Consolidated Financial Report (CFR)

You cannot prepare an accurate CFR without a good accounting system and successful audit!
You need to put as much attention into your accounting process as you give your students in order to get the resources needed to support them.
Common Deficiencies Noted in Accounting Systems:

- Lack of written accounting procedures
- Inadequate or overly complex chart of accounts
- Incorrect classification of transactions
Common Deficiencies Noted in an Audit:

- Lack of documentation
- Non-reimbursable costs
- Lack of management review
Let’s Talk Accounting & Audit
Seminar Objectives

- Basic components of an accounting system
- Importance of internal controls (checks and balances)
- Audit process and procedures
- Relationship of accounting, auditing and (CFR)
General

- View this session as a “curriculum night”
- Accounting records are equivalent to student files
- Provides a case file of financial transactions
Seminar Environment

- Ask questions
- Network with your fellow participants
- Fear not – if you are unsure so are others
- Share your “Best Practices”
- Let's learn and have fun
Accounting
It’s All About The Numbers!
Costs and Enrolled Days
How does a school organize, summarize, and record those numbers?
An Accounting System
Is an accounting system an “Art” or a “Science”?

a) An art
b) A science
c) Both of the above
d) None of the above
Is an accounting system an “Art” or a “Science”? 

a) An art  
b) A science  
c) Both of the above  
d) None of the above
No one accounting system is right for every school, in other words “one size does not fit all.

It is a combination of an art and a science.
Answer

It is a science because there are standard common components that are necessary for an effective accounting system.

It is an art because it should be tailored and designed to the experience and needs of the school.
Components of an Accounting System
Components of an Accounting System

- Accounting personnel
- Chart of accounts
- Recording financial transactions
- Procedural narratives
- Software
- Propriety of information
- Security of information
- Retention of information
Personnel

- Number of accounting personnel
- General understanding of bookkeeping
- In-house or outsourced personnel
Chart of Accounts

- KISS – (Keep it Specific and Simple)
- Organizes transactions for input
- Provides standardization and guidelines
- Failure to follow is a detention
Recording of Transactions

- Two sided transactions
  - debits = credits
- All transactions recorded
- Timeliness and accuracy
Procedural Narratives

- Roadmap of accounting process and recording transactions
- Specific procedures to record transactions
- Personnel performing procedures (segregation of duties)
Software

- Ease of use (user friendly)
- Experience using software
- QuickBooks® or other
- Train personnel to optimize use and benefits
Propriety of Information

- Financial transactions properly recorded
- Timeliness of recording
- Account classification
- Management review
- Identification of non-reimbursable costs
Security of Information

- Need to know basis
- Password protected
- Limit access to software
- Back-up copy of information
Retention of Information

- Filed timely and neatly
- Permanent copy
- Secured from theft or damage
Conclusion

- A well implemented and functioning accounting system is your report card on financial reporting
- Autograph your accounting system with excellence
- Your accounting system is the lifeline to the CFR
What does audit testing involve?

a) Testing all transactions during the year
b) Testing a sample of transactions during the year
c) Testing only transactions of specific accounts
d) None of the above
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b) Testing a sample of transactions during the year
c) Testing only transactions of specific accounts
d) None of the above
Answer

It is not practical or cost effective to test all transactions for an audit.

Audit testing is a combination of various procedures – inquiry, observation and examination of documentation.
Answer

It is a science because it is based on generally accepted standards

It is an art because auditor judgment and experience are necessary to determine the level of testing
Components of an Audit
Components of an Audit

- Planning meeting
- Interim testing (prior to year end)
- Internally prepared financial statements and general ledger
- Year end testing
- Discuss and resolve questions and non-reimbursable costs
- Audit wrap-up
- On-going - questions or issues that arise during the year that auditor is consulted
Planning Meeting

- Meet with auditor
- Planning meeting agenda
- Personnel changes
- Accounting system changes
Interim Testing

- Areas of testing
  - Billings to districts (enrolled days)
  - Walk through of procedural narratives
  - Internal control documentation
  - Permanent file information
- Discuss FRAUD
- Confirmation selection of billings
- Finalize information needed for year end
Internally Prepared Financial Statements

- Needed to begin audit
- Should be complete to extent possible
- Management review before submission to auditor
Year End Testing

- Revenue confirmation and testing of enrolled days
- Cost vouching and substantiation
Discuss and Resolve Questions and Non-Reimbursable Costs

- Discuss adjusting entries
- Clarification of pending items
- Reconcile CFR and Audit Crosswalk
Audit Wrap-Up

- Finalize audit report
- Management letter
Conclusion

- The better organized the financial records, the more efficient and timely completion of an audit.
- An audit is an “IEP” of your accounting system. It can be used to demonstrate progress and improvement in the financial records over a period of time.
Conclusion

- Administrators and Educators are an integral part of an audit
- Just as you want to improve the lives of your students, we want to help you strengthen your accounting system and thus preparation of a properly completed CFR