

Mary Taylor, CPA Auditor of State

Bulletin 2008-003

Date Issued: April 9, 2008

TO: School District Treasurers
Educational Service Center Treasurers
STEM School Governing Bodies
STEM School Treasurers
Independent Public Accountants

FROM: Mary Taylor, CPA
Ohio Auditor of State

SUBJECT: Guidance for Science, Technology, Engineering and Mathematics (STEM) Schools

Authority for the establishment of Science, Technology, Engineering and Mathematics (STEM) schools is provided for in Ohio Rev. Code Chapter 3326, effective 6-30-2007. This bulletin provides guidance related to financial accounting, reporting, internal control, compliance and audit requirements for STEM schools.

STEM schools should notify the Auditor of State's office of their creation at the beginning of the first fiscal year in which they commence operations. Notification should be sent to:

State Auditor's Office
Clerk of the Bureau
88 E. Broad Street
P.O. Box 1140
Columbus OH 43216-1140

The governing body should obtain an "information retrieval number" (IRN) for the STEM school. IRN's should be obtained from the Ohio Department of Education by writing or sending an E-mail to:

Ohio Department of Education
Policy and Accountability
Attn: Jeanine Molock, MS 708
25 S. Front St.
Columbus OH 43215
E-mail: Jeanine.Molock@ode.state.oh.us

ACCOUNTING AND REPORTING

A STEM school is required by Ohio Rev. Code Section 3326.21(B) to account for its financial transactions in the same manner as all Ohio school districts.

The STEM school should use the Uniform School Accounting System (USAS) and the Education Management Information System (EMIS) chart of accounts. The treasurer of the STEM school should use, at a minimum, the required USAS/EMIS dimensions and codes to record the financial transactions of the STEM school.

Each STEM school is to be accounted for separately. Each STEM school must have a complete set of financial records including, but not limited to those listed in Ohio Admin. Code Section 117-2-02, such as:

- Its own checking and other bank accounts
- Its own federal and state tax identification numbers
- Its own checks and other financial documents, such as purchase orders
- Its own reconciliations and control totals.
- Cash receipts records
- Cash disbursements records
- Capital asset records
- Other records necessary to enable the school to prepare an annual report that conforms to GAAP

The fiscal year of each STEM school begins on July 1 and ends on June 30. The financial activity of each STEM school should be reported in accordance with Generally Accepted Accounting Principles (GAAP, pursuant to Ohio Admin. Code 117-2-03(B)) and submitted annually within 150 days from the close of the fiscal year to the State Auditor's Office, Local Government Services Section.

INTERNAL CONTROLS

The management of each STEM school is responsible for the design and implementation of an internal control system that provides reasonable assurance of the integrity of its financial reporting, the safeguarding of its assets, the efficiency and effectiveness of its operation, and its compliance with applicable laws, regulations and contracts.

In designing its internal control system, management should consider policies and procedures that provide for the following:

- Appropriate authorization and approval of transactions
- Adequately designed records to facilitate classification and summarization of transactions
- Security of assets and records
- Periodic reconciliations of account balances
- Periodic verification of assets

LEGAL COMPLIANCE

Under Generally Accepted Government Auditing Standards (GAGAS), auditors are required to identify and test compliance with direct and material laws and regulations that may have a material effect on the financial statements. Ohio Rev. Code Ch. 3326 sets forth numerous sections of the code with which STEM schools must comply. The Auditor of State's Office is in the process of identifying which of these laws will be considered direct and material to the financial statements and therefore subject to testing during the audit.

STEM schools are not mandated to budget, appropriate, encumber, or obtain the fiscal officer's certification for expenditures. It is strongly recommended, however, that STEM schools implement all of these procedures and establish appropriate internal budgetary controls. It is recommended that a STEM school have a budget addressing both revenues and expenditures approved by its governing body.

AUDITS

All STEM schools are subject to the annual auditing requirement established in Ohio Rev. Code Section 117.113. The Auditor of State's office will perform an audit in accordance with generally accepted government auditing standards for each fiscal year of operation of all STEM schools.

TUITION

Ohio Rev. Code Section 3326.50 prohibits a STEM school from charging tuition for any student enrolled in the school. Any money required to be paid or parent services required to be rendered as a condition of enrollment, over and above that allowed by a public school, is considered tuition. As public schools are prohibited from requiring parents to contribute their time as a condition of enrollment and are prohibited from charging for textbooks (which is different from charging for "instructional fees"), the Auditor of State's Office considers both to be tuition.

QUESTIONS

If you have any questions about this Bulletin, please contact the Audit Division of the Auditor of State at (800) 282-0370.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State