

# All Community School Procedures

## **Planning Procedures**

**Audit Procedure:** Planning Procedures – January 2025 - *Changes are indicated by strike-out or double underline; insignificant edits are not marked.*

1. If this is a close-out community school audit, test the *Community Schools - Close-out* procedures program on the internet, in addition to this procedures program.
  - a. If this school has a merger approved that will be effective after the fiscal year end, see guidance related to the dissolving school in the Finalizing section about applicability of the Community Schools - Close-out conditional procedures program.
2. If the community school:
  - a. Was placed in closed status subsequent to this audit period - see the *Planning Procedures* in the *Community Schools - Close-out* procedures program, and discuss with the Auditor of State (AOS) Regional Chief Auditor to determine whether to combine this audit period with the close-out period audit (similar to a 2 year small government audit).
  - b. Was in suspended status during the audit period, or has since been placed in suspended status:
    - i. The current audit will not be a close-out audit. However, consider the need for footnote disclosure of the suspension, and consider the suspension in the going concern assessment. See related steps in *Finalizing & Reporting Procedures*.
    - ii. When schools are in suspended status, you audit the *entire* fiscal year, 7/1 - 6/30 (unless they move to closed status).
    - iii. The school will have another audit the following year, whether they re-open or move to closed status.
    - iv. However, if you become aware of the school moving to closed status early enough to combine that close-out audit with this current audit (similar to a 2 year small government audit), discuss with the AOS Regional Chief Auditor and notify the CFAE Community School Specialist at [CommunitySchoolQuestions@ohioauditor.gov](mailto:CommunitySchoolQuestions@ohioauditor.gov). In this case, see step 1 above. [AOS Guidance 5]
  - c. Is unauditible - review guidance in [AOS Bulletin 2007-008](#) and contact the Regional Chief Auditor. If a community school fails to make reasonable efforts and continuing progress to bring its records into an auditible condition within 90 days after being declared unauditible, you should again contact the AOS Regional Chief Auditor. [AOS Guidance 4]
3. As required by [Ohio Rev. Code \(ORC\) §§ 117.105 & 3314.019](#), include the sponsor on invitations to any “significant” meetings with the community school. This includes entrance and exit conferences, audit update meetings during the course of the engagement, and any meetings in which an audit issue is discussed of more than routine business. This should include both in person and conference call/virtual meetings. Sponsors are included in ‘those charged with governance’. [AOS Guidance 1]
4. Review information on the AOS master community school spreadsheet for the school being audited, and consider adding items noted to entrance conference agenda for discussion. [AOS Guidance 2] Ensure any documents mentioned that are relevant to the audit period have already been received by your team (Full Time Equivalency (FTE) related documents, settlement agreements, suspension/closure notices, ~~Ohio Rev. Code § 3314.50 bonds/written guarantees~~, etc.). Request documents needed from school, (consider adding to entrance conference agenda, depending on timing).
  - a. The spreadsheet is available in the AOS IPA Portal at <http://www.ohioauditor.gov/ipa/contracting.html> - note that the schools are separated on different tabs depending on the status they are in (open, suspended, closed). If an operator/management company is

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listed, address [OCS 2-5 & 2-14](#) in the OCS testing section. If you do not have access to the portal, check with your firm Partners for a list of those with access. **[AOS Guidance 3]**

- b. Check the Secretary of State's website to verify official school name (<https://businesssearch.ohiosos.gov/>). The audit report should be in the official school name, and if the school chooses, may *also* include their 'doing business as / trade' name, if applicable.
- c. If the school had a name change, see guidance in *Reporting Procedures* program, ensure the school updates such via AOS eServices appropriately, and notify [CommunitySchoolQuestions@ohioauditor.gov](mailto:CommunitySchoolQuestions@ohioauditor.gov) to update the AOS master community school spreadsheet.

5. ~~Consider providing~~ Provide the community school with the [Audit Preparation Checklist](#) from our community school webpage.

### AOS Guidance:

1. For schools with the following sponsors, notifications should be sent to:
  - Ohio Department of Education and Workforce's (DEW) Office of School Sponsorship – [SchoolSponsorship@education.ohio.gov](mailto:SchoolSponsorship@education.ohio.gov)
  - Buckeye Community Hope Foundation – Jason Moore - [jmoore@buckeyehope.org](mailto:jmoore@buckeyehope.org)
  - Ohio Council of Community Schools (OCCS) - [fiscalservices@ohioschools.org](mailto:fiscalservices@ohioschools.org)
  - St. Aloysius Orphanage
    - When St. Aloysius Orphanage is the sponsor, statutorily, our communications **must** be made to St. Aloysius ([champton@stalschildren.org](mailto:champton@stalschildren.org)); Charter School Specialists is a third party contracted by St. Aloysius which may be *included* on the notices as well ([dcash@charterschoolspec.com](mailto:dcash@charterschoolspec.com)).
2. On the AOS Master Community School Spreadsheet, the 'type of school' column includes information from DEW (site based, e-school, blended). However, the auditor should make their own determination of such prior to testing.
3. Due to an evaluation performed by DEW during fiscal year 2018, many entities that did not believe they were operators/management companies were determined to be such. Many sponsors were determined by DEW to also be operators/management companies. If an entity is listed on the AOS Master Community School Spreadsheet as an operator/management company, but they do not feel [OCS 2-5 & 2-14](#) apply to them, contact the CFAE Community School Specialist at [CommunitySchoolQuestions@ohioauditor.gov](mailto:CommunitySchoolQuestions@ohioauditor.gov).
4. If a community school fails to make reasonable efforts and continuing progress to bring its records into an auditable condition within 90 days after being declared unauditible, the Regional Chief Auditor shall notify the CFAE Community School Specialist, who will then work with the Chief Deputy Auditor or his designee, to determine if they should request the Attorney General's Office to commence legal action to compel the school to bring its accounts, records, files, or reports into an auditable condition. The CFAE Community School Specialist will also work with the Chief Deputy Auditor or his designee, to notify DEW and the schools sponsor of the school's failure to comply, which would immediately cease the school's funding under [Ohio Revised Code Section 3314.51\(F\)](#).

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5. Note that community schools can only be in suspended status for a certain period of time. Per [ORC § 3314.072 \(E\) \(1\)](#) If the sponsor of a community school suspends the operation of that school pursuant to procedures set forth in this section, the school's contract with the sponsor under section 3314.03 of the Revised Code shall become void, if the governing authority of the school fails to provide a proposal to remedy the conditions cited by the sponsor as reasons for the suspension, to the satisfaction of the sponsor, by the 30th day of September of the school year immediately following the school year in which the operation of school was suspended.

### **Record of Work Done:**

1. Document:
  - a. Education Plan (Dropout Prevention & Recovery, or General Education):
  - b. Sponsor:
  - c. Operator (if applicable):
2. If this is a close-out community school audit (or in certain merger situations), ensure the *AOS Community Schools - Close-out* procedures program was tested.
3. If the community school closed subsequent to this audit period, document whether or not this audit will include the subsequent audit period (if so, this would become the close-out audit).
4. If the school was in suspended status during the audit period, currently is in suspended status, or was suspended and has since moved to closed status, document status of school and determination of audit period.
5. If the school is declared unauditible, cross-reference to correspondence with AOS Regional Chief Auditor (& the 90 day letter, if received).
  - a. Did the community school bring their financial records into an auditable status within 90 days? If not, cross-reference to follow-up correspondence with the Regional Chief Auditor. Note: Auditors should not proceed with the audit procedures until the community school is determined to be in auditable status.
6. Cross-reference to where it is documented the sponsor was invited to the entrance conference meeting.
7. Review AOS Master Community School Spreadsheet for school being audited and document impact of information noted.

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## ***Merged School Procedures***

**Audit Procedure:** Government Mergers (Gasb Cod. Co10) – January 2025 – *Changes insignificant, and therefore not marked.*

There are different types of government combinations defined in GASB Cod. Co10 (GASB 69), which includes *government mergers* where one or more governments ceases to exist and there is one or more continuing governments. Community schools sometimes merge, rather than close. This procedure is to provide guidance for when a merger occurs as defined in .107. [AOS Guidance 1] **Auditors should review GASB Cod. Co10 and evaluate if the school's situation meets the criteria for one of the Types of Government Combinations (merger, acquisition, or transfer of operations). NOTE: This should be considered for both the existing/continuing school and the merging/dissolving school.**

If a merger is identified and the existing/continuing school filed:

- GAAP framework - audit in accordance with GASB Cod. Co10 guidance.
- OCBOA framework - Due to the lack of specific guidance for OCBOA cash basis reporting, application of GASB Cod. Co10 is not a requirement. If the school applied GASB Cod. Co10 concepts to OCBOA reporting, you should audit the reporting accordingly, and notify the AOS CFAE Community School Specialist.
- AOS Regulatory - GASB Cod. Co10 is not applicable. If the school applied GASB Cod. Co10, notify the CFAE Community School Specialist.

### **A) Merge and form a new government:**

The merger date is the date on which the combination becomes effective. The initial reporting period of the new government begins on the merger date. The combined assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the merging entities should be recognized and measured in the statement of net position as of the beginning of that initial reporting period. *To date, we are not aware of any community schools merging to form a new government.*

### **B) Merge with a continuing government:**

The merger date is the beginning of the reporting period in which the combination occurs, regardless of the actual date of the merger. The continuing government should recognize and measure the combined assets, deferred outflows of resources, liabilities, and deferred inflows of resources, results of operations, and cash flows, if applicable, of the merging entities for the reporting period in which the combination occurs as though the entities had been combined at the beginning of the continuing government's reporting period. Transactions between the merging entities that occur before the combination should be eliminated in the combination process. The continuing school should include a restatement to the beginning balance to bring the merged school onto the continuing school's financial statements.

Federal expenditures for the entire fiscal year (7/1 - 6/30) of the dissolved school should be reported on the continuing school's Schedule of Expenditures of Federal Awards (SEFA). The preferred presentation will have three columns on face of the SEFA: (1) for existing school; (2) another for the dissolving school, and (3) a total column. It is also acceptable to have only one total column on the face of the SEFA with a SEFA footnote showing breakout per school. The total column on either version is used for the major program determination.

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Any noncompliance / control deficiencies of the dissolving school would be reported in the audit report / management letter of the continuing school (even if the noncompliance occurred prior to the merger - ie. 7/1 - 12/31 for a 12/31 merger).

### Other:

- The Ohio Dept. of Education and Workforce (DEW) issues an official closure or merger memo. Auditors should cross-reference to this memo below. However, consider:
  - Auditors should document in the Record of Work Done (below) the merger date on DEW's memo, Secretary of State's website, and Board approval. If any of the dates differ, auditors should evaluate the school's documented reasoning for the date used for their financial statement presentation. After review of the school's documentation, if there is concern which date should be used, consult with the AOS CFAE Community School Specialist at [CommunitySchoolQuestions@ohioauditor.gov](mailto:CommunitySchoolQuestions@ohioauditor.gov).
  - DEW occasionally negotiates settlement agreements with certain sponsors regarding their schools which are closing (ie. traditional schools that sponsor community schools). While the community school is not normally a party in these agreements, they often address disposition of the closing school's assets, liabilities, etc. and therefore *could* be considered a merger agreement under GASB Cod. Co10.
  - Additionally, some conversion schools occasionally pass a resolution to transition from a community school, back into a program of the traditional school district (with no settlement agreement from DEW). These *could* be considered a merger under GASB Cod. Co10.
  - DEW's memo may indicate the school 'closed' (rather than merged), however, DEW is not making their determination under GASB Cod. Co10 (GASB 69). Auditors should review such agreements/resolutions and assess under GASB Cod. Co10 whether a 'merger' occurred for financial reporting purposes. [AOS Guidance 2]
  - If DEW's memo indicates a school 'closed', and you determine it qualifies as a merger under GASB Cod. Co10, send support for such determination to the AOS CFAE Community School Specialist. DEW has requested CFAE bring specific instances to their attention. Note - In these situations, since DEW considers the school as 'closed' the DEW close-out procedures would apply.
  - Even for situations where DEW's memo indicates a 'merger' occurred, auditors must still evaluate under GASB Cod. Co10 to ensure that is accurate for financial reporting purposes.
  - The *Community Schools - Close-out* procedures program is not applicable to merged schools in most situations. Assuming the prior year audit is already released for the dissolving school, there is no 'final audit' of it. If a merger is approved that will be effective after this fiscal year end, see guidance in *Finalizing Procedures* 1d.

**Reminder:** For a merged school that ceases to exist, request the AOS Regional Chief notify the CFAE Hinkle System Administrator to remove the Hinkle link for reporting, and notify the Assistant Chief Deputy Auditor of Operations of the merger.

### AOS Guidance:

1. GASB Cod. Co10 .107 -.109 - This program focuses on mergers, as discussed in .107 below, however, in rare instances other types of government combinations may occur, such as those discussed in paragraphs .108 & .109 below. If you encounter a government acquisition or transfer of operations, modify your audit program accordingly.
  - .107 A government merger is a government combination of legally separate entities in which no significant consideration is exchanged and either:
    - a. Two or more governments (or one or more governments and one or more nongovernmental entities) cease to exist as legally separate entities and are

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combined to form one or more new governments, or

b. One or more legally separate governments or nongovernmental entities cease to exist and their operations are absorbed into, and provided by, one or more continuing governments.

.108 A government acquisition is a government combination in which a government acquires another entity, or the operations of another entity, in exchange for significant consideration. The consideration provided should be significant in relation to the assets and liabilities acquired. The acquired entity or operation becomes part of the acquiring government's legally separate entity.

.109 A transfer of operations is a government combination involving the operations (as defined in paragraph .102) of a government or nongovernmental entity, rather than a combination of legally separate entities, in which no significant consideration is exchanged. Operations may be transferred to another existing entity or to a new entity.

2. [Ohio Revised Code § 3314.0211](#) addresses eligibility for mergers. The Auditor of State's office is not testing this at the community school level, as this determination is made by DEW, and therefore is according to their merger criteria, not GASB Cod. Co10.

### Record of Work Done:

1. Was this school involved in a Government Combination, as described in GASB Cod. Co10?
2. If so, and a merger occurred, document:

<b>Merged School(s)</b>	
<b>Form new school? (YES / NO)</b>	
<b>Merge with a continuing school (YES / NO)</b>	
<b>Merger date per Ohio Department of Education and Workforce's closure / merger memo (&amp; cross-reference to memo)</b>	
<b>Merger date per Certificate of Merger from Secretary of State's (SOS) website (&amp; cross-reference to certificate)</b>	
<b>Merger date per Board minutes/resolution (&amp; cross-reference to such)</b>	

3. Cross reference to:
  - GASB Cod. Co10 assessment/determination that a merger occurred.
  - Financial statement testing that documents proper reporting periods, restatement (if continuing government) and combined activity.
  - AOS CFAE consultation, if specialist is consulted.

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**Conclusion:**

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## **Substantive Procedures**

**Audit Procedure:** Substantive Procedures – January 2025 – *Changes are indicated by strike-out or double underline / insignificant edits are not marked.*

1. Evaluate Full Time Equivalency (FTE) 'Final' Adjustments. [AOS Guidance 1 & 2] In addition to related guidance in [Ohio Compliance Supplement](#) Section 1-27:
  - a. Each FTE Adjustment should be evaluated as they occur, rather than waiting until all FTE Adjustments have occurred for the fiscal year and just evaluating the net.
  - b. For example if the community school filed their fiscal year 2024 GAAP financial statements in November 2024, then they should have made a determination/assessment as to whether the FTE Adjustment #1 should be recorded and if the School Foundation footnote should be included if the FTE Adjustment #1 occurred prior to that time, but not the FTE Adjustment #2.
    - i. If the FTE Adjustment #1 was material, but the school did not record it (they only included the School Foundation footnote), inquire for their reasoning. Absent a well-reasoned assessment not to record it, the auditor should propose an audit adjustment.
    - ii. If FTE Adjustment #2 was made by the Ohio Dept. of Education and Workforce (DEW) after the school compiled their financial statements: if material, then the auditors would propose an audit adjustment for the school to report FTE Adjustment #2. Since the information was not available to the school at the time they were preparing their statements, auditors would not report a control deficiency since they prepared their financial statements with the information available at that time.
  - c. FTE Adjustments often result in 'true-ups' being necessary for the operator, sponsor, etc. agreements. [AOS Guidance 4]
  - d. Determine if the school had an amount due to DEW from prior years still outstanding, and consider if a payable should be recorded. For example: prior year Final FTE Adjustments still being repaid, settlement agreements reached, etc.
2. Inquire if the school currently has a FTE final determination appealed [AOS Guidance 3]. Note - the school could have an appeal currently outstanding for a prior or current audit period - settling FTE final determination appeals has taken years in some cases. If the school does have a FTE final determination appealed, obtain copy of appeal notice sent to the Ohio Department of Education and Workforce (DEW), inquire of status with school, confirm with AOS CFAE Community School Specialist ([CommunitySchoolQuestions@ohioauditor.gov](mailto:CommunitySchoolQuestions@ohioauditor.gov)), consider when evaluating related FTE footnote in the *Reporting Procedures*, and include documentation in the audit permanent file if it has a future impact.
3. Inquire if any settlement agreements were entered into that impact the school's current financial statements (in addition to any noted previously in *Planning Procedures*). For example, if the school appealed a FTE final determination and a settlement was reached. [AOS Guidance 3] Evaluate for impact on audit. Consider when evaluating the related FTE footnote in the *Reporting Procedures*.
4. Initial audits (which include new community schools, and audits where the predecessor auditor was AOS or another IPA firm) - see guidance in AU-C 510 related to auditing opening balances.
5. In addition to the guidance in [OCS 4A-3](#) that a community school may not make loans to another community school, they also do not have the legal authority to donate money unless legislation has been passed to allow such a donation. [AOS Guidance 5]



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6. The Fy 20 – Fy 21 state budget bill established a **new** Quality Community Schools Support Grant to provide additional funding to each community school designated as a Community School of Quality (133<sup>rd</sup> GA, HB 166 Section 265.335). This grant was extended to Fy 22 – Fy 23 via the corresponding budget bill (134<sup>th</sup> GA, HB 110 Section 265.335); as modified in 134<sup>th</sup> GA, HB 583, Section 265.335). This grant was further extended to Fy 24 – Fy 25 in 135<sup>th</sup> GA, HB 33, Section 265.430 - .432. To be eligible, a school had to meet the criteria laid out in the House Bill. Due to these amounts being significant in many cases, they would impact analytical procedures. These receipts should be posted to USAS Code 3190 (other unrestricted grants-in-aid), which **will roll-up to their non-operating revenue, state grants line item.**
  - See DEW's listing of Quality Community Schools and related grant amounts at <https://education.ohio.gov/Topics/Community-Schools/Quality-Community-School-Support-Fund>.
  - These awards should be posted to USAS Code 3190 (other unrestricted grants-in-aid), which will roll-up to their non-operating revenue, state grants line item.
7. As discussed in OCS 4B-2, occasionally, the management company footnote reports 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.

### **AOS Guidance:**

1. A summary of DEW's Final FTE Adjustments can be found at <http://education.ohio.gov/Topics/Finance-and-Funding/School-Payment-Reports/State-Funding-For-Schools/Community-School-Funding>, as well as on the corresponding school's Statement of Settlement.

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2. At the close of the school's fiscal year, DEW reconciles the Final FTE Foundation payments and determines whether the school has a corresponding receivable from or payable due to DEW based upon the accumulation of student FTE's throughout the year. These adjustments are referred to as 'Final FTE Adjustments'.
  - a. [Ohio Rev. Code § 3314.08](#) also mandates FTE reviews, which DEW performs to verify the accuracy of the enrollment and attendance data reported by community schools into EMIS. These reviews can also result in a corresponding receivable from or payable due to DEW based upon the results. If the 'final determination' of these results is not appealed, they are included in the Final FTE Adjustments.
  - b. In prior years DEW has made anywhere from 1-5 Final FTE Adjustments for each year (with 2 being the norm).
  - c. As AOS CFAE receives information from DEW regarding how many FTE adjustments they expect to have for the fiscal year and time frames they are expected to occur, this information is communicated to IPA's and such is then posted to the AOS [community school internet page](#).
3. Per [Ohio Revised Code § 3314.08\(K\)](#), community schools may only appeal 'Final Determinations' issued by DEW.
  - a. DEW first performs FTE reviews, and issues FTE Review Summary Reports.
  - b. If DEW determines adjustments need made to FTE during their review, they give the school an opportunity to adjust their EMIS records - these adjustments are normally included in DEW's 'Final FTE Adjustments'.
  - c. If the school does not adjust their records as noted above, DEW issues a 'Final Determination' letter, which has the number and percentage of their FTE overstatement, however, a dollar amount is not included in these letters. This is the only item a community school can appeal related to their FTE review. If appealed, DEW will hold a hearing and issue a decision.
  - d. Repayment letters are issued in two circumstances, and include dollar amounts owed.
    - i. If a final determination was appealed, and the DEW upheld the decision that the school owed money back to DEW or
    - ii. The school closed and owed money back to DEW.
  - e. Depending on the amount due and the school's ability to pay, occasionally settlement agreements are reached with the community school regarding the FTE adjustments.
4. Community Schools often have contracts with sponsors, operators, vendors, etc. that call for compensation to be based on a percentage of revenue received by the school. Certain factors often change community school foundation revenue after year end, and therefore a true-up is required. 11/2017 community school true-up webinar is available at <https://ohioauditor.gov/references/guidance/communityschools.html>.
5. "The donation of public money is ... limited by the fact that the use of certain funds is restricted by statute or constitution. Donations may be made only from funds that are available to be expended as donations in particular circumstances." 2011 Ohio Op. Att'y Gen. No. 2011-045. These particular circumstances entail statutory authority of such each specific type of donation. 2007 Ohio Op. Atty. Gen. No. 2007-036. Consequently, a community school may make a donation of public funds only pursuant to clear statutory authority with funds that are available for that purpose. Community schools can statutorily **receive** donations from private sources for particular purposes. See, e.g. Ohio Rev. Code §§ 3314.0110, 3314.143(C), 3314.144. However, ORC Chapter 3314 **does not** directly authorize a community school to donate money.

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1. Does the school have a FTE final determination appealed (for the current or a prior year)? Document inquiries. If so, cross-reference to appeal notice, document impact on audit, and include in audit permanent file if has a future impact. (Consider when evaluating related FTE footnote in the *Reporting Procedures* in the section below of this audit program.)
2. Did the school enter a settlement agreement that impacts the current or future audit periods? Document inquiries. If so, cross-reference to settlement agreement signed by all parties, and evaluate impact on audit. (Consider when evaluating related FTE footnote in the *Reporting Procedures* in the section below of this audit program.)
3. Is this an initial audit (new community school or prior audit was performed by an IPA)? If so, were opening balances audited in accordance with AU-C 510?
4. If you noted the school received a donation from a public source (i.e. another community school), or donated any money, consult with [CommunitySchoolQuestions@ohioauditor.gov](mailto:CommunitySchoolQuestions@ohioauditor.gov).
5. Did the school receive a Quality Community Schools Support Grant on their foundation settlement? If so was it posted to USAS Code 3190 (other unrestricted grants-in-aid)?
6. Cross-reference to the applicable FTE 'Final' Adjustments, and 'true-up' testing in Ohio Compliance Supplement Section 4A-5A through 4A-5C, and complete the following testing procedures for contract/agreement true-up:
  - Inquire if the entity had any contracts / agreements paid on a % of participants, % or number of ADM / FTE, students, revenues, etc. (i.e. anything that may change after the payment is made). If any are noted:
  - Request such contracts / agreements, the entity's written true-up policy, true-up calculations, related legal consultations, & repayment plans (if not paid in full).
  - Test the true-up calculations and assess if a reasonable conclusion was reached (amount due to/from the entity).
  - Consult with CFAE Community School Specialist if necessary/questions arise.
  - When the community school has a management company which has an AUP performed (OCS 4B-2), determine if the AUP mentions that the management company prorates expenses benefitting more than one school (i.e. overheard) based on full time equivalent (FTE) – this language is often found under the Schedule of Management Company Expenses at the end of the AUP. If so, determine if such was considered for true-up as well.
  - Follow-up on prior year repayments to determine if repayment agreements/schedules are being followed.
  - Determine if a Finding for Recovery should be issued. Auditors will likely issue FFR's 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.
  - If a GAAP audit, determine if a receivable/payable was reported on the financial statements, if necessary.

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- Determine if a foundation contingency footnote was included, if necessary. See example contingency footnote on the [AOS Community School internet page](#).
7. Determine whether a 'contribution from management company', or 'loans payable to management company' should be reported.
- Inquire whether the management company subsidized or loaned any funds to the school in past or current fiscal years, how it was reported, if it is repaid in full; and obtain support for such.
  - Did the management company footnote report more expenses than amounts the school paid to them?
  - Does the schools management company contract mention such amounts and that they are repayable?

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## Reporting Procedures

**Audit Procedure:** Reporting Procedures – January 2025 - *Changes are indicated by strike-out or double underline / insignificant edits are not marked.*

1. Determine if the School Funding / Full Time Equivalency (FTE) Contingency footnote was included, if applicable. Sample footnote is available at <https://ohioauditor.gov/references/guidance/communityschools.html>. [AOS Guidance 3]
  - a. Consider information in *Substantive Procedures* regarding whether the school currently has a FTE final determination appealed (for the current or a prior year) and whether a settlement agreement was reached.
2. [Ohio Revised Code \(ORC\) § 3314.032\(C\)](#) requires community schools to adopt a budget (effective for fiscal year 2017). However, at this time there is no law requiring the school to adhere to their budget. Therefore, failure to follow that budget would not result in noncompliance. See example footnote in [AOS Guidance 1]. Failure to include the footnote does not result in a material missing disclosure.
3. Inquire of the sponsor if the school has been placed on suspension or probation status during, or subsequent to, the audit period ([Ohio Rev. Code §§ 3314.072 & 3314.073](#)), and if so, determine the current status. Also, review the AOS Master Community School Spreadsheet in the AOS IPA Portal and note whether the school was placed on probation or suspension status. Consider if a subsequent event or other disclosure is required, and consider impact on going concern assessment. [AOS Guidance 2]
4. Community Schools commonly change names. If the school changed its name, obtain support from the school & [the Secretary of State's website](#), and determine the fiscal year it took effect.
  - a. If a future year - ensure the name change was included in a subsequent event footnote.
  - b. If the current year - the report cover sheet should include the new name with the prior name in parentheses (ie. "(formerly xxxx)"). Note, the former name only needs included in the initial year of the name change.

Also consider name change guidance in *Planning Procedures*.

5. Community Schools also commonly change locations. The following example is used in the points below: a school moved from Hamilton to Richland County effective 7/1/2021 (Fy 22), and you perform the Fy 2021 audit during Fy 2022. Since the County changed:
  - a. Your report coversheet, as well as the financial statements, MD&A & footnote headers of the Fy 2021 report should indicate the County the school was located in for the year under audit (Hamilton).
  - b. The coversheet for the **first** audit period in the new County (Fy 2022 / Richland) would use the **new** county name with "(formerly Hamilton County)" immediately under it.
  - c. Your Fy 2021 report letters would be addressed to the new school address/county. You should only use addresses on your letters that are valid as of the date of the letter.
  - d. To tie the address differences together in the Fy 2021 report, the auditors may request a subsequent event footnote be added explaining the date/move, however, since an address change is not critical to the disclosures, no exception should be taken if they chose not to include.

**AOS Guidance:**

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1. Example Footnote:  
Budgetary Process - Community schools are statutorily required to adopt a budget by [Ohio Revised Code § 3314.032\(C\)](#). However, unlike traditional public schools located in the State of Ohio, community schools are not required to follow the specific budgetary process and limits set forth in the Ohio Revised Code Chapter 5705, unless specifically provided in the contract between the School and its Sponsor. The contract between the School and its Sponsor does not require the School to follow the provisions Ohio Revised Code Chapter 5705; therefore, no budgetary information is presented in the basic financial statements. (Modify as applicable.)
2. Under [ORC § 3314.073](#), a sponsor may place a school on probationary status based on conditions identified in [ORC § 3314.07\(B\)\(1\)](#). These conditions include:
  - Failure to meet student performance requirements stated in the contract;
  - Failure to meet generally accepted standards of fiscal management;
  - Violation of any provision of the contract or applicable state or federal law;
  - Other good cause.
  - DEW periodically notifies CFAE of schools placed on probation by their sponsors. These probations are noted on the AOS Master Community School Spreadsheet, which is posted in the AOS IPA Portal. Consider the following:
    - As specified in ORC § 3314.073, probationary status does not extend beyond the end of the school year.
    - DEW notifies CFAE when the schools are placed on probation – not when the probation is lifted. Therefore, the notation on the AOS Master Community School Spreadsheet does not necessarily mean these schools are still on probation, or that the school will be on probation the entire fiscal year. Auditors must inquire of the sponsor how long the probation period lasted/current status of such.
    - Consider all the facts and circumstances of your specific school to determine if a subsequent event or other disclosure is required.
3. The FTE contingency footnote is not required if the Ohio Department of Education and Workforce has completed all FTE adjustments for the year, the school is not appealing their FTE review final determination results, and if material, the liability is on the statements and disclosed in the footnotes.

### **Record of Work Done:**

1. Did the school include the School Funding / FTE Contingency footnote, if required? Cross-reference to footnote testing.
2. If the school included a budgetary process footnote, cross-reference to footnote testing.
3. Document inquiry of sponsor for whether the school has been placed on suspension or probation status during, or subsequent to, the audit period; and current status of such. Also check AOS Master Community School Spreadsheet to see if DEW has notified AOS of a probation notice. If applicable, cross-reference to suspension or probation notice, document impact on school's footnote, and cross-reference to footnote disclosure.

## All Community School Procedures

4. Cross-reference to going concern assessment if school is placed on suspension or probation status, or if you are aware they will be merging, closing, etc subsequent to the audit period.
5. Document if the school had a name change, the effective date, and whether updates to the report cover page or a footnote disclosure were required. Cross-reference to documentation of name change, Secretary of State filing (pdf & save in working papers), and cover page or footnote.

**Conclusion:**

# All Community School Procedures

## ***Finalizing Procedures***

**Audit Procedure:** Finalizing Procedures – January 2025 - *Changes are indicated by strike-out or double underline / insignificant edits are not marked.*

1. While performing the going concern assessment, consider the following as well:
  - a. If the community school closed subsequent to the audit period.
  - b. Potential for the school closing due to the sponsors evaluation rating ([Ohio Rev. Code § 3314.016\(B\)](#)), or the Auto Closure Law ([Ohio Rev. Code §§ 3314.35 & 3314.351](#)). [AOS Guidance 1 & 2]
    - Sponsors evaluation rating - see [Ohio Compliance Supplement](#) section 2-13 for further information.
    - Auto Closure Law - If a community school meets the criteria in these sections of code, it will be permanently closed at the end of the school year.
  - c. If the sponsor placed the school on suspension or probation status during, or subsequent to the audit period (and the current status of such). See related *Reporting Procedures* step.
  - d. If a merger is approved that will be effective after the fiscal year end:
    - Dissolving school - Consider impact on the going concern assessment and evaluate the need for an Emphasis of Matter in the opinion. If not disclosed, request the school to include a subsequent event footnote regarding the merger & transfer of assets, etc. **Note: The Community Schools - Close-out procedures program would be applicable in this situation, except for the Ohio Department of Education and Workforce close-out procedures section, and the footnote disclosing subsequent transactions & cash balance.**
    - Continuing school - Determine if the school included a subsequent event footnote and evaluate the need for a going concern section in the opinion. See AU-C 706.
  - e. If fiscal distress concerns are noted, section O-5 (5 Year Projections/Forecasts) should be tested.
2. Log into the [AOS IPA Portal](#) and review this school on the AOS Master Community School Spreadsheet to determine if any new documents/items for the school were received/added since the audit began (FTE review, final determination, repayment letter, settlement agreement, etc.). The *Planning Procedures* also direct auditors to check this spreadsheet in the beginning of the audit, however, files are received from DEW, etc. throughout the year, so this spreadsheet should be checked once again at the end of the audit.
3. When completing the Audit Report Recipient Spreadsheet, ensure the sponsor and operator are included. See [AOS Guidance 1](#) under *Planning Procedures* above.
4. If subsidies/contributions or loans from the management company are noted in OCS 4B-2 / Substantive Procedures above, we suggest representation letters include these amounts, and represent whether these amounts are contributions or repayable loans.



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5. As required by Ohio Rev. Code §§ 117.105 & 3314.019, include the sponsor on invitations to any “significant” meetings with the community school. This includes entrance and **exit conferences**, audit update meetings during the course of the engagement, and any meetings in which an audit issue is discussed of more than routine business. This should include both in person and conference call/virtual meetings. [AOS Guidance 3]
  - a. Ohio Rev. Code § 3314.03 requires community school sponsors to exercise certain *governance* responsibilities. The Department of Education and Workforce (DEW) also requires the attendance of Sponsors at the Exit Conference; therefore Exit Conferences must be offered and the invite must include the sponsor.

### AOS Guidance:

1. The CFAE Community School Specialist analyzes the ratings/lists each year as they are released by DEW and notates on the AOS Master Community School Spreadsheet for affected schools. The Ohio Department of Education and Workforce posts the overall sponsor ratings each year to: <http://education.ohio.gov/Topics/Community-Schools/Sponsor-Ratings-and-Tools/Overall-Sponsor-Ratings>.
2. Based on legislative flexibility, community schools will not be subject to penalties based on the 2019-2020 or 2020-2021 school year (specifically, Ohio Revised Code sections 3314.35(4)(c) or 3314.351(A), which would require a school to close for meeting criteria for three consecutive years). For the purposes of determinations regarding closure after the 2021-2022 school year pursuant to Ohio Revised Code sections 3314.35 or 3314.351, the Department will review a school's performance during the 2017-2018, 2018-2019 and 2021-2022 school years. Ohio Revised Code section 3314.355 was added, effective 9/30/21, which states: No community school shall be subject to closure under section [3314.35](#) or [3314.351](#) of the Revised Code based on any report card issued for that school for the 2019-2020, 2020-2021, or 2021-2022 school years. Furthermore, the report card ratings of any previous years shall not be considered in determining whether a community school is subject to automatic closure under section [3314.35](#) or [3314.351](#) of the Revised Code. Accordingly, the 2022-2023 school year shall begin a new starting point for automatic closure of community schools under either of those sections.
3. See AOS Guidance 1 in Planning Procedures for a list of certain sponsor contact information.

### Record of Work Done:

1. Cross-reference to going concern assessment. Also hyperlink to OCS 4E-1 testing if fiscal distress concerns are noted.
2. If any new items related to this school are noted on the AOS Master Community School Spreadsheet in the AOS IPA Portal, document impact on the audit.
3. Cross-reference to where it is documented the sponsor was invited to the exit conference meeting.

### Conclusion:

# **All Community School Procedures**

