or obtain timely excuses from the parent, guardian, or adult-aged student for excessive absenteeism that does not result in removal of a student from enrollment.

When DEW has conducted a FTE review for the fiscal year:

7. If DEW has conducted a FTE review for the fiscal year: (Note: if a FTE review **has not been conducted**, proceed to step 8):
 - a. Obtain a copy of the written report⁵² and review the results of procedures performed⁵³.
 - b. If DEW reported an issue(s), auditors should assess materiality and consider reporting a similar finding(s) in the audit report or management letter based upon the results of DEW's FTE Review.

When DEW has not conducted a FTE review for the fiscal year:

8. Determine whether the school has support for meeting the 920 hours of learning opportunities and whether the school is following its policies for documenting and measuring student enrollment, attendance, participation and duration.

⁵² AOS Auditors should check the community school master spreadsheet available on the Community School intranet page for the status of FTE reviews. If available, these letters can be obtained from *W:\Community School FTE Review Letters & Other DEW Correspondence\Community Schools*. IPA's should check the same spreadsheet in the AOS IPA Portal, and obtain the report from the client, if one is noted.

⁵³ Auditors should determine if a sample size of at least 25 students was tested. If the size was less than 25 and there was not a valid reason evident for the reduction, the CFAE Community School Specialist should be contacted to see if the review can be relied upon or if step 8 will need to be performed. Be aware that some FTE letters indicate a 'modified' review/sample was performed (which typically concentrates on various areas of non-compliance noted in the schools prior year review). If the schools letter states such, review the modified protocol listing on the [AOS Community School intranet page](#) for details of the modified review. For items tested by DEW, as long as the number of students tested is greater than or equal to the number of students required by OCS 4A-5, DEW's review may be relied on *for the specific items the modified protocol listing/FTE review document mentions were tested* at the particular school. IPA's may request the modified protocol listing from CommunitySchoolQuestions@ohioauditor.gov.

- a. Student file testing: Select a representative number of students enrolled for **any part of the school year** (normally five⁵⁰ students is sufficient and this is a separate sample from the step below; however, auditors should assess the risk of noncompliance for their particular school and increase this selection, if appropriate)

Review the student files for the selected students and determine whether the school is following its policies for documenting and measuring student enrollment, attendance and participation:

- i. Determine whether the school has birth record⁵¹ and proof of residency documentation for the student contained in the student file.
 - ii. Determine whether the school has completed/signed student enrollment forms contained in the student file.
 - iii. Determine whether the community school is retaining the membership record for at least five years.
 - iv. Determine whether the school has maintained a record of student tardiness and absences in the student file (or elsewhere) sufficient to enable the school to monitor its compliance with their policy/procedures on the 72 consecutive hour rule for withdrawal. If the student was reported absent for 72 consecutive hours, determine the date the student should have been withdrawn, ascertain whether the school reported it timely, and verify that less than 1 FTE was claimed for the student. You do not have to calculate the exact FTE. If you find the school claimed 1 FTE for a student that should have been withdrawn, consider that when selecting the number of students to test in step 8 b(ii)(b).
 - a) When students are noted nearing the 72 consecutive hour withdrawal mark, and then attend for just a few days, determine if the school complied with Ohio Rev. Code § 3321.191 requirements & the schools truancy policy (send parent notices, maintain call logs, refer to court (if required), etc.). Also, look for proof of completed assignments for the few days the student was marked as attending to substantiate that they did attend. <https://education.ohio.gov/Topics/Student-Supports/Attendance-Support/Ohio-Attendance-Laws-FAQs>
- b. Non-classroom participation time testing (online duration or non-computer/non-classroom log documentation)
- i. Determine and document how the schools online educational learning system operates and how much reliance can be placed upon log in and log out times (i.e., duration of time) in the system as evidence of student attendance and participation (step ii below). You should also review the school's Educational Plan approved by the sponsor and the schools contract to determine what type of blended learning model they have. Consider utilizing the 'E-school and Blended School FTE Review Guiding Questions' appendix in the DEW FTE Review Manual.

Examples:

- a) If the brick & mortar school has a blended learning model that only requires students to attend 3 of 5 hours per day at the school location (classroom time), and the remaining 2 hours is non-classroom time - only the 2 hours of non-classroom time would need tracked / tested.
- b) If the brick & mortar school has a blended learning model where the students spend all their time learning on a computer at their own pace, but it all takes place within the brick & mortar setting with a teacher on-site, there would be no 'non-classroom time' and therefore no time would be required to be tracked / tested. This is a blended learning educational model, but for FTE / funding purposes, not considered blended.

- ii. Attendance / Durational Participation Testing: For all students participating in classroom time and online/non-classroom time, select five⁵⁰ community school students that were enrolled for **any part of the school year** from the school's EMIS report.
 - a) For each student select 5 non-consecutive enrollment days under the audit period and determine whether overlap/duplication of time between various online learning systems; as well as duplication of time between online learning systems, and classroom or other non-classroom/non-computer time exists. In addition, determine whether the school maintains log records or student-prepared participation logs that match the daily hours of instructions listed in the school's daily EMIS calendar for selected students. The total log time hours and non-classroom/non-computer learning documentation for each student should match the hours reported in EMIS. If the student has non-computer learning opportunities, the school should maintain documentation in the student file to document participation and approval in writing by a teacher of such time. *Auditors should report noncompliance or other client communication where log and non-computer hours documented in the student files do not match EMIS and no other supporting documentation exists, as well as if overlap/duplication of time is noted.*

Note: This is admittedly a difficult step; however, the total computer and non-computer-based learning opportunities must be adequately supported and be reasonably comparable to the total hours of instruction claimed by the school to be provided to the student based upon the FTE reported in EMIS. Also, the 10-hour cap in Ohio Rev. Code § 3314.08(H)(3) is specific to e-schools, and therefore is n/a to blended schools.
 - b) Using the applicable student files, attendance and durational participation records, and the school calendar, determine if the student should have 1.0 or less than 1.0 FTE and compare to what the school reported to DEW in EMIS. For example, if the blended schools attendance policy requires the students non-classroom participation time to be during certain hours/days, and a student is documented as being absent, whether excused or unexcused, the students FTE should not equal 1.0. If it is evident that a FTE should have been reduced and wasn't we would consider this an exception. You do not have to calculate the exact FTE. Exceptions should be discussed with the CFAE Community School Specialist.⁵⁴
 - c. If the school did not maintain durational participation data, determine whether or not the required standard contingency footnote for funding was reported by the school.

⁵⁴ We will only test the Individual Student Education Plan and adherence to that plan if a student selected is participating in [credit flexibility](#). Did the school have an approved IEP and was it completed according to DEW requirements. Also consider information contained in the guidance about credit flexibility if such a student is selected. If the student's 920 hours involves non-classroom time, the student will never have 1 FTE. As long as that student had less than 1 FTE, we would not take exception, but you should determine that the conditions of the IEP were met. Additional details can be found in section 4B-4 of Chapter 4.

Audit implications (adequacy of the system and controls, and the direct and material effects of non-compliance, effects on the audit opinions and/or footnote disclosures, significant deficiencies/material weaknesses, and management letter comments):

- Consider the results of all procedures in this Section when evaluating the school's compliance with FTE requirements.
- Evaluate whether the community school had appropriate policies and internal control procedures in place to ensure compliance with enrollment, durational participation, student withdrawal and other requirements relevant to a community school's FTE reporting. Most likely non-compliance as well as missing or inadequate controls for FTE reporting is indicative of an AU-C 265 control comment.

CHAPTER 4B – INDIRECT LAWS & CHAPTER 4C STATUTORILY MANDATED TESTS

AU-C 250.A13 Many laws and regulations relating principally to the operating aspects of the entity do not directly affect the financial statements (their financial statement effect is indirect) and are not captured by the entity's information systems relevant to financial reporting. Their indirect effect may result from the need to disclose a contingent liability because of the allegation or determination of identified or suspected noncompliance.

AU-C 250.06 b also requires testing other laws that do not have a direct effect. These other “indirect” laws are defined as laws which may be:

- i. fundamental to the operating aspects of the business,
- ii. fundamental to an entity's ability to continue its business, or
- iii. necessary for the entity to avoid material penalties

Chapter 4B includes “indirect” laws. Chapter 4C includes laws that statutes mandate auditors to test during an audit.

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CHAPTER 4B - INDIRECT LAWS

4B-1 Compliance Requirement: Ohio Rev. Code § 3314.24(A), 3314.02 - Internet- or computer-based community school cannot contract with a nonpublic school for instructional facility space.

Ohio Rev. Code § 3314.24 states no internet- or computer-based community school shall enter into a contract with a nonpublic school to use or rent any facility space at the nonpublic school for the provision of instructional services to students enrolled in the internet- or computer-based community school.

Notes:

(1) Violations require DEW to withhold foundation payments for any students using nonpublic school facilities. This is more in the nature of an indirect penalty per AU-C 250.06(b)(iii) than a direct effect, but we should report a finding in the GAGAS report because it could lead to the closing of the community school and therefore requires attention of those charged with governance.

(2) Ohio Rev. Code § 3314.02(A)(7) defines Internet- or computer-based community schools as those in which the enrolled students work primarily from their residences on assignments in nonclassroom-based learning opportunities provided via an internet- or other computer-based instructional method that does not rely on regular classroom instruction or via comprehensive instructional methods that include internet-based, other computer-based, and noncomputer-based learning opportunities. **Note:** If a community school operates mainly as an internet- or computer-based community school and provides career technical education under Ohio Rev. Code § 3314.086, the school shall be considered an internet- or computer-based school, even if it provides some classroom-based instruction.

(3) This section only applies to community schools which are classified as internet/e-schools. It does not apply to a brick & mortar or blended community school.

Suggested Audit Procedures - Compliance (Substantive) Tests:

Read internet schools' sponsor agreement for provisions regarding instructional space, and follow up with inquiry regarding if such space / contracts exists. If contracts for instructional space exist, determine if they were with nonpublic schools.

Any noncompliance should be sent to the CFAE Community School Specialist to discuss with the Department of Education and Workforce.

<p>Audit implications (the indirect and material effects of non-compliance, effects on the audit opinions and/or footnote disclosures, significant deficiencies/material weaknesses, and management letter comments):</p>
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4B-2 Compliance Requirement: Ohio Rev. Code §§ 3314.024 and 3314.02(A)(8) – Accounting for management company expenses.

Summary of Requirement:

Ohio Rev. Code § 3314.024(A) requires a management company / operator to provide a detailed accounting including the nature and costs of goods and services it provides to the community school. AOS prescribed this detailed accounting to be in the form of a footnote in Bulletin 2004-009.

Ohio Rev. Code § 3314.02(A)(8) states an "Operator" or "management company" means either of the following: (a) An individual or organization that manages the daily operations of a community school pursuant to a contract between the operator or management company and the school's governing authority; or (b) A nonprofit organization that provides programmatic oversight and support to a community school under a contract with the school's governing authority and that retains the right to terminate its affiliation with the school if the school fails to meet the organization's quality standards.

- Therefore, the terms "operator" and "management company" are synonymous, and the detailed accounting required by Ohio Rev. Code § 3314.024 applies to any entity meeting the definition in Ohio Rev. Code § 3314.02(A)(8).
- An educational service center or school district who may or may not be a community school's sponsor, may also be 'operating' the community school pursuant to an agreement. In addition, certain community schools are the operator of other community schools. In these situations, Ohio Rev. Code § 3314.024 would be applicable.⁵⁵

Ohio Rev. Code § 3314.024 states a management company that receives more than twenty percent of a community school's annual gross revenues⁵⁶ shall provide a detailed accounting, including the nature and costs of goods and services it provides to the community school. This information shall be reported using the categories and designations set forth below and be subject to verification through examination of community school records during the school's regular financial audit.

Detailed accounting shall include the following categories of expenses:

1. Aggregate salaries and wages;
2. Aggregate employee benefits;
3. Professional and technical services;
4. Property services;
5. Utilities;
6. Contracted craft or trade services;
7. Tuition paid to other districts;
8. Transportation;
9. Other purchased services;
10. Supplies;

⁵⁵ AOS Auditors should check the AOS community school master spreadsheet available on the [Community School intranet page](#) to determine if/what entity DEW lists as the operator. IPA's should check the same spreadsheet in the AOS IPA Portal. If the client disagrees with the entity listed as their operator, consult with the CFAE Community School Specialist.

⁵⁶ Since this legislation lacks specificity, the AOS is interpreting it to mean:

1. Receipts for this calculation include **any** money that is given from the community school
 - a. to the management company, or
 - b. to a third party vendor on behalf of the management company.
2. Auditors should accept reasonable calculations on cash or GAAP basis (as long as they are in accordance with established policies and are consistent from year to year).

11. Land;
12. Buildings;
13. Improvements other than buildings;
14. Equipment;
15. All other capital outlay;
16. Principal;
17. Interest;
18. Judgments;
19. Other direct and indirect costs.

These expenses shall be disaggregated as follows, as applicable:

1. Regular instruction;
2. Special instruction;
3. Vocational instruction;
4. Other instruction;
5. Support services;
6. Noninstructional activities.

Ohio Rev. Code § 3314.03(A)(8) includes the requirements of community schools to have financial audits by the Auditor of State. The contract between the sponsor and the governing authority shall require financial records of the school to be maintained in the same manner as are financial records of school districts, pursuant to rules of the Auditor of State, and the audits shall be conducted in accordance with Ohio Rev. Code § 117.10. This includes preparing the detailed accounting of management company expenses in Ohio Rev. Code § 3314.024.

Material misstatement or ~~unaudited~~/omission of the community school financial statement detailed accounting footnote prescribed by Bulletin 2004-009 should be reported as GAGAS level, material noncompliance with Ohio Rev. Code § 3314.024. Because GAAP does not require this disclosure, do not modify the opinion; however the opinion may be impacted if necessary assurances related to pension and OPEB testing are not obtained.

Note: A SAMPLE detailed accounting presentation is available on the Auditor of State website at: <https://ohioauditor.gov/references/guidance/communityschools.html>.

Suggested Audit Procedures - Compliance (Substantive) Tests:

All community schools meeting the threshold in Ohio Rev. Code § 3314.024(A) must include the management company detailed accounting in the footnote prescribed by Bulletin 2004-009 in their annual financial statements. AOS, pursuant to Ohio Rev. Code § 3314.024(D) and AOS Bulletin 2004-009, verifies information contained in the detailed accounting footnote by examining community school records during the course of the regular financial audit. This verification occurs through one of the three options explained below.

Audit Procedures:

1. Determine whether the community school met the threshold in Ohio Rev. Code § 3314.024(A).
2. If so, inquire of client whether Option #1, #2, or #3 below was selected to satisfy the requirements described above.
3. Review information below related to the Option selected.
4. Review AOS Master Community School spreadsheet, 'OCS 4B-2 Mgmt. Co. AUP' column to determine whether such a report/testing has been submitted to/processed by CFAE.

- a. If such has, AOS auditors obtain such report/testing from audit search on Intranet (Option #3), or by contacting CommunitySchoolQuestions@ohioauditor.gov (Options #1 or #2). (IPA auditors obtain from client.)
 - b. If client indicates such a report was prepared, but it is not on the AOS Master Community School spreadsheet, obtain from them and submit to CommunitySchoolQuestions@ohioauditor.gov for processing. (IPA auditors obtain from client.) While it is preferential for the reports to be submitted to CFAE by the firms preparing, if auditors find the report was not, they should obtain and submit (and ultimately use the file processed by CFAE, which will become available on the Intranet, and include a memo).
5. Consider results in report/testing over the management company footnote, and whether the management company had sufficient internal controls over compliance for the community school under audit.
 6. Tie the community school's management company footnote from their financial statements under audit, as prescribed by Bulletin 2004-009, to the footnote contained in the report/testing above.

Note: Occasionally, these footnotes report more expenses than amounts the school paid to its management company. When this occurs, the management company is subsidizing (or loaning money to) the school. We believe the basic statements should report material amounts as revenue (Contributions from management company), and additional related expenses under GASB Statement No. 24 (GASB Cod. N50.128).

While some may view recording this entry as “merely” grossing up revenue and expense, we believe the school's true expenses are understated without this entry. Presenting the management company's willingness to subsidize operations in the statements is also important information for readers. Also, we are aware that some contracts specify these amounts are repayable loans from the management company, which would require crediting “loans payable to management company” in the statement of net position rather than “subsidy from management company” in the statement of revenues and expenses.

Auditors should obtain evidence supporting whether these amounts are subsidies or loans from the management company. Usually the contract with the management company will explain whether the school must repay the management company. We suggest representation letters include these amounts, and represent whether these amounts are contributions or repayable loans.

If these are repayable loans, the balance sheet should reflect them as such, and consider whether the opening equity is overstated based on prior year unrecorded loans.

See further information regarding loans from operator/management company to community school in Ohio Compliance Supplement, section 4A-3.

Note: The AUP guidance below assumes the school’s auditor has sufficient evidence to support an opinion on the school’s statements, and is using portions of the AUP, for the management company detailed accounting footnote prescribed by Bulletin 2004-009.

A school’s auditor must judge whether deficiencies in an AUP report affect the management company disclosure sufficiently to require a GAGAS noncompliance finding in the community school’s audit report. For example, completely omitting the detailed accounting footnote prescribed by Bulletin 2004-009 would require a GAGAS noncompliance finding in the school’s audit report, citing Ohio Rev. Code § 3314.024.

In addition, AUP procedures #4 (step B) through #6 are included to provide necessary assurances related to the net pension and OPEB liabilities, deferred outflows of resources, deferred inflows of resources, and pension and OPEB expense reported in accordance with generally accepted accounting principles. Absent these assurances, the auditor’s opinion on the financial statements will likely need to be modified.

Option #1: AOS Audit of Management Company

The management company may elect to have AOS (or an IPA contracted by AOS) audit this information centrally at the management company. AOS or the IPA will examine the books, records, and other supporting documentation prepared and maintained by the management company.

Option #2: Management Company Contracts for Audit Report

Alternatively, AOS will accept a management company's independently audited financial statements as meeting the requirements of Ohio Rev. Code § 3314.024, provided the audit meets the audit and disclosure requirements set forth in the following paragraph. (IPA’s may elect to follow this guidance.):

- Where a management company manages more than one community school or has other “lines of business” in addition to managing a community school, AOS will require a statement showing direct and allocated indirect (e.g., overhead) expenses for each school. The company should present this statement in a combining or consolidating format (i.e., present a column for each school). Additionally, the American Institute of Certified Public Accountants’ (AICPA) Audit and Accounting Guide, *Not-for-Profit Entities*, sections 14.16 ~~12~~ through 14.19 ~~14~~ permit not-for-profit management companies to present this as supplemental information. Notes to the supplemental information should briefly describe the method used to allocate overhead costs. Since overhead allocations require subjective judgment, their amounts and allocation method should be considered disclosures of higher inherent risk.
- Where a management company’s sole business is providing services to one community school, the company’s audited statements should suffice, if the statements classify expenses in substantial conformance with USAS object codes.

The management company’s audit opinion must extend to the combining or consolidating columns. Auditors of community schools must set their materiality threshold to include assurance the supplemental information for each school is not materially misstated. Opinions that report only on the individual school statement’s fair presentation in relation to the management company’s basic financial statements do not provide sufficient audit assurance, unless accompanied with an agreed-upon procedures report related to the supplemental information.

Option #3: Agreed Upon Procedures

If a management company does not have audited financial statements or the audited financial statements do not present combining or consolidating columns for each of its schools, or if the management company’s auditor does not provide opinion-level assurance on the combining or consolidating columns presenting

each school, the Auditor of State will accept an agreed-upon procedures (AUP) report per AICPA Clarified Attestation Standards Section 215. Additionally, unless the management company makes records available for audit pertaining to the community school's federal programs, AOS may require an AUP report if the community school is a Single Audit.

Engagement Requirements:

1. The engagement should follow AICPA Clarified Attestation Agreed Upon Procedures Standards.
2. The management company's practitioner auditor or engaging party should e-mail the draft (i.e. example) procedures to the schools and to AOS Center for Audit Excellence (CommunitySchoolQuestions@ohioauditor.gov). AOS will attest to the sufficiency of the procedures on behalf of the AOS, **prior to** the practitioner ("auditor") commencing the procedures. Each AUP Report and engagement letter should list the schools to which the agreed-upon procedures apply. Example required procedures follow these instructions. Community Schools should work with their management company on a timeline appropriate for their audit needs.
3. AOS requires the following, applicable to each Ohio school the company manages:
 - a. The accountant may issue one AUP report covering all the company's Ohio schools.
 - b. The report must explain that the accountant performed procedure #1 and 2 below for the compilation of the footnotes prescribed by Bulletin 2004-009 separately for each school.
 - c. The report must explain that the accountant performed procedures #4 (step B) through 6 below to provide necessary assurances related to the pension and OPEB amounts in accordance with GASB Statement No. 68 (as amended) and No. 75.
 - d. Regarding the individual expenditure transaction procedures below (procedures #3, 4 and 7), the accountant may select one sample from the population of all costs charged to the company's Ohio schools for each year ending June 30.
4. Ohio community schools' fiscal years end each June 30. If the management company is on a different fiscal year, the management company must compile the footnote prescribed by Bulletin 2004-009 for each Ohio school's June 30 fiscal year.

For example, if the management company's fiscal year ended December 31, 20XX, each Ohio school's June 30, 20XX footnote would report expenses the management company incurred on a school's behalf for the first six months of calendar 20XX plus the last six months of calendar 20XX-1.

5. The accountant performing the AUP should describe the Ohio schools to which the AUP relate and should attach each of the community schools' footnotes to the AUP report.
6. As stated in the AICPA Attestation Agreed Upon Procedure Standards, auditors should report all exceptions, such as costs charged to a school where documentation does not support it directly benefited the school, or for which insufficient documentation exists.
7. Because the procedures relate to each school's footnote, the accountant performing the AUP should apply the procedures to footnotes compiled from the management company's accounting system, separately summarizing the expenses for each Ohio community school. This requires that the management company's accounting system include accounts summarizing direct expenses the company incurs for each school. It is permissible to charge / assign indirect costs to these schools, *if the notes disclose the method for charging those costs, and if the note separately identifies indirect costs.*

If the management company’s accounting system does not include separate accounts for direct expenses for each school, it is unlikely the management company can meet the requirements of Ohio Rev. Code § 3314.024. In this case, the management company or the firm completing the AUP should consult with the Auditor of State.

8. Uniform Guidance (2 C.F.R. § 200.501) requires each school expending \$750,000 or more of federal awards in its fiscal year to prepare a schedule of expenditures of federal awards.

If the management company accounts for Ohio school’s federal awards, we believe it is reasonable to expect the management company to compile this schedule for each school, and for the AUP to include a procedure testing this compilation.

Note that this requires that the management company’s accounting system be capable of segregating receipts, disbursements and cash balances for each federal award program of each school.

Procedure 2 below applies if a school expended \$750,000 or more of federal awards during its fiscal year.

The AUP report should list the following required procedures and the results relating to each Ohio school:

1. Trace the management company expenses from each footnote by function / object / accounting code to the community school’s accounts in the management company’s accounting system.
2. If the engagement is a Federal Single Audit, trace each school’s federal award expenditures, by ~~CFDA~~⁵⁷ ~~Assistance Listing~~ number, receipts (if presented) from its schedule of expenditures of federal awards to the community school’s accounts in the management company’s accounting system.

Note: Receipts are not required to be presented; however, this procedure should be performed for receipts included on the Federal Schedule.

3. Select 100 direct non-payroll expense transactions (checks, EFTs, etc.) the management company charged to its Ohio community schools. (One sample selected from all the management company’s Ohio schools will suffice. If the management company accounts for only one Ohio school, you may reduce the sample size to 60.)

Compare the amount charged to a school to supporting documentation, including a canceled check (or EFT documentation, etc.) and vendor invoice, supporting that the cost:

- a. Is a direct expense benefiting the school;
- b. Is recorded for the proper amount for the proper period in the accounting system; and

⁵⁷ ~~Effective for federal awards made after November 12, 2020, the terms “Catalog for Federal Domestic Assistance (CFDA) number” and “CFDA program title” have been changed to the terms “Assistance Listings number” and “Assistance Listings program title”. Auditors may see either term being used interchangeably for a period of time.~~

- c. Is charged to a proper Ohio Uniform School Accounting System (USAS) object / accounting code in accordance with Ohio Admin. Code 117-6-01(B).⁵⁸
4. Select 100 direct payroll expense transactions, including salaries and benefits the management company charged to its Ohio community schools. (One sample selected from all the management company’s Ohio schools will suffice. If the management company accounts for only one Ohio school, you may reduce the sample size to 60.)

Step A: Compare the amount charged to a school to supporting documentation, including a canceled check and to personnel files supporting that the cost:

- a. Is a direct expense paid to an employee for services provided solely to the school;
- b. Is recorded for the proper amount for the proper period in the accounting system;
- c. The amount paid agreed to the salary schedule and/or to amounts withheld; and
- d. Is charged to a proper Uniform School Accounting System (USAS) object / accounting code as required by Ohio Admin. Code 117-6-01(B) and described more fully in the USAS Manual available at https://ohioauditor.gov/publications/docs/uniform_school_accounting_system_user_manual.pdf.⁵⁸

Step B: Determine whether employee retirement contributions:⁵⁹

- a. Are withheld for the appropriate retirement system in accordance with the requirements of Ohio Rev. Code chapters 3307 and 3309, unless the exceptions described in Ohio Rev. Code § 3307.01(B)(2)(b) or (c) or Ohio Rev. Code § 3309.013 apply;
- b. Are withheld at the appropriate rates for the applicable retirement system as described in Ohio Rev. Code §§ 3307.26 and 3309.47.

For exceptions reported, include the following information for each instance identified where employee contributions to STRS/SERS (if required) were not properly withheld in the related payroll transactions:

Community School	Employee Name	Pay Period End	Retirement System (STRS / SERS)	Amount withheld	Amount School should have withheld

5. Determine whether withheld employee contributions were remitted to each of the retirement systems for each of the schools operated by the management company:⁵⁹
- a. Compare the total STRS and SERS withholdings for the year from the payroll records to documentation of amounts remitted to the appropriate retirement systems.

For exceptions reported, include the following information:

⁵⁸ Some schools may not post daily transactions in accordance with USAS, but rather convert the information to be in accordance with USAS prior to reporting information to DEW and their annual financial statement reporting. For these engagements, the school should maintain a crosswalk or other documentation to show this conversion. Auditors should report non-compliance if presented expenses are not broken out by function and object.

⁵⁹ Community school auditors do not need to request to perform this procedure at the client site when the AUP includes them. However; these procedures will not replace Census Data Examinations the Retirement System auditors may require to support their opinions on the audited GASB Statement No. 68 Schedules of Employer Allocations and Pension Amounts and the audited GASB Statement No. 75 Schedule of Employer Allocations and OPEB Amounts.

	Community School	Employee contribution amounts withheld per the payroll records	Employee contribution amounts remitted to the retirement system	Variance
State Teachers Retirement System (STRS)				
School Employees Retirement System (SERS)				

6. For the prior fiscal year, calculate the employer contributions based on total employee contributions to each school (total employee contributions/employee contribution rate x employer contribution rate). (Note: employee contributions should include employee contributions for employees and third party contractors.)⁵⁹
 - a. Compare the results from calculation above to the employer contributions on the audited schedules of employer allocations separately for STRS and SERS; and

For exceptions reported, include the following information:

	Community School	Calculated "Employer Contributions" amount from step a. above	Employer contributions amount from the audited schedule of employer allocations	Variance
State Teachers Retirement System (STRS)				
School Employees Retirement System (SERS)				

7. Select 100 expense transactions (e.g. checks) assigned to any indirect cost pool that include Ohio schools. (One sample from the pool(s) for Ohio schools will suffice. If the management company accounts for only one Ohio school, you may reduce the sample size to 60.)⁶⁰
 - a. Compare the transaction to source documentation, such as vendor invoice, personnel file, etc. supporting the cost indirectly benefits the schools or other activities to which it is allocated.
 - b. Determine the transaction is recorded for the proper amount for the proper period in the accounting system.
 - c. Obtain an understanding of the method the management company uses to pool and assign indirect costs to individual schools. Recompute selected allocations for conformity with the method.

⁶⁰ When developing these procedures, they may need tailored if the client adopted the 10% de minimis rate for federal transactions. Auditors need to evaluate the allocation of transactions in these instances to ensure the client is not allocating Federal expenditures twice.

- d. Compare the results from steps a through c with the overhead allocation disclosure in the footnote. Report any material departures from the footnote description in terms of the actual method used and any projected dollar effects of the departure.

Audit implications (the indirect and material effects of non-compliance, effects on the audit opinions and/or footnote disclosures, significant deficiencies/material weaknesses, and management letter comments):

4B-3 Compliance Requirement: Ohio Rev. Code § 3314.04 – Community School contractually imposed deposit and investment requirements.

Pursuant to Ohio Rev. Code § 3314.04, Ohio Rev. Code Chapter 135 does not apply to community schools. However, other entities may impose restrictions on investments, collateral, etc. Such entities could be grantors, creditors, the sponsor, board policy, etc. Auditors should identify and list any applicable requirements below (by reviewing the charter, terms and conditions of grant agreements, loan documents, etc.):

[Insert applicable depository and investment requirements.]

Suggested Audit Procedures – Compliance (Substantive) Tests:

[Insert applicable audit procedures. See other OCS Sections for example audit procedures.]

Audit implications (the indirect and material effects of non-compliance, effects on the audit opinions and/or footnote disclosures, significant deficiencies/material weaknesses, and management letter comments):

Revised: HB 33, 135 GA
Effective: October 3, 2023

4B-4 Compliance Requirement: Ohio Rev. Code §§ 3314.011, 3314.016, 3314.019, 3314.02, 3314.023, 3314.03, 3314.036, 3314.19, 3314.46; Ohio Admin. Code 3301-102-02 - Sponsor monitoring of community schools

Summary of Requirement:

The sponsor may contract with the school to receive 3% or less of the amount *the State pays to a school annually*, for the costs of its monitoring, oversight, and technical assistance. In other words, the total amount of such payments for monitoring, oversight, and technical assistance of the school shall not exceed 3% of the total amount of payments for *operating expenses that the school receives from the State*⁶¹. [Ohio Rev. Code § 3314.03(C)] (Suggested Audit Procedure 3)

No sponsor shall sell any goods or services to a community school it sponsors, except in limited circumstances included in Ohio Rev. Code § 3314.46(B) a sponsor can earn more than 3% if it sells additional goods or services beyond sponsorship. These circumstances are limited to⁶²:

- (1) Contracts entered prior to 2/1/16 that involve the sale of goods or services to a community school it sponsors;
- (2) If the sponsor of a community school is also the school district in which that community school is located, the sponsor may sell goods or services to that community school at no profit to the sponsor or
- (3) If the sponsor of a community school is a state university, as defined in Ohio Rev. Code § 3345.011, the sponsor may sell services to that community school at no profit to the sponsor.

If none of these exceptions are met a sponsor should not receive more than the 3% mentioned above (there also is no legal authority for a school to simply pay unused funds to their sponsor beyond statutorily allowed amounts). A contract should specify these additional services, and should differentiate them from the services required of a sponsor. This prohibition is specific to a community school's sponsor. It does not, however, prevent a third party vendor that a sponsor contracts with from separately contracting with a community school to provide fiscal and instructional goods or services to a community school at a profit. Community schools cannot sponsor other community schools [Ohio Rev. Code § 3314.02(C)(1)(f)(iv)]. (Suggested Audit Procedures 3a & b)

⁶¹ AOS has determined that these monies would include Full-Time Equivalency (FTE is explained in step 4A-5), State grant, and Federal grant monies. *Grant monies that are restricted from general operations (such as capital grants or grants for limited operation programs like special education) should be excluded from calculations as these monies cannot be used for general operating expenses.*

⁶² "Operator" or 'management company' means either of the following: (a) An individual or organization that manages the daily operations of a community school pursuant to a contract between the operator or management company and the school's governing authority; or (b) A nonprofit organization that provides programmatic oversight and support to a community school under a contract with the school's governing authority and that retains the right to terminate its affiliation with the school if the school fails to meet the organization's quality standards. [Ohio Rev. Code § 3314.02(A)(8)]

- Therefore, the terms "operator" and "management company" are synonymous, and sections 4B-2 & 4B-5 apply to any entity meeting the definition above.
- An educational service center or school district who is a community schools sponsor, may also be 'operating' the community school pursuant to an agreement. In addition, certain community schools are the operator of other community schools. In these situations, sections 4B-2 & 4B-5 would be applicable.

It should be noted that AOS defers to DEW's position that although Ohio Rev. Code § 3311.055 explains that the term 'school district' shall be construed to include educational service centers, this does not apply to Ohio Rev. Code § 3314.46(B)(2).

Each contract between the sponsor and the school must specify certain items [Ohio Rev. Code § 3314.03(A)]⁶³. While not all inclusive, the following items, if omitted from the contract or not sufficiently described therein, are those where noncompliance could indirectly and materially impact a community school's ability to continue operations under a valid charter contract: (Suggested Audit Procedure 1)

1. Each contract between a community school sponsor and governing authority must:
 - a. contain performance standards, including all applicable report card measures;
 - b. contain information regarding facilities costs and financing, attendance policies and records, and loans from the school's operator; and
 - c. require that a community school's attendance and participation records be made available to the extent permitted by federal law.

2. A community school is required to define **learning opportunities** in its contract with its sponsor: [DEW FTE Review Manual & Ohio Admin. Code 3301-102-02(J)]
 - a. It may include both classroom-based and non-classroom-based activities.
 - b. These activities have to be either directly provided by a teacher or supervised by a teacher; the school should be able to identify the teacher.
 - c. These activities have to be educational, instructional, and goal-oriented; there should be some school policy or guidance that in advance describes the goal, mainly of non-classroom-based activities. Just reporting activities after-the-fact without prior goals, prior specification of activities, and/or teacher direction is not sufficient.

Instructional hours in a community school's day include time for changing classes, but not the recess, breakfast and lunch periods.

3. **Blended Learning**⁶⁴ – [Ohio Rev. Code § 3314.03(A)] If a school operates using a blended learning model the contract should describe the blended learning model(s).
 - a. The statute also requires the sponsor of each community school that operates using the "blended learning" method to provide to the Ohio Department of Education and Workforce, not later than ten business days prior to the school's opening of their **first year** of operation, or if the school is not an e-school and it **changed buildings** that year, assurance that the sponsor has reviewed the following information submitted by the school [Ohio Rev. Code § 3314.19]:
 - i. An indication of what blended learning model or models will be used;
 - ii. A description of how student instructional needs will be determined and documented;
 - iii. The method to be used for determining competency, granting credit, and promoting students to a higher grade level;
 - iv. The school's attendance requirements, including how it will document participation in learning opportunities;
 - v. A statement describing how student progress will be monitored;

⁶³ Per Ohio Rev. Code § 3314.03(A)(13), a contract should not exceed five years, unless renewed. The law appears to be silent on the number of renewals permitted.

⁶⁴ Blended learning is the delivery of instruction in a combination of time primarily in a supervised, physical location away from home and online delivery where the student has some element of control over time, place, path, or pace of learning and includes noncomputer-based learning opportunities [Ohio Rev. Code § 3301.079(J)(1)]. Admin. Code 3301-35-01 clarifies that for purposes of that definition, "primarily" means over the course of the school year, a student works more than fifty per cent of the time from a supervised physical location away from home.

- vi. A statement describing how private student data will be protected; and
- vii. A description of the professional development activities that will be offered to teachers.

More information about requirements for blended learning for community schools can be found on DEW's website at: <https://education.ohio.gov/getattachment/Topics/Community-Schools/Sections/Schools/Blended-Learning-Guidance.pdf.aspx?lang=en-US>.

4. **Attendance** - The contract should specify that the school create an attendance policy. Such should indicate how participation in learning opportunities provided will be measured by a community school and its sponsor. It is especially important that a community school's policy detail how, for example, the school will capture participation of students in e-schools and blended learning environments when attendance itself may not always be the important factor.

In addition, per DEW's FTE review manual:

1. Taking part in a **credit flexibility**⁶⁵ activity may count in the instructional hours of a student if the **student(s)** asks to use credit flexibility, and the other procedures associated with credit flexibility are in place, such as goal-setting, specification and completion of activities, and review by a licensed teacher.
2. **Instructional Day** – A school's contract with its sponsor defines its instructional day. The instructional day:
 - a. May be the time between when students come in and when students leave, or when instruction begins and when instruction ends; or
 - b. May be accomplishment of specified activities and completion of certain tasks by students who are doing assigned work that is individualized to a single student's program or curricular area of interest.
3. **Total Membership Unit** – The contract should specify the number of either days or hours of instruction the community school will provide during a school year.

The contract between the sponsor and the school shall specify the duties of the sponsor and shall include the following [Ohio Rev. Code § 3314.03(D)]: (Suggested Audit Procedure 4)

1. Monitor compliance with all laws applicable to the school and with the terms of the contract;
2. Monitor and evaluate the academic and fiscal performance and the organization and operation of the community school on an annual basis;
3. Report on an annual basis the results of the preceding evaluation to DEW and to the parents of students;
4. Provide technical assistance to the community school in complying with laws applicable to the school and terms of the contract;
5. Take steps to intervene in the school's operation to correct problems in the school's overall performance, declare the school to be on probationary status pursuant to Ohio Rev. Code § 3314.073, suspend the operation of the school pursuant to Ohio Rev. Code § 3314.072, or terminate the contract of the school pursuant to Ohio Rev. Code § 3314.07 as deemed necessary by the sponsor; (Suggested Audit Procedure 5)
6. Have in place a plan of action to be undertaken in the event the community school experiences financial difficulties or closes prior to the end of a school year; (Suggested Audit Procedure 5)

⁶⁵ Authorized by the Department of Education under the Alternative Pathways for high school students, Credit Flexibility permits students to meet core coursework requirements in four ways: Traditional, Integrated, Applied or Career-Technical. Students can earn credit through classroom instruction, demonstration of subject area competency, or a combination of both.

The community school shall submit to the sponsor a comprehensive plan for the school. The plan shall specify the following: [Ohio Rev. Code. § 3314.03(B)]

1. The process by which the governing authority of the school will be selected in the future;
2. The management and administration of the school;
3. If the community school is a currently existing public school or ESC building, alternative arrangements for current public school students who choose not to attend the converted school and for teachers who choose not to teach in the school or building after conversion;
4. The instructional program and educational philosophy of the school;
5. Internal financial controls.

When submitting the plan, the school shall also submit copies of all policies and procedures regarding internal financial controls adopted by the governing authority of the school.

Each community school sponsor shall annually verify that a finding for recovery has not been issued by the Auditor of State against any individual or individuals who propose to create a community school or any member of the governing authority, the operator, or any employee of each community school with responsibility for fiscal operations or authorization to expend money on behalf of the school. [Ohio Rev. Code § 3314.02(E)(2)(c)] Ohio Rev. Code § 9.24 defines a finding for recovery as “a determination issued by the AOS, contained in a report the AOS gives to the Attorney General pursuant to section 117.28 of the Revised Code, that public money has been illegally expended, public money has been collected but not been accounted for, public money is due but has not been collected, or public property has been converted or misappropriated.” AOS Bulletins 2003-009 and 2004-006 provide more information about Unresolved Findings for Recovery and searching the database. Sponsors may review these bulletins and perform a certified search of the Unresolved Finding for Recovery database at the following link: <http://ffr.ohioauditor.gov/>. Sponsors should maintain documentation to support performance of their certified searches of the Finding for Recovery database. (Suggested Audit Procedure 9)

Opening Assurances - The sponsor of each community school shall provide assurances in writing to the Ohio Department of Education and Workforce, not later than ten business days prior to the opening of the school’s **first year** of operation, or if the school is not an e-school and it **changed buildings**, the first year operating from the new building. [Ohio Rev. Code. § 3314.19] DEW’s Opening Assurances are available at <http://education.ohio.gov/Topics/Community-Schools/Guidance-Documents-Webinars-and-Presentations>.

- Ohio Rev. Code. § 3314.19(I) requires the sponsors to attest in the opening assurances that the school has complied with sections 3319.39 and 3319.391 of the Revised Code with respect to all employees and that the school has conducted a criminal records check of each of its governing authority members. Ohio Rev. Code. § 3314.02(E)(2)(b) further states no person shall serve on the governing authority or engage in the financial day-to-day management of the community school under contract with the governing authority unless and until that person has submitted to a criminal records check in the manner prescribed by section 3319.39 of the Revised Code.

Ohio Rev. Code. § 3314.023(A) requires a sponsor to monitor the community school’s compliance with all laws applicable to the school and with the terms of the contract. This includes, but is not limited to:

- Performing a criminal records check of certain employees, as described above.
- Ohio Rev. Code. § 3314.02(E)(2)(a)(iii) – No person shall serve on the governing authority or operate the community school if they have pleaded guilty to or been convicted of theft in office.
- Ohio Rev. Code. § 3314.02(E)(7) – Each member of the governing authority shall annually file a disclosure statement setting forth the names of any immediate relatives or business associates employed by the schools sponsor, operator, a school district/ESC contracted with the school, or a vendor that is or has engaged in business with the school.

The designated fiscal officer of a community school must be employed by or engaged under a contract with the school's governing authority (as opposed to the operator). However, the statute also permits a governing authority, for one year at a time, to waive the requirement to directly employ or engage the fiscal officer. To do so, the governing authority must adopt a resolution for each year it wishes to waive the requirement, which must be approved by the school's sponsor. If the governing authority adopts such a resolution, the school's fiscal officer must annually meet with the governing authority to review the school's financial status. A copy of each resolution must be submitted by the governing authority to the Ohio Department of Education and Workforce. The statute explicitly states that such a resolution does not waive the underlying requirement for a community school to have a designated fiscal officer. In addition the fiscal officer shall be licensed prior to assuming duties. [Ohio Rev. Code § 3314.011] (Suggested Audit Procedure 7)⁶⁶

The governing authority of a community school must employ an attorney that is independent from the school's sponsor or operator, for any services related to the negotiation of the school's contract with the sponsor or operator. [Ohio Rev. Code § 3314.036] (Suggested Audit Procedure 8)

Each contract between a sponsor and governing authority shall contain a provision requiring that, if the governing authority contracts with an attorney, accountant, or entity specializing in audits, the attorney, accountant or entity shall be independent from the operator with which the school has contracted. [Ohio Rev. Code § 3314.03(A)(31)] (Suggested Audit Procedures 7 & 8)

The sponsor (through its contract) may mandate a community school to comply with competitive bidding procedures. (Suggested Audit Procedure 2) If so:

- **Auditors should carefully consider whether contract expenditures are direct and material to their audit. Among other federal assistance, schools are receiving the Education Stabilization Fund programs which can include significant construction-related projects. Contracts charged, in whole or in part, to federal programs may need to follow Federal Procurement Rules described in the Uniform Guidance. Auditors should refer to the terms and conditions of the federal program to determine if Procurement applies. If Federal Procurement rules apply, local governments must comply with Federal, state and local (including charter) requirements regarding contract procurement and bidding. Where conflicts exist, the most restrictive requirement prevails. See [AOS COVID-19 FAQ's](#) for additional procurement guidance related to certain COVID funding and the Federal Procurement guidance for clients listed on [AOS's website](#). AOS auditors should consult with CFAE via the FACCR Specialty in Spiceworks if noncompliance with Federal procurement requirements is identified for a non-major program or a major program for which procurement is not tested in the FACCR.**

Ohio Rev. Code § 3314.023 requires a sponsor to provide monitoring, oversight, and technical assistance to each school that it sponsors. In order to provide monitoring, oversight, and technical assistance, a representative of the sponsor of a community school shall meet with the governing authority or fiscal officer of the school and shall review the financial and enrollment records of the school at least once every month. Not later than 10 days after each review, the sponsor shall provide the governing authority and fiscal officer with a written report regarding the review. Copies of those financial and enrollment records shall be furnished to the community school sponsor and operator, members of the governing authority, and the fiscal officer on a monthly basis. (Suggested Audit Procedure 6)

Note: Barring an egregious situation such as negligence or fraud, it is not the statutory intent to hold community school fiscal officers responsible for a community school's deficit financial position. Rather, this statute is designed to ensure that the sponsor can require the community school fiscal officer to turn over the enrollment and financial records to the sponsor upon closure.

⁶⁶ 2010 OP. Att'y. Gen No. 2010-020 includes additional applicable guidance to consider regarding Treasurer and Superintendent positions.

As required by Ohio Rev. Code § 3314.016(B), DEW developed and implemented an evaluation system that rates and assigns an overall rating to each sponsor. Depending on a sponsor's past ratings, the evaluation will occur either annually or once every three years. This section further requires sponsors that receive an overall rating of "poor" to have all sponsorship authority revoked; and sponsors that receive an overall rating of "ineffective" on their 3 most recent ratings to have all sponsorship revoked. ~~Note: For ineffective ratings, the 3 most recent years begins with the 2015/2016 fiscal year, so the 2017/2018 year would be the first time this could occur.~~ DEW's sponsor rating and evaluation are available at <http://education.ohio.gov/Topics/Community-Schools/Sponsor-Ratings-and-Tools/Overall-Sponsor-Ratings>. The DEW sponsor ratings are released annually, by November 15th, related to the preceding school year. Therefore, a "poor" or "ineffective" rating could qualify as a subsequent event when it materially impacts a governmental sponsor or community school's financial statements or ability to continue. If the sponsor received an "ineffective" rating on their 3 most recent ratings, or received a "poor" rating, auditors need to consider:

- Whether the school anticipates remaining open after the school year and the potential impact that would have on the community school's financial statements. Ohio Rev. Code § 3314.016(D) requires DEW to take over sponsorship of the community school for the remainder of that school year (with the option of longer if DEW so chooses, and if a new sponsor has not yet been secured by the governing authority). This may result in going concern and note disclosures, including subsequent events, for both governmental sponsor and community school audits. Auditors should be alert to the potential for closing due to a poor or ineffective sponsor rating.
- This could impact the governmental sponsor's financial statements if DEW has taken action(s) against the sponsor to terminate their ability to sponsor and/or if DEW has assumed the role of interim sponsor. (This could be material to a governmental sponsor who is relying upon a material stream of sponsorship fees for healthy financial position).

The CFAE Community School Specialist analyzes the ratings/lists each year as they are released by DEW, and posts such to the [AOS Community School intranet page](#).

Note:

- **Due to the COVID-19 pandemic, the 133rd GA, H.B. 164 Section 5 (which amends Section 17(F) of 133rd GA, H.B. 197) prohibits DEW from issuing any sponsor ratings for Fy 2020, and establishes safe harbor from penalties and sanctions for sponsors based on the absence of such ratings, in which only ratings from previous and subsequent years be considered.**
- **In addition, Section 6 of 133rd GA, HB 409, as amended by 134 GA, HB 67, sponsor ratings issued for Fy 2021 have no effect in determining sanctions or penalties; do not create a new starting point for determinations that are based on ratings over multiple years; and only certain components are rated.**
- **Per House Bill 583, Section 18 of the 134th GA, the Fy 2022 sponsor ratings have no effect in determining sanctions or penalties of a sponsor, do not create a new starting point for sanctions or penalties, and a sponsor remains eligible for any incentives in Fy 2023 that they were eligible for in Fy 2022. Fy 2022 sponsor ratings do not qualify a sponsor for any incentives they were not previously eligible for, unless they elect to have their rating count for incentives.**

Ohio Rev. Code § 3314.023 states if a community school closes or is permanently closed, the designated fiscal officer shall deliver all financial and enrollment records to the school's sponsor within thirty days of the school's closure. If the fiscal officer fails to provide the records in a timely manner, or fails to faithfully perform any of the fiscal officer's other duties, the sponsor has the right of action against the fiscal officer to compel delivery of all financial and enrollment records of the school and shall, if necessary, seek recovery of any funds owed as a result of any finding of recovery by the auditor of state against the fiscal officer. (Suggested Audit Procedure 10)

Note: Oftentimes, a community school closeout can take longer than 30 days to liquidate all obligations and assets. Therefore, AOS and IPA's should evaluate whether a sponsor has physically observed and ensured a community school's records are intact and approved an existing fiscal officer to maintain those records in the fiscal officer's possession beyond 30 days in order to facilitate the closeout process. Where this is the case, AOS and IPA's should not take exception so long as all of the requested records are made available timely to the sponsor, DEW and the auditors for review.

Closing Assurances – Under state law (Ohio Rev. Code § 3314.023), community school sponsors must monitor and oversee their schools' compliance with law, administrative rules and contract provisions, including requirements related to school closure. Specifically Ohio Rev. Code § 3314.023 requires having a plan of action to be undertaken in the event the community school experiences financial difficulties or closes prior to the end of a school year. Sponsors must submit a Suspension and Closing Assurance Form for each closed community school. By completing this assurance, sponsors attest that all necessary notifications and actions are completed. The Suspension and Closing Assurance Form shall be submitted to the Office of Community Schools quarterly, noting which activities are complete until all items are complete and closing assurances form is submitted. DEW's Suspension and/or Closing Procedures are available at <http://education.ohio.gov/Topics/Community-Schools/Guidance-Documents-Webinars-and-Presentations>. [DEW's School Suspension and/or Closure Procedures memo, updated April 2023]

The sponsor shall communicate with the auditor of state regarding an audit of the school or the condition of financial and enrollment records of the school, and shall maintain a presence at any and all meetings with the auditor of state regardless of whether the sponsor has entered into an agreement with another entity to perform all or part of the sponsor's oversight duties. [Ohio Rev. Code § 3314.019] In other words, a sponsor cannot delegate its responsibility to attend audit-related meetings, such as pre- and post- audit conferences, to a contracted third party vendor. The AOS interprets this requirement to extend to audits of community schools conducted by Independent Public Accountants (IPA) on the AOS's behalf. Meaning, the sponsor of a community school is also required to communicate with an IPA when the community school's audit is contracted to an IPA.

- Additionally, the auditor of state must provide written notice to the sponsor regarding any action taken against or upcoming audits of the community school. [Ohio Rev. Code § 117.105]

Suggested Audit Procedures - Compliance (Substantive) Tests:

Note: The Ohio Rev. Code § 3314.50 requirement previously included in this section has been moved to 4E-4. If the community school meets any of the following criteria, then 4E-4 must be tested:

- a. This is the community school's initial year of operations, or
 - b. The community school filed a bond with the Auditor of State, or
 - c. The community school initiated operations on or after February 1, 2016, and
 - i. had a written guarantee by the sponsor or operator, and
 - ii. the guaranteeing entity changed (i.e. the school changed sponsor or operator)
1. Examine the contract between the school and the sponsor. Determine if it includes sufficient information about the items Ohio Rev. Code § 3314.03(A) requires.

Note: Auditors should use professional judgment determining whether to issue noncompliance citations or internal control deficiencies depending upon the level of detail included within or omitted from the contract. While a contract may address a required item, auditors may find instances where the level of detail is not sufficient for a community school or sponsor to adequately determine or measure compliance over time. In these instances, the auditor should consider issuing an internal control deficiency at a minimum.

2. Determine if the contract requires competitive bidding procedures, and if so, the school has complied with those requirements.
3. Determine whether the contract provides payment to the sponsor for monitoring, oversight, and technical assistance.
 - a. Trace actual payments to the sponsor to the accounting records to determine whether they were $\leq 3\%$ of the school's State assistance (or met the terms of the contract if a lower amount was specified, or the sponsor provides additional services).
 - b. Determine if the sponsor did not sell goods or services to the community school except under specific circumstances as described above.
 - c. Determine whether the school had any FTE adjustments after year end, or an FTE review by DEW that resulted in a clawback or a settlement of monies payable to DEW. Consider if a true-up was required for sponsor payments. (See further information in OCS 4A-5. AOS auditors see guidance/steps in Teammate / IPA's see suggested steps in Community School Audit Programs for IPA's at <https://ohioauditor.gov/references/guidance/communityschools.html>.)
4. Inquire regarding the nature and extent of the sponsor's monitoring activities.
 - a. Examine minutes, correspondence, reports⁶⁷ or other evidence supporting that the sponsor fulfilled its monitoring duties described above.
 - b. Read the sponsor's annual report submitted to DEW during the audit period. Based on other audit procedures, judge whether that report suggests the sponsor is diligent in its monitoring and is frank in its reporting to DEW.⁶⁸
 - c. If this is the community schools first year of operations, or if the school changed buildings and this is the first year operating in the new building, determine whether the sponsor completed, signed, and submitted to DEW the opening assurances for the year under audit. Auditors should assess the risk of noncompliance due to a potential lack of appropriate sponsor oversight. Where this risk is elevated, auditors should consider selected tests of reperformance of the sponsor's opening assurances.
5. If based on other audit procedures, the school is experiencing financial or performance problems, judge whether the sponsor is taking the actions the Ohio Rev. Code prescribes above (e.g., declaring the school in probationary status, preparing an action plan to address financial difficulties.)
6. Assess whether the sponsor's overall monitoring generally fulfills the requirements above, including providing a written report on their monthly review of the financial and enrollment records to the school.

⁶⁷ Ohio Revised Code § 3314.025 requires each sponsor of a community school to submit a report to the Ohio Department of Education and Workforce detailing expenditures made to provide oversight, monitoring and technical assistance to the community school(s) it sponsors (see also <http://education.ohio.gov/getattachment/Topics/Community-Schools/Sections/Sponsors/Sponsor-Expenditure-Reporting.pdf.aspx>)

⁶⁸ Staff should not spend significant time reviewing this report. We are not opining or providing any assurance on it. Consider tracing a "handful" of key financial amounts to current or prior audited statements or to accounting records we used in the audits. Read key passages to determine whether they are generally consistent with your understanding. If we find material misrepresentations in the report to DEW, we can report this as noncompliance by the sponsor. Our noncompliance finding should avoid imprecise statements such as "The sponsor's report was inaccurate." Instead, quote statements or amounts from the sponsor's report compared to quotes or amounts we obtained from other sources. List our source in the finding. Note: DEW does not require the sponsor's annual report be submitted for a close-out audit, so this step would be n/a in those situations.

7. Determine whether the community school’s governing board (as opposed to the operator) contracted with an independent fiscal officer, or if a waiver was obtained. Also determine whether the fiscal officer was licensed prior to assuming duties.
8. Determine whether the community school’s governing board has contracted with an attorney that is independent from the school’s:
 - a. sponsor - for any services related to negotiation of the school’s contract with the sponsor;
 - b. operator - for all services
9. Determine if the sponsor has annually verified that no findings for recovery have been issued against governing board members, individuals that propose to create the school, the operator, or any employee of the school with responsibility for fiscal operations or authorization to expend money on behalf of the school.
10. If the community school closed or is permanently closed, determine if the designated fiscal officer delivered all financial and enrollment records to the school's sponsor within thirty days of the school's closure, or if the sponsor physically inspected the records in lieu of taking possession of them from the fiscal officer in order to facilitate a fiscal officer’s ability to complete the close out.⁶⁹
 - a. Determine if the Sponsor is in the process of completing, or has completed DEW’s Suspension and/or Closing Procedures. Such procedures should be tested.
11. If the sponsor is an educational service center or school district, determine if they are also ‘operating’ the community school pursuant to an agreement. If so, test sections 4B-2 and 4B-5.

Report significant noncompliance as necessary in the school’s audit report.

<p>Audit implications (the indirect and material effects of non-compliance, effects on the audit opinions and/or footnote disclosures, significant deficiencies/material weaknesses, and management letter comments):</p>
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⁶⁹ AOS will accept documentation or other evidence that the sponsor performed a timely physical inspection of all records and mutually agreed to allow the fiscal officer to keep such records in his or her possession after 30 days from the date of closure and until all financial matters have been settled so long as the sponsor continues to monitor the activities of the fiscal officer until all matters are settled and the records are turned over. However, we believe the sponsor remains responsible for all financial and enrollment records after 30 days from the date of closure, regardless who has possession of these records.

4B-5 Compliance Requirement: Ohio Rev. Code §§ 3314.032, 3314.0210 - Operator relationship with community schools

Summary of Requirement:

Beginning February 1, 2016, new or renewed contracts between the governing authority of a community school and its operator^{70 71}, shall include: [Ohio Rev. Code § 3314.032(A)]

- Criteria for early termination;
- Notification procedures and timeline for early termination or nonrenewal;
- Stipulations relating to ownership of facilities and property purchased by the governing authority or operator. Property includes but is not limited to, equipment, furniture, fixtures, instructional materials and supplies, computers, printers, and other digital devices.

An operator shall not lease any parcel of real property to the community school until an independent professional in the real estate field verifies via addendum that at the time the lease was agreed to, the lease was commercially reasonable. This independent professional is immune from civil liability for any decision rendered. [Ohio Rev. Code § 3314.032(B)]

Ohio Rev. Code §§ 3314.0210, 3314.015(E) and 3314.074 specify that furniture, computers, software, equipment, or other personal property purchased with state funds that were paid to an operator or management company for use in operating a community school is property of that school and is not property of the operator or management company. It also requires that such property must be distributed in accordance with continuing law whenever a community school closes and ceases its operation. That law prioritizes distribution of a school's remaining assets first to the state retirement systems, then to employees, and then other creditors. To the extent possible, state-purchased computers are to be turned over to the DEW for redistribution.

- **Note:** Ohio Rev. Code § 3314.0210 was effective February 1, 2016. Therefore assets purchased by the management company for the school prior to this date still belong to the management company or as specified in the agreement.

Suggested Audit Procedures - Compliance (Substantive) Tests:

1. For new or renewed operator and community school contracts established on or after February 1, 2016, determine if the required items above were included in the contract.

⁷⁰ "Operator" or 'management company' means either of the following: (a) An individual or organization that manages the daily operations of a community school pursuant to a contract between the operator or management company and the school's governing authority; or (b) A nonprofit organization that provides programmatic oversight and support to a community school under a contract with the school's governing authority and that retains the right to terminate its affiliation with the school if the school fails to meet the organization's quality standards. [Ohio Rev. Code § 3314.02(A)(8)]

- Therefore, the terms "operator" and "management company" are synonymous, and this OCS section applies to any entity meeting the definition above.
- An educational service center or school district who is a community schools sponsor, may also be 'operating' the community school pursuant to an agreement. In addition, certain community schools are the operator of other community schools. In these situations, this OCS section would be applicable.

⁷¹ Ohio Rev. Code § 3314.031 requires DEW to publish an annual performance report for all operators of community schools by November 15th, which is available at <http://education.ohio.gov/Topics/Community-Schools>. Currently the law provides no direct consequences for negative performance reviews.

2. For personal property purchased after February 1, 2016 with state funds paid to an operator or management company for use in operating a community school, determine these capital assets are reported on the community school’s financial statements, in their asset records, or they can otherwise demonstrate ownership⁷².
3. If an operator has entered a lease for real property after February 1, 2016 to the community school, determine the lease was verified as commercially reasonable by an independent professional in the real estate field. *Note:* The auditor is not testing the lease for reasonableness, but rather ensuring the operator obtained the required verification.
4. For schools that are closed, vouch that property purchased by operators with state funds that were paid to an operator or management company for use in operating the community school has been distributed according to the DEW Closing Procedures, or otherwise in accordance with State / Federal law.

Audit implications (the indirect and material effects of non-compliance, effects on the audit opinions and/or footnote disclosures, significant deficiencies/material weaknesses, and management letter comments):

⁷² Ohio Rev. Code § 3314.0210 requires ownership by the school, so any of these are acceptable methods. Some assets may fall under the capital asset threshold, or some schools may choose to report their financial statements on a basis other than GAAP, yet the assets are still required to be property of the school.

4B-6 Compliance Requirement: Ohio Rev. Code §§ 9.48, 125.04(C), 153.65-.71, 3313.46, 3313.533 and 3327.08 - Board of Education and Governing Board of Educational Service Centers procedures for bidding and letting of contracts.

Note: Auditors should carefully consider whether contract expenditures are direct and material to their audit. Among other federal assistance, schools are receiving the Education Stabilization Fund programs which can include significant construction-related projects. Contracts charged, in whole or in part, to federal programs may need to follow Federal Procurement Rules described in the Uniform Guidance. Auditors should refer to the terms and conditions of the federal program to determine if Procurement applies. If Federal Procurement rules apply, local governments must comply with Federal, state and local (including charter) requirements regarding contract procurement and bidding. Where conflicts exist, the most restrictive requirement prevails. See [AOS COVID-19 FAQ's](#) for additional procurement guidance related to certain COVID funding and the Federal Procurement guidance for clients listed on [AOS's website](#). AOS auditors should consult with CFAE via the FACCR Specialty in Spiceworks if noncompliance with Federal procurement requirements is identified for a non-major program or a major program for which procurement is not tested in the FACCR.

Summary of Requirements:

When a Board of Education or a Governing Board of an Educational Service Center determines to purchase a bus pursuant to Ohio Rev. Code § 3327.08, or build, repair, enlarge, improve or demolish any school building⁷³ with a cost in excess of \$50,000, the Board is required to:

- Prepare plans and specifications. [Ohio Rev. Code § 3313.46(A)(1)].
- Advertise for bids once a week for not less than two consecutive weeks, or as provided in Ohio Rev. Code § 7.16⁷⁴, in a newspaper of general circulation in the district before the date specified by the Board for receiving bids. The board may also cause notice to be inserted in trade papers or other publications designated by it or to be distributed by electronic means, including posting the notice on the board's internet web site. If the board posts the notice on its web site, it may eliminate the second notice otherwise required to be published in a newspaper of general circulation within the school district, provided that the first notice published in such newspaper meets all of the following requirements: (a) It is published at least two weeks before the opening of bids; (b) It includes a statement that the notice is posted on the board of education's internet web site; (c) It includes the internet address of the board's internet web site; and (d) It includes instructions describing how the notice may be accessed on the board's internet web site.[Ohio Rev. Code § 3313.46(A)(2)].
- Open the bids at the time and place specified by the Board in the advertisement for bids. [Ohio Rev. Code § 3313.46(A)(3)]
- When the work bid includes both labor and materials, the Board may require that each be separately bid or may require that they be bid as one. [Ohio Rev. Code § 3313.46(A)(5)]

⁷³ A school building is not limited to structures where instruction of students takes place. However, whether competitive bidding is required for building, repairing, enlarging, improving, or demolishing other types of structures is fact-specific and engagement auditors should discuss with their legal representatives.

⁷⁴ Ohio Revised Code § 7.16 allows the second publication to be in an abbreviated form and provides that that any further publications can be eliminated if the second notice meets all of the requirements of Ohio Revised Code § 7.16.

- The award of the contract is to the lowest responsible bidder. [Ohio Rev. Code § 3313.46(A)(6)]
- The contract is between the board and the bidders. The board is required to approve and retain estimates and make them available to the Auditor of State upon request. [Ohio Rev. Code § 3313.46(A)(7)]
- If two or more bids are equal and are lower than any others, either may be accepted. However, the work is not to be divided among the bidders. [Ohio Rev. Code § 3313.46(A)(8)]
- When there is reason to suspect collusion among the bidders, those suspects are to be rejected. [Ohio Rev. Code § 3313.46(A)(9)]

The above requirements (Ohio Rev. Code § 3313.46(A)) do not apply to:

- an urgent necessity,⁷⁵ [Ohio Rev. Code § 3313.46 (A)]
- acquisition of educational materials used for teaching; [Ohio Rev. Code § 3313.46(B)(1)]
- any item which the Board, by a two-thirds vote, determines is available and can be obtained only through a single source; [Ohio Rev. Code § 3313.46(B)(2)]
- energy conservation measures, with the approval of two-thirds of the Board; [Ohio Rev. Code § 3313.46(B)(3)]
- acquisition of computer software or hardware for instructional purposes; [Ohio Rev. Code § 3313.46(B)(4)] or
- School districts that participate in a joint purchasing contract are exempt from using competitive bidding. [Ohio Rev. Code § 9.48(C)-(D)]

A school district may purchase supplies or services from another party, including another political subdivision, instead of ~~participating in through~~ a contract that the Department of Administrative Services has entered for the ~~purchases of supplies and services into on behalf of the school district~~, if the school district can prove that it can purchase those same supplies or services from the other party upon equivalent terms, conditions, and specifications but at a lower price. If so, the school district does not have to competitively bid those supplies or services. [Ohio Rev. Code § 125.04(C)]

School districts procuring professional design services, ~~over the competitive bidding threshold over~~ \$25,000, do not need to follow the competitive bidding process. However, contracts for professional design services must adhere to the provisions of Ohio Rev. Code §§ 153.65 through 153.71 which require school districts to publicly announce and provide notice of the contract, rank firms on the basis of qualifications, and award the contract to the most qualified firm. "Professional design services" are defined as services within the scope of practice of an architect or landscape architect registered under Chapter 4703 of the Revised Code or a professional engineer or surveyor registered under Chapter 4733 of the Revised Code. Ohio Rev. Code §§ 153.66 to 153.70 do not apply to any of the following:

- Any project with an estimated professional design fee of \$25,000 or less;
- Any project with an estimated professional design fee of more than \$25,000 but less than \$50,000 if both of the conditions in Ohio Rev. Code § 153.71(B)(2)(a) and (b) are met;

⁷⁵ Defined in *Mueller v. Bd. of Educ.*, 25 Ohio Dec. 195(Com. Pl. 1911). “[‘Urgent necessity’] means more than convenience and more than ordinary necessity. It is something that requires immediate action and cannot wait. When pleaded as an excuse for failure to comply with any statutory requirement it must be decided by the circumstances of the particular case in which it arises.” “Whether or not a case of urgent necessity exists so that a board of education may be enabled to build, alter or repair a school house or make other improvements without complying with the provisions of this section, as to competitive bidding is dependent upon the determination and declaration of the board itself and cannot be questioned for any reason other than fraud, collusion, absence of good faith or abuse of discretion.” [1927 Op. Att’y. Gen. No. 27-0908]

- Any project determined in writing by the head of the public authority to be an emergency requiring immediate action including, but not limited to, any projects requiring multiple contracts let as part of a program requiring a large number of professional design firms of the same type;

[Ohio Rev. Code §§ 153.65 through 153.71]

Districts operating alternative schools which meet certain criteria are permitted to contract with a nonprofit or for profit entity to operate the alternative school, including the provision of personnel, supplies, equipment, or facilities. [Ohio Rev. Code § 3313.533(C)]

When a school board contracts with a nonprofit or for profit entity to run the school, the alternative school plan under 3313.533(B) must include the additional information 3313.533(G) describes. (See statute if this occurs.)

1. When a board of education determines to contract with a nonprofit or for-profit entity to operate an alternative school, the board shall:
 - a. Publish a notice of request for proposal in a newspaper of general circulation once a week for at least two consecutive weeks, or as provided in Ohio Rev. Code § 7.16⁷⁶, prior to the date specified by the board for receiving proposals. [Ohio Rev. Code § 3313.533(H)(1)]
 - b. After the date specified for receiving proposals, evaluate the submitted proposals (which may include discussions with respondents) to understand the proposal and the qualifications of respondents. The evaluation shall concern the entity's qualifications using factors the statute specifies. [Ohio Rev. Code § 3313.533(H)(2)]
2. The contract shall be awarded to the respondent the board considers to have the most merit, taking into consideration the scope, complexity, and nature of the services to be performed by the respondent under the contract. [Ohio Rev. Code § 3313.533(C), (G) and (H)(4)]

See additional guidance related to contracts & expenditures in OCS Implementation Guide, Appendix B.

Suggested Audit Procedures - Compliance (Substantive) Tests:

1. Identify a few expenditures subject to contracting/competitive bidding requirements while reading the minutes, by inquiry of government personnel, and/or by scanning the disbursement records. Determine through inspection, vouching, or other means that payments exceeding \$50,000 and contracts for the operation of alternative schools, were awarded using competitive bidding procedures. Be alert for indications of "bid-splitting" or deliberate attempts to evade bid limitations⁷⁷, such as successive contracts just under the bid amount. In selecting payments to test, consider selecting from higher-dollar payments and perhaps one or two smaller payments (i.e. payments slightly over the competitive bidding threshold).
2. Inspect bid files for documentation of:
 - a. plans and specifications/RFP,
 - b. bid/RFP advertising, and
 - c. bid/proposal openings.

⁷⁶ Ohio Revised Code § 7.16 allows the second publication to be in an abbreviated form and provides that that any further publications can be eliminated if the second notice meets all of the requirements of Ohio Revised Code § 7.16.

⁷⁷ Auditors should also be aware of and look for other schemes and recommend solutions such as those highlighted [here](#).

3. For contracts concerning the operation of alternative schools, review Ohio Rev. Code § 3313.533(H) and determine whether the district documented its evaluation of the respondent’s qualifications.
4. For contracts exceeding \$50,000 purporting to meet one or more of the exceptions indicated above (i.e., acquisition of educational materials used for teaching; any item which the Board determined was available and could be obtained only through a single source; certain energy conservation measures; acquisition of computer software or hardware for instructional purposes; and acquisitions pursuant to Section 125.04), determine documentation exists to support expenditures meeting those exceptions.
5. Document whether there is any apparent interest in the contract by a public official. Due to heightened public interest in these situations, we would often deem violations to be material noncompliance and could affect our assessment of the control environment and affect our fraud assessment.

Audit implications (the indirect and material effects of non-compliance, effects on the audit opinions and/or footnote disclosures, significant deficiencies/material weaknesses, and management letter comments):

CHAPTER 4C - STATUTORILY MANDATED TESTS

4C-1 Compliance Requirement: Ohio Rev. Code §§ 117.53, 3313.666(A) - (C), and 3314.03(A)(11)(d), - Anti-Bullying Provisions

Note: We are requiring staff to test this section as follows:

1. Anti-Bullying laws should be tested for all schools (traditional and community schools). Auditors must issue the AUP report (available on the Intranet) as part of the audit package each year until the school is in full compliance. Auditors should be alert that these requirements will need tested in the first audit of any new community school.
2. For existing traditional and community schools where these provisional compliance requirements were not previously tested, auditors need to perform the suggested audit procedures and issue the applicable AUP report.

Summary of Requirements:

The board of education of each city, local, exempted village, and joint vocational school district and the governing authority of each community (charter) school must adopt an anti-bullying policy in consultation with parents, school employees, school volunteers, students, and community members.

Each policy must include the following items (Ohio Rev. Code §§ 3313.666(B), and 3314.03(A)(11)(d)):

1. A statement prohibiting the harassment, intimidation, or bullying of any student on school property, on a school bus, or at school-sponsored events. The policy must also expressly provide for the possibility of suspension of a student found responsible for harassment, intimidation, or bullying by an electronic act.⁷⁸
2. It also must define the term "harassment, intimidation, or bullying" in a manner that includes the definition prescribed in Ohio Rev. Code § 3313.666(A). The act defines that term as "any intentional written, verbal, electronic or physical act that a student has exhibited toward another particular student more than once and the behavior both (1) causes mental or physical harm to the other student, (2) is sufficiently severe, persistent, or pervasive that it creates an intimidating, threatening, or abusive educational environment for the other student," and violence within a dating relationship.
3. A procedure for reporting prohibited incidents;
4. A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
5. A requirement that the custodial parent or guardian of a student involved in a prohibited incident be notified and, to the extent permitted by state and federal law governing student privacy, have access to any written reports pertaining to the prohibited incident;
6. Procedures for documenting any prohibited incident that is reported;
7. Procedures for responding to and investigating any reported incident;
8. A strategy for protecting a victim from new or additional harassment, intimidation, or bullying, and

⁷⁸ "Electronic act" is defined by Ohio Rev. Code § 3313.666(A)(1) as an act committed through the use of a cellular telephone, computer, pager, personal communication device, or other electronic communication device.

from retaliation following a report, including a means by which a person may report an incident anonymously;

9. The disciplinary procedure for a student who is guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;
10. A statement prohibiting students from deliberately making false reports of harassment, intimidation, or bullying and a disciplinary procedure for any student responsible for deliberately making a false report of that nature; and
11. A requirement that the administration provide semiannual written summaries of all reported incidents to the president of the district board of education or community school governing authority, and post them on the district's or school's website (if applicable) to the extent permitted by state and federal law governing student privacy.

These items form a framework for districts and community schools to use in developing their policies. The policy must be included in student handbooks and in publications that set forth the standards of conduct for schools and students. Employee training materials must also include information on the policy. [Ohio Rev. Code § 3313.666(C)]

Auditor of State identification of harassment policy

The act **requires** the Auditor of State (or contracting IPAs), when auditing a school district or community school, to identify whether the district or school has adopted an anti-harassment policy. This determination must be recorded in the audit report. The Auditor of State may not prescribe the content or operation of the policy. (Ohio Rev. Code § 117.53)

Suggested Audit Procedures - Compliance (Substantive) Tests:

Inspect the anti-bullying policy the school adopted pursuant to Ohio Rev. Code § 3313.666(B) (for school districts) or § 3314.03(A)(11)(d) (community schools). To comply with this reporting obligation, the Auditor of State and contracting independent accountants must include an additional agreed-upon procedures report describing the procedures applied and the results, until compliance is obtained. This report should appear immediately after the schedule of findings or schedule of prior year audit findings, if applicable. The table of contents should separately list this report. (Because this report is a statutory requirement, we believe it is inappropriate to include it with a management letter.)

NOTE: The reporting process AOS and IPA's should use to satisfy these requirements is detailed in the appropriate AUP Report shell Anti-bullying found on the Intranet and [AOS Internet](#).

Conclusion: (effects on the audit opinions and/or footnote disclosures, significant deficiencies/material weaknesses, and management letter comments):

4C-2 Compliance Requirement: Ohio Rev. Code § 5705.412 and Ohio Admin. Code 3301-92-05 - Restriction upon school district expenditures and certifying adequate revenues. Application: City, local, exempted village and joint vocational school districts.

Summary of Requirements: Ohio Rev. Code § 5705.412 requires the **treasurer, superintendent and president of the board of education** to certify that adequate revenues will be available to maintain all personnel and programs for the current fiscal year and for a number of days in the succeeding fiscal years equal to the number of days instruction was held or is scheduled for the current fiscal year. For a school district in fiscal emergency under Ohio Rev. Code chapter 3316, the certificate shall be signed by a member of the school district’s financial planning and supervision commission. [Ohio Rev. Code § 5705.412(B)(1)]

Term of certificate:

- A. The certificate attached to an appropriation measure covers only the fiscal year in which the appropriation measure is effective.
- B. The certification must be attached to all appropriation measures *except* for temporary measures when the temporary measure (1) does not appropriate more than 25 percent of the total resources available last year for any fund, (2) the measure will not be in effect for more than thirty days after the earliest date the school district could pass an annual appropriation measure, and (3) an amended certificate of available revenues has not been certified to the school district under Ohio Rev. Code § 5705.36.
- C. The certificate attached to a **qualifying contract** covers the term of the contract.
- D. The certificate attached to a wage or salary schedule covers the term of the schedule.
- E. A “*qualifying contract*” is “. . . any agreement for the expenditure of money under which aggregate payments from the funds included in the school district’s five-year projection under section 5705.391 of the Ohio Rev. Code [see 4E-1] will exceed the lesser of the following amounts . . . ”:
 1. \$500,000;
 2. 1% of the general fund’s total estimated revenues as certified in the school district’s most recent certificate of estimated resources under Ohio Rev. Code § 5705.36 [see OPM Section O-1]

Tax levies: The certification of an appropriation measure may not anticipate the renewal or replacement of an existing property tax levy nor the approval to extend an existing income tax levy beyond its current expiration. All other certifications may anticipate the renewal or replacement of existing property tax levies and the approval to extend an existing income tax levy beyond its current expiration. [Ohio Admin. Code 3301-92-05]

A school district must include the additional certification under Ohio Rev. Code § 5705.412 along with the certification required under Section 5705.41 *except* under the following circumstances:

- for current payrolls of, or contracts of employment with, any employees or officers of the school district.⁷⁹

⁷⁹ For example, contracts with individual teachers do not require a “412” certificate, though the negotiated agreement and/or teaching staff salary schedule generally would. Similarly, an employment contract with an individual administrator, who is not covered by a board adopted salary schedule would not require “412” certification.

- when increasing the wages or salaries enabling the school board to comply with division (B) of Ohio Rev. Code § 3317.13, which addresses the minimum salary schedule for teachers.

Section 5705.412 certificates *should* be executed for:

- appropriation measures (except certain temporary measures; see above)⁸⁰;
- increased salary or wage schedules⁸¹ and
- any other “qualifying contracts”, including, but not limited to: 1) negotiated agreements (e.g. professional association [“union”] contracts) and, 2) contracts for benefits (e.g., major health insurance contracts)

Qualifying contracts or wage or salary schedules that have not been certified as required are considered void.⁸² No payments may be made on void obligations.

Penalties: Anyone who does any of the following is liable for the full amount paid on the obligation, up to \$10,000:

- executing an obligation contrary to § 5705.412,
- expending or authorizing the expenditure of public funds contrary to § 5705.412, or
- authorizing or making payment of public funds on a void obligation

The Auditor of State is required to refer instances of noncompliance with any qualifying contract or wage or salary schedule to the school district’s statutory legal counsel. [Ohio Rev. Code § 5705.412(E)]

School districts should maintain a continuing record of contracts which have been certified and adequate documentation to substantiate the certifications. [Ohio Admin. Code 3301-92-05(F)]

The rules for Ohio Rev. Code § 5705.412 (Ohio Admin. Code 3301-92-05(B)-(E)) provide guidance on projecting revenues to future periods for purposes of the certifications.

⁸⁰ The Auditor of State’s Office interprets this requirement to mean any and all appropriation measures for any and all funds of the school district. Ohio Rev. Code § 5705.412 requires that no district shall adopt “any appropriation measure ... unless there is attached thereto a certificate, signed as required by this section, that the school district has in effect the authorization to levy taxes including the renewal or replacement of existing levies which, when combined with the estimated revenue from all other sources available to the district at the time of certification, are sufficient to provide the operating revenues necessary to enable the district to maintain all personnel and programs.” Likewise, the Ohio School Law Guide also states that “[c]learly all appropriation measures must be certified pursuant to Ohio Rev. Code § 5705.412”.

⁸¹ Increased salary schedules that are part of a contract previously lawfully certified under § 5705.412 need not be re-certified before they take effect. However, the school district may have to adjust revenues and expenditures, in Ohio Rev. Code § 5705.391(A) regarding a five-year projection, in the year the increased salary or wage schedule takes effect in order to properly certify its annual appropriation measure.

⁸² Occasionally, school districts amend appropriations during the year without properly obtaining 412 certifications. AOS will not consider these appropriations to be “void”. However, auditors should still cite school districts under Ohio Rev. Code § 5705.412 when a school does not prepare these certificates.

Ohio Rev. Code § 5705.412 (B)(2) authorizes a school district to enter into certain multi-year contracts without attaching the certificate of adequate resources otherwise required by law, if an “alternative” certificate authorized by the act is attached certifying the following:

- (a) The contract is a multi-year contract for materials, equipment, or non-payroll services "essential to the education program of the district"; and
- (b) The multi-year contract demonstrates savings over the duration of the contract as compared to costs that otherwise would have been demonstrated in a single year contract, and the terms will allow the district to reduce the deficit it is currently facing in future years as demonstrated in its five-year forecast.

The alternative certificate must be signed by the treasurer and president of the board of education and the school district's superintendent; or, if the district is in a state of fiscal emergency, the alternative certificate instead must be signed by a member of the district's Financial Planning and Supervision Commission designated by the Commission.

Suggested Audit Procedures - Compliance (Substantive) Tests:

1. Scan minutes, contracts files, etc., to identify appropriation measures (except certain temporary measures), increased salary or wage schedules, and qualifying contracts.
2. Select a few appropriation measures, increased salary or wage schedules, and a few qualifying contracts for which “412” or “alternative” certificates ~~should have been~~ ~~were not~~ executed during the fiscal year.
 - a. ~~Verify that the certificate was executed.~~ If a qualifying contract, etc., should have been certified and the auditor cannot obtain documentation that it was, the auditor must issue a noncompliance citation. Also, the noncompliance matter must be referred to the prosecuting attorney for the county, or the city law director in the case of a city school district, or other chief law officer of the school district (the statutory legal counsel on the audit report recipient spreadsheet satisfies this requirement).
 - b. ~~Select a few qualifying contracts, etc., entered into during the fiscal year(s) under audit.~~ Inspect the “412” or “alternative” certificates and the supporting documentation, including the five year projections that were available to school district officials at the time of the execution of the qualifying contracts, etc. Evaluate for reasonableness and conformity with the rules.
 - c. Compare qualifying contract, etc., dates with related certification dates and note any differences.

<p>Conclusion: (effects on the audit opinions and/or footnote disclosures, significant deficiencies/material weaknesses, and management letter comments):</p>
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CHAPTER 4D – STEWARDSHIP

Citizens and public officials want and need to know whether governments are handling their funds properly and complying with laws and regulations. Public officials entrusted with public resources are responsible for complying with those laws and regulations. The laws and regulations in this chapter have stewardship considerations that we have deemed significant and therefore require compliance testing.

Important:

The following sections should be performed *ANNUALLY* if applicable to your entity:

- ***Dropout Prevention and Recovery School Eligibility Requirements –Section 4D-1***
- ***School District Transportation T-1 and T-2 Forms – Section 4D-2***
- ***College Credit Plus (CCP) – Section 4D-3***

This *Ohio Compliance Supplement* section of Chapter 4 provides a simplified process for assessing the government’s compliance with these requirements. Auditors can generally complete these tests using inquiry, observation and, occasionally, certain other limited substantive procedures, such as inspection of documents or limited vouching.

The *Sample Questions and Procedures* this chapter presents are merely examples of procedures you might use. You should add to, modify, or omit these procedures as appropriate in the circumstances. If existing control tests or substantive compliance tests satisfy these objectives, the auditor should cross-reference this work to these sections.

Compliance

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4D-1 Compliance Requirement: Ohio Rev. Code §§ 3301.0710, 3301.0712, 3314.017, 3314.034, 3314.38; Ohio Admin. Code 3301-102-10 - Dropout Prevention and Recovery School Eligibility Requirements

Testing of this section is suspended for Fy 2024 for the following reasons:

- HB 33 of the 135th GA, effective October 3, 2023, revised Ohio Rev. Code § 3314.36 and it no longer syncs up with Ohio Admin. Code 3301-102-10, which is where the items tested in this section come from.
- HB 33 also created a Dropout Recovery Advisory Council in Ohio Rev. Code § 3314.381 that is charged with reviewing all existing rules (i.e. Ohio Admin. Code) and guidance previously developed or adopted by the department that applies to dropout prevention and recovery community schools. The Council's first meeting was March 26, 2024.
<https://education.ohio.gov/Topics/Community-Schools/Drop-Out-Prevention-and-Recovery/Dropout-Prevention-and-Recovery-Advisory-Committee>
- In addition, HB 33 enacted Ohio Rev. Code § 3314.382 which states, in part, that any guidance document previously developed by the department that establishes general and uniform operations regarding a dropout recovery community school in effect on the effective date of this section is void after that date.
- Testing of this section is expected to be reinstated in the 2025 OCS, once the Council has reviewed/updated Ohio Admin. Code 3301-102-10.

Revised: HB 33, 135 GA
Effective: October 3, 2023

4D-2 Compliance Requirement: Ohio Rev. Code §§ 3317.0212 & 3314.091; Ohio Admin. Code 3301-83-01 - Transportation T-1 and T-2 Forms – All Traditional School Districts and Certain Community Schools

Note: As stated on pg. 1 of Chapter 4D, this section should be performed *ANNUALLY* if applicable to your school or community school. See further guidance on pg. 1 of Section 4D.

Summary of Requirements:

Ohio Rev. Code § 3317.0212 & Ohio Admin. Code 3301-83-01 detail the transportation component of the school funding formula (which was modified by HB 110, 134 GA, effective September 30, 2021, HB 583, 134 GA, Section 13, effective September 23, 2022, and HB 45, 134 GA, effective April 7, 2023). Ohio Rev. Code § 3314.091 explains that community schools may assume elect responsibility for transportation of their own students⁸³. **Therefore, while this section will be applicable at all traditional schools, it will only apply to community schools which assume transportation responsibility for students attending their schools made such election.**

1. The T-1 report is provided annually for the use of each city, local, and exempted village school district, county board of developmental disabilities, community schools providing service under Ohio Rev. Code § 3314.091, and Educational Service Centers certifying to the Ohio Department of Education and Workforce (DEW) the actual number of pupils transported and total daily miles traveled. This data is then used for calculation of the pupil transportation payment pursuant to Ohio Rev. Code § 3317.0212.
2. T-2 Form is provided for use by each school superintendent and treasurer to certify to the Ohio Department of Education and Workforce the actual expenses incurred in the transportation of eligible pupils reported on corresponding Form T-1 during the preceding fiscal year.
 - a. This includes Traditional Schools and Community Schools as well as County Board of Developmental Disabilities and Educational Service Centers if they provide special education transportation.
3. Refer to DEW's Community School Transportation Funding guidance for additional information if the community school assumes relinquishes transportation responsibility for students attending their schools. [Community School Transportation Funding.pdf](#)

Refer to DEW's Overview of Transportation Finance at: [Financial Reporting and Data Collection-09-29-2022](#)

Pupil Transportations Services Types included on T-1 and T-2 Forms ([T1-Instructions-Revised-9-2023.pdf](#)):

- Type I - Board-owned, leased, and operated school buses
- Type 1A - Students transported by school bus service contracted from another school. This may also include students transported in a consortium arrangement on buses managed and reported by another district or entity.

⁸³ Community schools may own and operate their own yellow school buses or may contract for yellow school buses.

- Type II - Contractor-owned, leased, and operated school buses assigned exclusively to a given district.
- Type III - Public utility
- Type IV - Payment made to parent or guardian in lieu of transportation (Special education services or contracted parental service contracts are not type IV service.)
- Type V - Board-owned vehicles other than school buses (9 passengers or less)
- Type VI - Privately-owned vehicles other than school buses (9 passengers or less) (Includes contracts with parents for special education transportation)
- Type VII - Community school students who are transported by the community school in accordance with Ohio Rev. Code § 3314.091

T-1 Forms:

Data for T-1 reports shall be an average of resident pupils enrolled and regularly transported using the greater of the average counted in the morning or counted in the afternoon by individual bus⁸⁴ during the designated count week, the first full week of October, that school is in session. This report shall also include the average daily miles traveled for pupil transportation, excluding non-routine and extra-curricular miles. Special education students and average daily miles will also be reported on the T-1.

For regular education riders, students must be reported according to the type of school they attend (public, nonpublic, or community school) and must be separated based upon how far they live from the school.

For special education students, **both** of the following must be applicable in order for a student to be reported as a student with a disability:

1. Students with disabilities must represent 50% or more of the ridership of the bus on a given trip; **and**
2. The student has an IEP that requires transportation as a related service.

For additional information on T-1 forms refer to:

- [T1-Instruction-Revised-9-2023](#)
- [T-Report-Instructions-Worksheets](#)

T-1 Forms must be completed by the first full week in October, filed by November 1, and may be amended by January 31. See Calendar of Form deadlines [here](#).

T-2 Forms:

T-2 Form includes expenses for all transportation and buses on inventory from July 1 - June 30.

⁸⁴ The greater average of the morning or afternoon ridership is by individual bus. For example:

- If bus 1 for the count week has an average morning ridership of 40 resident pupils and an average afternoon ridership of 55 resident pupils, then the school would report 55 in the T-1 Report for bus 1;
- If bus 2 for the count week has an average morning ridership of 45 resident pupils and an average afternoon ridership of 30 resident pupils, then the school would report 45 in the T-1 Report for bus 2.
(Source: DEW's Video: T-1 Updates and Training dated 9/29/2022)

Each district shall retain a copy of all transportation reports and supporting documentation for 5 years and must be made available to the department ~~State Board of Education or its representatives~~ for audit purposes. (Ohio Rev. Code § 3317.031)

T-2 Forms shall reflect:

1. Expenses for cost of services and for items invoiced and installed on all school transportation vehicles
2. Transportation expenses only for pupils transported on a regular basis
3. Eligible special education transportation costs shall be submitted on the T-2 report in the sections identified for special education reporting. Failure to identify appropriate special education costs on this report can result in a loss of funding for special education transportation. (see instructions regarding special education accounting)
4. Annual miles for non-routine trips

The T-2 Form shall **not** include:

1. Expenditures for capital outlay and items placed in inventory.
2. Expenses for students reported by other school agencies.
3. Expenditures (including operational and labor) for non-routine use of school buses. Trips such as summer school, after school events, athletic trips, and educational field trips are examples of expenditures that shall not be reported on the T-2 form.

For additional information on T-2 forms refer to:

- [T2-instructions](#)
- [T-Report-Instructions-Worksheets](#)

T-2 Forms must be completed by the end of the fiscal year, and filed by August 31st. See Calendar of Form deadlines [here](#).

Sample Questions and Procedures:

1. Document the policy and procedures over the T-1 forms?
2. Did the school district complete the T-1 forms correctly?
 - a. Select **one** specific transportation type listed below on the T-1 Report for the count week and determine if key data for the transportation type agrees to underlying support: (Note: Type 1 or 2 would typically be selected. Types 1a, 5 and 7 are expected to be lower risk; however, auditors should use judgment on whether those Types should be selected for testing. For example, if a school has a low number for Type 1 and 2 and an unusually larger number for Type 5, auditors should take this into consideration when determining which type to test.)
 - i. Type 1- board owned/leased and operated yellow bus
 - ii. Type 1a- transported by school bus service contracted from another school
 - iii. Type 2- contractor owned, leased and operated school buses assigned exclusively to the district

- iv. Type 5 - board owned vehicles other than buses, 9 or fewer passengers
 - v. Type 7- community school students who are transported by the community school.
- b. Select one bus/transportation vehicle from the transportation type selected above on the T-1 form and determine if the student numbers agree to the daily count sheets during count week. (**Note: Type 1 or 2 would typically be selected.** Types 1a, 5 and 7 are expected to be lower risk; however, auditors should use judgment on whether those Types should be selected for testing. For example, if a school has a low number for Type 1 and 2 and an unusually larger number for Type 5, auditors should take this into consideration when determining which type to test.)
- i. Using the daily count sheets for the one transportation type, (i.e. Type 1, bus #1 for all of the days during count week) selected during count week determine:
 - a) The amount recorded for students equals the greater average of **ALL** AM head counts by bus or **ALL** PM head counts by bus (AM head count by bus divided by the number of days in the count week or PM head count by bus divided by the number of days in the count week.)
 - b) The mileage recorded for that same selection equals the total routes driven each day totaled for the number of days the school is in session for the count week divided by the number of days the school is in session for the count week. (For example, if the school was in session for 5 days during count week, the mileage recorded equals the total routes driven each day totaled for 5 days and divided by 5.)
 - c) If students were counted as special needs determine that the number of students recorded were at least 50% or more of ridership and each student had an IEP.
- Examples:
- i.) If there were 11 riders in the AM and 5 are regular students and 6 are special needs students, then it meets the 50% test and the special needs students are allowed to be counted as special needs as long as they also have IEPs.
 - ii.) If there were 11 riders in the AM and 10 are recorded as regular students (no special needs) and 1 student is recorded as special needs, usually this would be unallowable. However, if the bus was running tiered routes and transported 10 high school students and then ran a second route picking up one special needs student that had an IEP this would be allowable to record the special needs student as special needs on the count.
 - d) Auditors should verify that open enrolled students were not included on the count sheets for reimbursement.
3. If Type 3 for Public Transport was used (e.g., Metro, COTA, TARTA, etc.) for students that were in kindergarten to 8th grade, then determine if the district is maintaining agreements for allowing the student to use public transportation. Determine if the agreements were approved by the district and community school or chartered nonpublic school and if they were executed prior to count week. (Ohio Rev. Code § 3327.017(B))

4. Determine if an explanation has been provided for large variances (over 50%) on the T-1 Audit report.
5. Did the school district submit the form to DEW by the deadline?

If T-2 forms are material,⁸⁵ test the following steps:

1. Document the policy and procedures over the T-2 forms?
2. Select three line items on the T-2 form and agree them to supporting documentation.
3. Did the school district submit the form to DEW by the deadline?

Conclusion: (effects on the audit opinions and/or footnote disclosures, significant deficiencies/material weaknesses, and management letter comments):

⁸⁵ Materiality for testing T-2 forms is dependent on auditor judgement, but the overall goal is to determine that the forms are reporting proper amounts, so if only amounts being reported are coming from one or two funds but the evaluation of materiality is being based at an entity wide level, you will need to determine if that is a truly representative determination. A better representative determination for T-2 form materiality would be based on cash activity into the funds reported on the T-2 forms.

Revised: HB 33, 135 GA
Effective: October 3, 2023

4D-3 Compliance Requirement: Ohio Rev. Code § 3365.04 – College Credit Plus Program (CCP)

Note: As stated on pg. 1 of Chapter 4D, this section should be performed *ANNUALLY* if applicable to your school. See further guidance on pg. 1 of Section 4D.

Summary of Requirements:

The College Credit Plus program functions as a collaborative effort with the Ohio Department of Higher Education and Ohio Department of Education and Workforce providing funding and general oversight of high schools, colleges, and universities responsible for the education of students. In August 2022, an Ohio Auditor of State (AOS) [Performance Audit of the CCP program](#) identified key areas where school districts fail to comply with CCP requirements. These failures can directly impact Ohio students and their families. Ohio benefits from a well-educated workforce and identifying ways to increase participation in CCP can help give graduating seniors a competitive edge. For this reason, AOS requires auditors annually test this Stewardship requirement. In addition, Ohio House Bill 33 of the 135th GA, Section 381.720(A) states the Chancellor of Higher Education...may take action as necessary to ensure that...school districts are fully engaging and participating in the College Credit Plus Program as required by Chapter 3365 of the Revised Code.

A school MUST be compliant with Ohio Rev. Code § 3365.04(E) to be eligible for an AOS Award. ~~Schools that self correct CCP noncompliance with Ohio Rev. Code § 3365.04(E) prior to the start of their 2022-23 school year audits will remain eligible for an AOS award if award criteria are otherwise met.~~

Ohio Rev. Code § 3365.04 states, in part, each public and participating nonpublic secondary school⁸⁶ shall do all of the following with respect to the college credit plus program:

- (A) Provide information about the program prior to the first day of February of each year to all students enrolled in grades six through eleven;
- (B) Provide counseling services to students in grades six through eleven and to their parents before the students participate in the program under this chapter to ensure that students and parents are fully aware of the possible consequences and benefits of participation. Counseling information shall include:
 - (1) Program eligibility;
 - (2) The process for granting academic credits;
 - (3) Any necessary financial arrangements for tuition, textbooks, and fees;
 - (4) Criteria for any transportation aid;
 - (5) Available support services;
 - (6) Scheduling;
 - (7) Communicating the possible consequences and benefits of participation, including all of the following:
 - (a) The consequences of failing or not completing a course under the program, including the effect on the student's ability to complete the secondary school's graduation requirements;
 - (b) The effect of the grade attained in a course under the program being included in the student's grade point average, as applicable;

⁸⁶ These requirements apply to joint vocational school districts or career centers and STEM schools that are educating students that belong to other resident/educating districts. [see definition of a "secondary school" in Ohio Admin. Code 3333-1-65 & 3333-1-65.1]

- (c) The benefits to the student for successfully completing a course under the program, including the ability to reduce the overall costs of, and the amount of time required for, a college education.
- (8) The academic and social responsibilities of students and parents under the program;
- (9) Information about and encouragement to use the counseling services of the college in which the student intends to enroll;
- (10) The standard packet of information for the program developed by the chancellor of higher education pursuant to section 3365.15 of the Revised Code;
For a participating nonpublic secondary school, counseling information shall also include an explanation that funding may be limited and that not all students who wish to participate may be able to do so.
- (11) Information about the potential for mature subject matter, as defined in section 3365.035 of the Revised Code, in courses in which the student intends to enroll through the program and notification that courses will not be modified based upon program enrollee participation regardless of where course instruction occurs. The information shall include the permission slip described in division (B) of section 3365.035 of the Revised Code.
- (C) Promote the program on the school's web site, including the details of the school's current agreements with partnering colleges;
- (D) Schedule at least one informational session per school year to allow each participating college that is located within thirty miles of the school to meet with interested students and parents. The session shall include the benefits and consequences of participation and shall outline any changes or additions to the requirements of the program. If there are no participating colleges located within thirty miles of the school, the school shall coordinate with the closest participating college to offer an informational session.

For the purposes of division (D) of this section, "participating college" shall include both of the following:

- (1) A partnering college;
- (2) Any public college, private college, or eligible out-of-state college to which both of the following apply:
 - (a) The college participates in the college credit plus program.
 - (b) The college submits to the public or participating nonpublic secondary school a request to attend an informational session.
- (E) Implement a policy for the awarding of grades and the calculation of class standing for courses taken under division (A)(2) or (B) of section 3365.06 of the Revised Code. The policy adopted under this division shall be equivalent to the school's policy for courses taken under the advanced standing programs described in divisions (A)(2) and (3) of section 3313.6013 of the Revised Code or for other courses designated as Advanced Placement or Honors courses by the school. If the policy includes awarding a weighted grade or enhancing a student's class standing for these types of courses, the policy adopted under this section shall also provide for these procedures to be applied to any courses taken under the college credit plus program. DEW and ODHE provided joint guidance on Weighting CCP Courses available at [QA Weighting CCP Courses final September 20 2018.pdf \(ohio.gov\)](#).
- (F) Develop model course pathways, pursuant to section 3365.13 of the Revised Code, and publish the course pathways among the school's official list of course offerings for the program.
- (G) Annually collect, report, and track specified data related to the program according to data reporting guidelines adopted by the chancellor and the ~~superintendent of public instruction~~ department of education and workforce pursuant to section 3365.15 of the Revised Code.

The data/guidelines required in Ohio Rev. Code § 3365.04(G) are detailed on DEW's website at - <https://education.ohio.gov/Topics/Data/EMIS/EMIS-Documentation/FY16-EMIS-Validation-and-Report->

Explanation-Docume the Department of Higher Education’s website at ~~<https://higherred.ohio.gov/data-reports/hei-system/hei-file-doc/hei-cep/hei-file-documentation-college-credit-plus-cep>~~. Note: The colleges report enrollment information using the HEI system and the CCP data portal. The school districts (secondary schools) submit their enrollment data through EMIS. HEI and EMIS “talk” to one another through the Ohio District Data Exchange (ODDEX). Both the colleges and the secondary schools then have the ability to access ODDEX to ensure the CCP students are coded correctly (PS – post secondary), and payment is occurring at the accurate rate.

Additional resources:

- Department of Higher Education’s website – for schools/administrators - <https://higherred.ohio.gov/initiatives/access-acceleration/college-credit-plus> and [FAQs for Secondary School Districts | The Ohio Department of Higher Education](#)
- Ohio Department of Education and Workforce’s (DEW) website – for students - <https://education.ohio.gov/Topics/Ohio-Education-Options/College-Credit-Plus>

Sample Questions and Procedures:

1. Obtain a copy of the school’s CCP and Grading Policies as well as any CCP promotional or marketing communication for students and families.
2. Evaluate whether the school complied with Ohio Rev. Code § 3365.04 by assessing whether the school has documentation ~~showing to support it~~:
 - a. Provided information about the program prior to the first day of February of each year to students enrolled in grades six through eleven;
 - b. Provided *policy/process/procedures* for the requirements of Ohio Rev. Code § 3365.04(B)(1) - (11) and document who or which groups within the school are responsible for providing counseling services to CCP students. *(In many schools, this responsibility falls upon the school counselors. The law does not require a written policy or process; however, counseling services must be made available. Therefore, auditors will have to test this step relying predominantly on inquiry of those responsible for providing the services.) (Note: auditors are not expected to test the sufficiency of each item, just that each item was addressed);*
 - c. Promotes the program on the school's web site, including the details of the school's current agreements with partnering colleges *(note: Auditors should be alert for promotional or other communication that might deliberately discourage participation. Consult with CFAE for further evaluation, if needed);*
 - d. Scheduled at least one informational session per school year; and the session included the benefits and consequences of participation and outlined any changes or additions to the requirements of the program;
 - e. Has a policy for ~~the awarding grades and calculating class standing for CCP courses that does not assign weight differently to CCP courses and non-CCP courses.~~ *[Note: The school can have a policy that addresses awarding grades and calculation of class standing for CCP courses and a policy that addresses awarding grades and calculation of class standing for non-CCP courses. Alternatively, the school can have a single policy that addresses awarding grades and calculation of class standing without differentiating between CCP and non-CCP courses. However, if the school provides weighting or enhancing a student’s class standing in two policies (one for CCP courses and a separate policy for non-CCP courses), the policy for CCP courses must be equivalent to the policy for the advanced standing program or honors courses in the same subject area. The law is intended to ensure that the school does not place CCP students taking courses in the same subject area as an advanced standing course or program (Advance Placement (AP) or*

International Baccalaureate (IB)) or honors course at a disadvantage to other students when weighting for courses are assigned or class standing is calculated. If the school has a grading policy that weights or enhances class standing for advanced standing courses or programs (AP or IB) or honors courses in a subject area, then the school's grading policy must weight or enhance class standing for a CCP course in that same subject area. If the school has an honors, AP or IB course in a subject area and does not weight or enhance class standing for that course, then the school's grading policy cannot weight or enhance class standing for CCP courses in that same subject area. If the school has no honors, AP, or IB courses in a subject area, then the school's grading policy may choose to or choose not to weight or enhance class standing for CCP courses in that subject area. To determine whether a course is the same subject area, consult the course substitution crosswalk available here: <https://higher.ohio.gov/initiatives/access-acceleration/college-credit-plus/ccp-resources-secondary-schools/ccp-secondary-crosswalk/ccp-graduation-course-substitution-crosswalk>. For additional explanation, consult <https://dam.assets.ohio.gov/image/upload/highered.ohio.gov/ccp/QA-Weighting-CCP-Courses.pdf>.] of grades and the calculation of class standing for CCP courses taken that includes equal grade point average weighting for any CCP, Advanced Placement (AP), or Honors coursework; [Note: Auditors should look at the Grading Policy to see if they are weighted equally. If a district has a weighted policy for any AP or Honors course, the district must also weight any CCP courses, even if the CCP course(s) is different from the AP or Honors course(s).]

- f. Developed model course pathways, and published such among the school's official list of course offerings for the program;
- g. Collected, reported, and tracked specified data related to the program according to data reporting guidelines adopted by the chancellor and DEW (see website above). *Note: Auditors are only expected to scan to see if such guidelines were complied with. To test this, auditors should request the CCP Projected Payment Report (or similar report) from the EMIS Coordinator, and scan that data fields are completed.*

Conclusion: (effects on the audit opinions and/or footnote disclosures, significant deficiencies/material weaknesses, and management letter comments):

CHAPTER 4E – SCHOOL OPTIONAL PROCEDURES

The Ohio Compliance Supplement School Optional Procedures

The Auditor of State selects a few audits randomly each year, to test requirements listed in this School Optional Procedures Chapter. These requirements represent additional tests of compliance which are not included in Chapters 4A through 4D of the Ohio Compliance Supplement. However, the omission of these requirements from the Supplement does not lessen a government’s responsibility for compliance and for instituting controls it believes are necessary to assure compliance with any laws and regulations that apply to the government. See the OCS Implementation Guide for more information about the Auditor of State’s compliance testing requirements.

Tests of the compliance requirements included in this Chapter will help ensure public officials entrusted with public resources are meeting their responsibility for complying with these laws and regulations.

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4E-1 Compliance Requirement: Ohio Rev. Code §§ 3316.043, 5705.391 and Ohio Admin. Code 3301-92-04: School districts and community schools per Ohio Rev. Code § 3314.03(A)(11)(d) must prepare five-year projections. 120

4E-2 Compliance Requirements: Ohio Rev. Code §§ 3315.18 and .181 (capital); 3317.02; Ohio Admin. Code 3301-92-02; (defines statewide average base cost per pupil) – Capital and maintenance reserve account. 123

4E-3 Compliance Requirements: Ohio Rev. Code § 3314.032 - Community school budget requirements. 133

4E-4 Compliance Requirement: Ohio Rev. Code § 3314.50- Community School Audit Fee Bond. 134

<p>Revised: HB 33, 135 GA Effective: October 3, 2023</p>
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4E-1 Compliance Requirement: Ohio Rev. Code §§ 3316.043, 5705.391 and Ohio Admin. Code 3301-92-04: School districts and community schools per Ohio Rev. Code § 3314.03(A)(11)(d) must prepare five-year projections.

Summary of Requirements:

Traditional School Districts⁸⁷:

School boards must prepare five-year projection of operational revenues and expenditures. Most of the guidance on how to prepare these projections is found in Ohio Admin. Code 3301-92-04.

The Ohio Department of Education and Workforce (DEW) and Auditor of State shall not require a board of education to submit its five-year projection of operational revenues and expenditures prior to November 30th of any fiscal year. [Ohio Rev. Code § 5705.391(A) and (C)]

Submission Dates:

- No later than November 30th of each fiscal year, a board of education must submit to DEW a board of education approved five-year projection of operational revenues and expenditures for the current fiscal year and the ensuing four fiscal years. A board of education may approve and submit its five-year projection to DEW up to sixty days in advance of this due date. [Ohio Admin. Code 3301-92-04(B)(1)]
- By May 31st of each fiscal year, a board of education must submit to DEW a board of education approved update of its five-year projection. A board of education may approve and submit the update of its five-year projection up to sixty days in advance of this due date. [Ohio Admin. Code 3301-92-04(B)(2)]
- Nothing precludes a board of education from filing other updates to its five-year projection at any time in addition to the filings required by paragraphs (B)(1) and (B)(2) of Ohio Admin. Code 3301-92-04 [Ohio Admin. Code 3301-92-04(B)(3)]

Submission Requirements -All five-year forecast must [Ohio Admin. Code 3301-92-04(C)]:

- Use the known operational revenues, expenditures, and resulting cash balance of the district as the basis for projections;
- Include accompanying notes for each reported line item that describe the assumptions used to develop the projected amounts;
- Contain all required information and be in the format prescribed by the department and auditor;
- Be approved by the board of education; and
- Be submitted to the department through the education management information system (EMIS).

⁸⁷ Prior to December 1, 2022, Ohio Admin. Code 3301-92-04 was applicable to Traditional Schools and Community Schools. On December 1, 2022, Ohio Admin. Code 3301-92-04 was updated, but the updates do not apply to Community Schools or STEM schools. The Ohio Department of Education and Workforce is in process of creating a new rule for Community Schools and STEM schools.

The Ohio Department of Education and Workforce or Auditor of State may require historical financial information.

In addition, a board of education notified under division (A) of section 5705.391 of the Ohio Rev. Code shall submit a board of education approved written plan to DEW to eliminate any current fiscal year deficits and avoid the projected future deficits. [Ohio Admin. Code 3301-92-04(E)]

The rules allow the Auditor of State and the Ohio Department of Education & Workforce to jointly prescribe the format and content of the five-year projection. See the DEW site for guidance: <http://education.ohio.gov/Topics/Finance-and-Funding/Five-Year-Forecasts/Five-Year-Forecast-Traditional-Districts/Helpful-Links-for-Treasurers-Five-Year-Forecast>. The Auditor of State and the Ohio Department of Education & Workforce generally are responsible for reviewing these projections (and related assumptions) for conformity with the requirements. The independent auditor is expected to evaluate whether the data in the projections for the current period are reasonably supported by the client’s documentation.

The board of education of a school district that is in fiscal watch must have the respective plan approved by the director of education and workforce Superintendent of Public Instruction. The board of education of the school district for which the plan was approved shall revise the district’s five-year projection of revenues and expenditures so that the five-year project is consistent with the financial recovery plan. The financial planning and supervision commission for a school district in fiscal emergency must revise the school district’s five-year projection of revenues and expenditures so that the projection is consistent with the financial plan or financial recovery plan. [Ohio Rev. Code § 3316.043]

The following website contains the five-year projections for City, Local, Exempted Village and Joint Vocational School Districts filed with DEW: [Five-year Forecast Submissions of Traditional and Joint Vocational Districts | Ohio Department of Education & Workforce](#)

Community Schools [Ohio Rev. Code § 3314.03(A)(11)(d)]:

Five-year forecasts⁸⁸ for community schools can be found at the following site: <http://education.ohio.gov/Topics/Finance-and-Funding/School-Payment-Reports/State-Funding-For-Schools/Community-School-Funding/Five-Year-Forecasts>.

POSSIBLE NONCOMPLIANCE RISK FACTORS:

Note: In assessing the risk of noncompliance, auditors should consider whether the school district has factored in recent changes in Ohio School Funding and Taxation laws into their projections.

⁸⁸ DEW refers to these as forecasts on their website. The Ohio Revised Code refers to them as projections. For this compliance requirement we consider them one in the same.

Suggested Audit Procedures - Compliance (Substantive) Tests⁸⁹:

1. Determine that the five year projection under Ohio Rev. Code § 5705.391(A) was filed timely with the Department of Education and Workforce by viewing the web link described above. (For prior periods, auditors should contact Ohio Department of Education and Workforce to confirm a forecast was filed only if the school district cannot provide proof of submission.)
2. Compare actual revenues and expenditures to projections. Inspect documentation to determine if the board updated its projections in accordance with the requirements in Ohio Admin. Code 3301-92-04(B)(2)-(3).
3. If traditional school contracts, etc., subject to § 5705.412 were entered into during the period, inspect documentation indicating the related five-year projections were updated. (This step will be sufficiently covered by reading the assumptions and performing the steps below.)
4. Read the client’s assumptions. Perform analytical procedures and evaluate whether the assumptions are reasonable and the resulting projections are in accordance with those assumptions.
5. Consider if the projections indicate any possible “going concern” conditions [AU-C 570] or fiscal distress conditions.
6. If in fiscal watch or fiscal emergency status, determine whether the school district updated its five year projection consistent with the terms outlined in the financial plan or financial recovery plan.

Audit Procedures, Government Personnel Interviewed and Dates:

Conclusion (management letter comments):

⁸⁹ Prior to testing this section, consult with the Center for Audit Excellence on the effective dates required to file the 5-year forecasts due to changes in Ohio Admin. Code 3301-92-04 effective on December 1, 2022.

Revised: HB 33, 135 GA
Effective: October 3, 2023

4E-2 Compliance Requirements: Ohio Rev. Code §§ 3315.18 and .181 (capital); 3317.02; Ohio Admin. Code 3301-92-02; (defines statewide average base cost per pupil) – Capital and maintenance reserve account.

Summary of Requirements: These laws and regulations require every city, local, exempted village and joint vocational school district, to establish a capital (acquisition) and maintenance reserve.

The reserve is to be accounted for in the school district’s general fund using any reasonable accounting method.

- The reserve must be calculated and set-aside annually (Ohio Rev. Code § 3315.18(A)).
- If the set-aside amount is not spent in one year it is carried forward to the next year (Ohio Rev. Code § 3315.18(A)).
- The reserve must be represented by (restricted) cash at year-end.
- The reserve is calculated by multiplying the base amount by a percentage.
- The base represents three percent of the statewide average base cost per pupil for the preceding year multiplied by the school district’s student population or the sum of certain specific prior fiscal year receipts. (Ohio Rev. Code § 3315.18(A))
- The amount of the required reserve may be reduced (offset)⁹⁰ by resources received during the fiscal year whose use is restricted to the purpose of one of the reserves.
- School districts must be able to provide a list of qualified expenditures for audit purposes.
- School districts must be able to document calculation of fiscal year-end reserve balances.
- Each school district’s annual report must include a schedule showing the balance of the set-aside carried forward from the previous year, the current year set-aside, contributions in excess of the current year set aside,⁹¹ qualifying expenditures,⁹² any reductions (offsets) to the required amount from receipts similarly restricted, any reductions from certain debt proceeds, the fiscal year-end balance of the set aside, the amount to be reserved, the balance that may be carried forward to the next fiscal year, and if a district did not set aside the funds described in paragraph (B) or (C) of Ohio Admin. Code 3301-92-02, a statement indicating the statutory authority on which it relied.

⁹⁰ “Offsets” are certain revenues recorded to other funds as defined in Ohio Rev. Code § 3315.181. The revenue in excess of the set aside and qualified expenditures does not accumulate or carry forward to the next fiscal year. Real (homestead and rollbacks) and personal property tax replacement payments received by school districts should be considered part of the levy proceeds when calculating allowable offsets for capital reserves. See below for additional guidance.

⁹¹ A board may withdraw cash contributions exceeding statutory minimums from these reserves by resolution. Excess contributions may be deducted from future years’ required set aside amount. Report any excess contributions in external financial reports as *committed, assigned, or restricted* governmental fund balance as appropriate under the circumstances described in GASB 54 [GASB Statement No. 54, ¶ 8 --- 16].

⁹² “Qualifying expenditures” are expenditures from the general fund and a capital projects fund created under Ohio Rev. Code § 5705.13(C) that meet the definitions in the Ohio Admin. Code 3301-92-02.

Annual Set-Aside Calculation:

- The annual set aside is calculated by multiplying a percentage of the “**statewide average base cost per pupil**”⁹³ by the school district’s “**student population**”.⁹⁴ The **preceding year’s** “statewide average base cost per pupil” and “student population” are used for the calculation. The percentage is set at 3% by statute, though the Auditor of State has been given some discretion to establish alternative percentages.⁹⁵ The formula is:

$$[(\% \times \text{Statewide Average Base Cost Per Pupil}) \times \text{Student Population}]$$

- A school district may annually elect under Ohio Rev. Code § 3315.19 to follow the former provisions of law existing prior to July 1, 2001 for capital set-aside. In lieu of following the amended requirements, the board of education *annually* may elect (by resolution) to follow the capital set-aside requirements (from the Ohio Rev. Code provisions) as they existed prior to July 1, 2001. (Audit programs A and B follow this OCS Section, and describe both options.) This election must be made within 90 days after the beginning of the fiscal year for which the election is to apply.

Waivers of the Annual Set Aside Requirements:

School districts in fiscal emergency may deposit an amount less than the required annual set aside, or make no deposit into the school district capital and maintenance funds (Ohio Rev. Code § 3315.18(D)). As good practice, while not specifically included in statute, the school district board of education should document this decision annually in a separate resolution. A board of education’s approval of a five-year projection including the waiver of the set aside is not considered approval of the set aside waiver.

School districts in fiscal watch or caution may apply to the director of education and workforce superintendent of public instruction for a waiver⁹⁶ from the annual set aside requirement. The waiver may permit the school district to deposit an amount less than the annual set aside requirement or make no deposit into the school district capital and maintenance funds for that year. The director superintendent may grant a waiver, if the school district demonstrates to the satisfaction of the director superintendent of public instruction that compliance with the annual set aside requirement for that year will create an undue financial hardship on the school district (Ohio Rev. Code § 3315.18(D)).

⁹³ “Statewide average base cost per pupil” is determined by Ohio Rev. Code § 3317.02(FF). For FY ~~2023~~ ~~2022~~ the amount is ~~\$7,351.71~~ ~~\$7,349.22~~

⁹⁴ “Student population” is a defined term. The Ohio Department of Education and Workforce is responsible for calculating the student population based on information the school district submits (Ohio Rev. Code § 3315.18(F)).

⁹⁵ No alternative percentages have been established as of the date of this document.

⁹⁶ In any year a waiver is granted, it is assumed the resources that would have been otherwise set aside will be used to support existing education programs. Therefore, resources expended in excess of a carryover set aside balance are considered discretionary and are not to accumulate or be used to reduce future annual set aside requirements. It is the DEW’s intent to not approve a waiver in excess of the annual set aside less any offsets. A waiver in excess of the current year set aside less offsets does not carry forward.

School districts, not more often than one fiscal year in every three consecutive fiscal years, may apply to the director for a waiver from the annual set aside requirements of Ohio Rev. Code § 3315.18, subject to conditions stated in section (D). The waiver would permit a school district to deposit an amount less than the annual set aside requirement or make no deposit into the school district capital and maintenance fund for that year. The director may grant a waiver if the school district demonstrates to the satisfaction of the director that compliance with the annual set aside requirement for that fiscal year will necessitate the reduction or elimination of a program currently offered by the school district that is critical to the academic success of students of the school district and that no reasonable alternatives exist for spending reductions in other areas of operation within the school district that negate the necessity of the reduction or elimination of that program (Ohio Rev. Code § 3315.18(D)).

A waiver is granted for only the requirement to set aside current year revenue for capital and maintenance. A waiver does not eliminate the set aside reserve or any accumulated/existing balance carried over from prior years. The annual set asides waived need not be made up in future years.

Other capital and maintenance provisions established July 1, 2001:

- Funds deposited into the separate account and interest on those funds may only be used for the school district’s share of basic project costs for any project undertaken in accordance with Ohio Rev. Code Chapter 3318 (School Facilities). (See OCS Chapter 4A for a discussion of certain Ohio Rev. Code Chapter 3318 programs.)

Sample Note Disclosure Table⁹⁷

Below is a current sample table for the set aside disclosure and the order in which items should be presented:

	<u>Capital Improvements</u>
Set Aside Balance June 30, 20XX-1	\$0
Current Year Set Aside Requirement	500,000
Contributions in Excess of the Current Fiscal Year Set Aside Requirement	0
Current Year Qualifying Expenditures	(50,000)
Excess Qualified Expenditures from Prior Years	0
Current Year Offsets	(100,000)
Waiver Granted by the Department of Education and Workforce	
Prior Year Offset from Bond Proceeds	(350,000)
Total	<u>\$0</u>
 Balance Carried Forward to Fiscal Year 20XX	 <u>0</u>

⁹⁷ If a district did not set aside the funds described in paragraph (B) or (C) of Ohio Admin. Code 3301-92-02, a statement indicating the statutory authority on which it relied should be included in the schedule. [Ohio Admin. Code 3301-92-02(E)(6)]

Set Aside Balance June 30, 20XX	<u>\$0</u>
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Excess qualified expenditures for capital improvements do not carry forward.

The amount presented for Prior Year Offset from Bond Proceeds is limited to an amount needed to reduce the reserve for capital improvements to \$0. The school district is responsible for tracking the amount of the bond proceeds that may be used as an offset in future periods.

Suggested Audit Procedures - Compliance (Substantive) Tests:

Special programs for auditing these reserves immediately follow. If the school district has not elected to follow the pre-July 1, 2001 base calculation, use **Audit Program A**. If the school district has elected to follow the pre-July 1, 2001 base calculation, use **Audit Program B**.

Audit Procedures, Government Personnel Interviewed and Dates:

Conclusion (management letter comments):

Audit Program – A
AUDITING THE CAPITAL IMPROVEMENTS AND MAINTENANCE RESERVE

If the school district elected to apply the pre-July 1, 2001 base calculation, use Audit Program B.

Step No.	Procedure for Consideration	Done By or N/A	Date Comp	X-Ref
1.	Testing note accuracy.			
a.	Obtain the school district’s draft set aside note and supporting documentation.			
b.	Foot and crossfoot the note			
c.	Foot and crossfoot the client’s underlying calculations (if any).			
2.	Trace beginning of the year balance to prior audited financial statements or working papers.			
3.	Test the annual reserve calculation by multiplying the percentage ⁹⁸ by the “ statewide average base cost per pupil ” ⁹³ and multiplying the result by the school district’s “ student population ”. ⁹⁴ The preceding year’s “statewide average base cost per pupil” and “student population” should be used for this calculation: [(% x statewide average base cost per pupil) x Student Population]			
a.	This information is available for each school district and joint vocational school district on the Ohio Department of Education and Workforce’s website: https://education.ohio.gov/Topics/Finance-and-Funding/Finance-Data-and-Information/Set-asides			
4.	Vouch selected qualifying ⁹² expenditures charged to the Reserve during the year for compliance with Ohio Admin. Code 3301-92-02 (G):			
a.	Allowable: acquisition price; direct materials; labor and overhead for a qualifying project; project professional fees; site prep; demolition\removal of existing assets; freight and handling; capital lease principal.			
b.	Unallowable: expenditures not for acquisition, replacement, enhancement, maintenance and repair of permanent improvements (property, asset, or improvements with a useful life of 5 years or more).			
5.	Trace “offsets” ⁹⁰ to appropriate documentation supporting the client’s calculations and assertions and to and from the current year’s working papers (excess offsets do not carry forward):			

⁹⁸ The percentage is set at 3% by statute, though the Auditor of State has been given some discretion to establish alternate percentages. As of the date of this document, no alternative percentage has been established.

Audit Program – A			
AUDITING THE CAPITAL IMPROVEMENTS AND MAINTENANCE RESERVE			
a.	Permanent improvement levy authorized by Ohio Rev. Code § 5705.21 to the extent the proceeds are restricted by the school district Board to expenditure for the acquisition, replacement, enhancement, maintenance, or repair of permanent improvements. ⁹⁹		
b.	Proceeds of securities whose use is restricted to expenditures for the acquisition, replacement, enhancement, maintenance, or repair of permanent improvements (<u>Ohio Rev. Code § 3315.181(A)</u>). ¹⁰⁰		
c.	Insurance proceeds received as a result of the damage to or theft or destruction of a permanent improvement to the extent a Board of Education places the proceeds in a separate fund for the acquisition, replacement, enhancement, maintenance, or repair of permanent improvements (<u>Ohio Rev. Code § 3315.181(B)</u>).		
d.	Proceeds received from the sale of a permanent improvement to the extent the proceeds are paid into a separate fund for the construction or acquisition of permanent improvements (<u>Ohio Rev. Code § 3315.181(C)</u>).		
e.	Proceeds received from a tax levy authorized by Ohio Rev. Code § 3318.06 to the extent the proceeds are available to be used for the maintenance of capital facilities. (Classroom facilities fund 034) (<u>Ohio Rev. Code § 3315.181(D)</u>). ¹⁰¹		
f.	Proceeds of certificates of participation issued as a part of a lease-purchase agreement entered into under Ohio Rev. Code § 3313.375 (<u>Ohio Rev. Code § 3315.181(E)</u>).		

⁹⁹ Revenues from the Ohio Facilities Construction Commission (OFCC), and the related expenditure of said revenues, cannot be used as offsets or qualifying expenditures. However, proceeds from the sale of securities (tax anticipation notes) issued in anticipation of a permanent improvement levy are an offset in the year of sale. The excess proceeds may be used in future years as an offset up to the amount of the levy proceeds received in that year for repayment. If the school district uses bond proceeds or bond expenditures to reduce the reserve requirement, the bond proceeds or expenditures should be identified separately from offsets and qualified expenditures in the set aside footnote presentation. For example, a school district might use the captions “Unused Bond Proceeds for Classroom Facilities” or “Expenditure of Bond Proceeds for Classroom Facilities.” Additionally, the amount presented for unused bond proceeds or expenditure of bond proceeds in the footnote calculation should be limited to the amount needed to bring the reserve to a zero balance after qualified expenditures and offsets have been applied. School districts using bond proceeds as offsets must maintain a schedule tracking the amount of the debt proceeds used each year as an offset until it adds up the amount of the original bond issue. School districts using bond levy revenues as offsets will not need to maintain a separate schedule so long as the bond levy offset is equal to the amount of principal retired on the bond issue each year.

¹⁰⁰ Actual capital expenditures from bond or note proceeds - OR - the proceeds from the related permanent improvement levy or other levy to pay the debt - may be carried forward to offset future years’ capital improvements and maintenance reserve set-aside requirements (negative carry forwards are not allowable). *Do not count both the expenditures and the debt or levy proceeds. Capital expenditures from grant proceeds are excluded from qualifying expenditures for purposes of calculating the reserve.*

¹⁰¹ The annual tax levy proceeds of the annual set aside requirements do not accumulate and/or carryover as an offset in future years.

<i>Audit Program – A</i>			
AUDITING THE CAPITAL IMPROVEMENTS AND MAINTENANCE RESERVE			
g.	Proceeds of any school district income tax levied under Ohio Rev. Code Chapter 5748 to the extent the proceeds are available for the acquisition, replacement, enhancement, maintenance, or repair of permanent improvements (<u>Ohio Rev. Code § 3315.181(F)</u>).		
h.	Money transferred from the general fund (USAS 001) to the permanent improvement fund (USAS 003) is an offset for the current year. If the amount transferred is returned to the general fund, the set aside reserve should be recalculated, taking into account the amount of the transfers returned to the general fund. The amounts transferred required a court order. This should be reported as a change in the set aside for the current year and not a restatement.		
i.	Other revenue sources identified by the Auditor of State, in consultation with the Department of Education and Workforce, in rules adopted by the Auditor of State (<u>Ohio Rev. Code § 3315.181(G)</u>). ¹⁰²		
6.	Read any other information included in the report (e.g., the introductory and statistical sections of an Annual Comprehensive Financial Report (ACFR)), and determine whether it is consistent with the note. If the information is materially inconsistent or misstated, consult with Center for Audit Excellence if the client refuses to make necessary changes.		
7.	Prepare a brief narrative for the working papers that describes the nature, timing, and extent of our tests of the note.		

¹⁰² As of the date of this audit program, the AOS has identified no such revenues.

Audit Program – B
AUDITING THE CAPITAL IMPROVEMENTS AND MAINTENANCE RESERVE

Use this audit program if the school district has elected to apply the pre-July 1, 2001 base calculation as discussed previously in this section.

Step No.	Procedure for Consideration	Done By or N/A	Date Comp	X-Ref
1.	Testing note accuracy.			
a.	Obtain set school district’s draft aside note and supporting documentation.			
b.	Foot and crossfoot the note.			
c.	Foot and crossfoot the client’s underlying calculations, including the current year required set-aside percentage (3%) times the base.			
2.	Trace beginning of the year balance to prior audited financial statements or working papers.			
3.	Trace cash-basis property tax revenue (Ohio Rev. Code Chapter 5705 amounts) to the client’s calculations and to and from the prior year’s working papers (determine that all audit adjustments and reclassification entries which the auditee agreed to post are properly reflected in the papers) or other acceptable documentation, such as County Auditor Tax Settlement sheets:			
a.	General fund property tax amounts			
b.	Emergency levy fund property tax amounts			
c.	Operating revenue from a multi-purpose property tax levy			
d.	Inside millage allocated to a capital projects fund			
e.	Property tax receipts allocated to a debt service fund for general fund tax and revenue anticipation debt			
f.	Payments received in lieu of property taxes			
g.	Proceeds from the sale of delinquent property tax liens			
4.	Trace cash-basis income tax revenue (Ohio Rev. Code Chapter 5748 amounts) to the client’s calculations and to and from the prior year’s working papers or other acceptable documentation, such as State remittance advices:			
a.	General fund income tax amounts			
b.	Income tax receipts allocated to a debt service fund for general fund tax and revenue anticipation debt			
c.	School district’s share of city income tax based upon a development agreement			
5.	Trace cash-basis formula aid (school foundation) revenue (Ohio Rev. Code § 3317.022 [non-vocational schools] or § 3317.06 [nonpublic schools]) to the client’s calculations and to and from the prior year’s working papers or other acceptable documentation:			

Audit Program – B			
AUDITING THE CAPITAL IMPROVEMENTS AND MAINTENANCE RESERVE			
a.	This information is available for each school district and joint vocational school district on the Ohio Department of Education and Workforce’s website: http://education.ohio.gov/Topics/Finance-and-Funding/State-Funding-For-Schools/Traditional-Public-School-Funding		
b.	For “guarantee” school districts use the amount from the Summary School Finance Payment Report (SFPR) Summary. ¹⁰³ http://education.ohio.gov/Topics/Finance-and-Funding/School-Payment-Reports/State-Funding-For-Schools/Traditional-School-Districts (under Foundation Payment Funding Reports)		
6.	Vouch selected expenditures charged to the Reserve during the year for compliance with Ohio Admin. Code 3301-92-02(G):		
a.	Allowable: acquisition price; direct materials; labor and overhead for a qualifying project; project professional fees; site prep; demolition or removal of existing assets; freight and handling; capital lease principal.		
b.	Unallowable: expenditures not for acquisition, replacement, enhancement, maintenance and repair of permanent improvements (property, asset, or improvements with a useful life of 5 years or more).		
7.	Trace “offsets” ⁹⁰ to appropriate documentation supporting the client’s calculations and assertions and to and from the current year’s working papers:		
a.	Permanent improvement levy authorized by Ohio Rev. Code § 5705.21 to the extent the proceeds are restricted by the school district Board to expenditure for the acquisition, replacement, enhancement, maintenance, or repair of permanent improvements. ⁹⁹		
b.	Proceeds of securities whose use is restricted to expenditures for the acquisition, replacement, enhancement, maintenance, or repair of permanent improvements (Ohio Rev. Code § 3315.181(A)). ¹⁰⁰		
c.	Insurance proceeds received as a result of the damage to or theft or destruction of a permanent improvement to the extent a Board of Education places the proceeds in a separate fund for the acquisition, replacement, enhancement, maintenance, or repair of permanent improvements (Ohio Rev. Code § 3315.181(B)).		

¹⁰³ This amount is included in a separate column row on DEW’s web site SFPR. It is referred to as the Temporary Transitional Aid Guarantee. For additional guidance see DEW’s School Finance Payment Report Line by Line Explanation: [Traditional School Districts Funding | Ohio Department of Education and Workforce](#)

<i>Audit Program – B</i>				
AUDITING THE CAPITAL IMPROVEMENTS AND MAINTENANCE RESERVE				
d.	Proceeds received from the sale of a permanent improvement to the extent the proceeds are paid into a separate fund for the construction or acquisition of permanent improvements (Ohio Rev. Code § 3315.181(C).			
e.	Proceeds received from a tax levy authorized by Ohio Rev. Code § 3318.06 to the extent the proceeds are available to be used for the maintenance of capital facilities. (Classroom facilities) (Ohio Rev. Code § 3315.181(D).			
f.	Proceeds of certificates of participation issued as a part of a lease-purchase agreement entered into under Ohio Rev. Code § 3313.375. (Ohio Rev. Code § 3315.181(E).			
g.	Proceeds of any school district income tax levied under Ohio Rev. Code Chapter 5748 to the extent the proceeds are available for the acquisition, replacement, enhancement, maintenance, or repair of permanent improvements. (Ohio Rev. Code § 3315.181(F).			
h.	Money transferred from the general fund (USAS 001) to the permanent improvement fund (USAS 003) is an offset for the current year. If the amount transferred is returned to the general fund, the set aside reserve should be recalculated, taking into account the amount of the transfers returned to the general fund. The amounts transferred required a court order. This should be reported as a change in the set aside for the current year and not a restatement.			
i.	Other revenue source identified by the Auditor of State, in consultation with the Department of Education and Workforce, in rules adopted by the Auditor of State (Ohio Rev. Code § 3315.181(G)). ¹⁰⁴			
8.	Read any other information included in the report (e.g., the introductory and statistical sections of an Annual Comprehensive Financial Report (ACFR)), and determine whether it is consistent with the note. If the information is materially inconsistent or misstated, consult with the Center for Audit Excellence if the client refuses to make necessary changes.			
9.	Prepare a brief narrative for the working papers that describes the nature, timing, and extent of our tests of the note.			

¹⁰⁴ As of the date of this issuance, the AOS has identified no such revenues.

4E-3 Compliance Requirements: Ohio Rev. Code § 3314.032 - Community school budget requirements.

Summary of Requirements: ¹⁰⁵

Each community school governing authority is required to adopt an annual budget by October 31st. DEW is required to develop a format for annual budgets of community schools and must include at least: [Ohio Rev. Code § 3314.032(C)]

- Administrative costs for the community school as a whole;
- Instructional services costs for each category of service provided directly to students, compiled and reported in terms of average expenditure per pupil receiving the service;
- The cost of instructional support services, such as services provided by a speech-language pathologist, classroom aide, multimedia aide or librarian, provided directly to students;
- The cost of administrative support services, such as the cost of personnel that develop the curriculum and the cost of personnel supervising or coordinating the delivery of the instructional services;
- The cost of support or extracurricular services costs for services directly provided to students;
- The cost of services provided directly to students by a non-licensed employee related to support or extracurricular services, such as janitorial services, cafeteria services or services of a sports trainer;
- The cost of administrative services related to support or extracurricular services, such as the cost of any licensed or unlicensed employees that develop, supervise, coordinate or otherwise are involved in administrating or aiding the delivery of services.

Although the budget is developed with the fiscal officer's assistance, the statute specifies that the governing authority is the sole entity responsible for the adoption of the budget.

DEW's community school budget Microsoft Excel template is available at: <https://education.ohio.gov/Topics/Community-Schools> .

Suggested Audit Procedures - Compliance (Substantive) Tests:

Obtain and review the annual budget to confirm the required costs are included.

Audit Procedures, Government Personnel Interviewed and Dates:

Conclusion (management letter comments):

¹⁰⁵ Although this is a legal requirement to enhance budgetary control, it does not impact financial reporting since the enterprise fund presentation does not require a budgetary statement (see GASB Cod. Sp20.113). Therefore, we do not anticipate noncompliance to rise to report level.

Revised: HB 33, 135 GA
Effective: October 3, 2023

4E-4 Compliance Requirement: Ohio Rev. Code § 3314.50- Community School Audit Fee Bond.

Summary of Requirements: For community schools initiating operations on or after February 1, 2016, Ohio Rev. Code § 3314.50 requires they shall not initiate operation, unless the governing authority has posted a **bond** in the amount of \$50,000 with the Auditor of State.¹⁰⁶ The bond shall be used, in the event the school closes, to pay the Auditor of State any moneys owed or that become owed by the school for the costs of audits conducted by the auditor of state or a public accountant under Ohio Rev. Code § 117.

- A. ~~In lieu of the bond, the governing authority of the school, the school's sponsor or an operator that has a contract with the school may deposit with the Auditor of State, cash in the amount of \$50,000 as guarantee of payment.~~
- B. In lieu of a bond ~~or a cash deposit~~, the school's sponsor or an operator that has a contract with the school, may provide a **written guarantee** of payment, which shall obligate the school's sponsor or the operator that provides the written guarantee to pay the cost of audits of the school under this section up to the amount of \$50,000.
 1. Any such written guarantee shall be binding upon any successor entity that enters into a contract to sponsor or to operate the school, and any such entity, as a condition of its undertaking shall acknowledge and accept such obligation.
- C. Community schools which initiate operation on or after February 1, 2016 shall not maintain or continue its operations absent the ongoing provision of a bond, ~~a cash deposit~~, or a written guarantee.

Suggested Audit Procedures - Compliance (Substantive) Tests:

1. Test step 2 below if:
 - a. This is the community school's initial year of operations, or
 - b. The community school filed a bond with the Auditor of State, or
 - c. The community school initiated operations on or after February 1, 2016, and
 - i. had a written guarantee by the sponsor or operator, and
 - ii. the guaranteeing entity changed during the audit period (i.e. the school changed sponsor or operator)
2. Verify¹⁰⁷ that a bond, ~~cash deposit~~ or written guarantee was posted to the Auditor of State in the amount of \$50,000.

¹⁰⁶ A ~~check or~~ bond should be sent to the Auditor of State of Ohio, Attn: Finance Department at 65 East State Street, Suite 1400 88 E. Broad St., 4th Floor, Columbus, OH 43215. The finance department will receipt the ~~deposit/bond and transfer to the Treasurer of State~~. A written guarantee should be e-mailed to CommunitySchoolQuestions@ohioauditor.gov .

¹⁰⁷ AOS employees can verify by reviewing the community school master spreadsheets located at [CFAE Community Schools.aspx](#). IPA's can verify by reviewing the AOS master community school spreadsheet in the [AOS IPA Portal](#). Any questions may be directed to CommunitySchoolQuestions@ohioauditor.gov.

- a. If the community school filed a bond with the Auditor of State, determine if it was renewed, etc. for the period under audit.
- b. If the guaranteeing entity changed, determine if the new sponsor/operator acknowledged and accepted such obligation.

Audit Procedures, Government Personnel Interviewed and Dates:
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Conclusion (management letter comments):
