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STATE SUPERINTENDENT of PUBLIC INSTRUCTION
OKLAHOMA STATE DEPARTMENT of EDUCATION

MEMORANDUM

TO: The Honorable Members of the State Board of Education

FROM: Joy Hofmeister

DATE: January 29, 2015

SUBJECT: Administrative Rule Promulgation

The State Board of Education will be taking action at the January meeting on the following rules, pursuant to the *Oklahoma Administrative Procedures Act*, 75 O.S. § 250, *et seq.*

1. Chapter 25. Finance
Subchapter 5. Budgeting and Business Management
Section 210:25-5-4. Accounting [AMENDED]

The proposed amendments update the "Accounting" rule by removing a reference to a rule that has been revoked, and changing the final date that school boards or the State Department of Education are permitted to make alterations to submitted financial data from November 15 to December 15 of each year. This date change will permit school districts and the SDE Financial Accounting section additional time to verify financial data submitted by school districts and make any necessary corrections.

2. Chapter 25. Finance
Subchapter 5. Budgeting and Business Management
Section 210:25-5-5. Auditing [AMENDED]

The proposed amendment corrects a statement in the current rule, naming the Oklahoma State Auditor and Inspector rather than the State Board of Education as the agency that must approve independent auditors for school districts. This updates the rule pursuant to statutory changes in the School Audit Law.

3. Chapter 35. Standards for Accreditation of Elementary, Middle Level, Secondary, and Career and Technology Schools

Subchapter 3. Standards for Elementary, Middle Level, Secondary, and Career and Technology Schools

Section 210:35-3-86. Qualifications; personnel records [AMENDED]

The addition to the rule on personnel records extends the acceptable formats in which a school district may keep the transcripts of teachers and nurses on file to include official electronic copies. This change updates the rule to reflect the current practices of educational institutions.

210:25-5-4. Accounting

(a) The financial structure of an Oklahoma public school district consists of various classifications as referenced in Oklahoma Administrative Code (OAC) 210:25-7-1, (Oklahoma Cost Accounting System [OCAS]). School District accounting systems shall be organized and operated on a basis that assures legal compliance by the recording and summarizing of financial transactions within funds, each of which is completely independent of any other. Each fund shall account for and continually maintain the identity of its revenues and expenditures. Financial transactions for purposes of this regulation and as referenced in 70 O.S. 2001, § 5-135.2 shall be defined as a detailed reporting of revenue within the Source of Revenue dimension. Revenue shall be reported to the bold codes within each of the following broad categories: District Source of Revenue, Intermediate Source of Revenue, State Source of Revenue, and Federal Source of Revenue. Expenditures shall be reported by the bold codes within the Function dimension as follows: Instruction, Support Services-Students, Support Services-Instructional Staff, Support Services-General Administration, Support Services-School Administration, Support Services-Central, Operation and Maintenance of Plant Services, Student Transportation Services, Child Nutrition Programs Operations, Community Services Operations and Facilities Acquisition and Construction Services. Additional dimensions for Revenue and Expenditures are coded to provide classification by Fiscal Year, Fund, Project Reporting, Object, Program, Subject, Job Classification, and Operational Unit, where applicable.

(b) The year-end financial report recording and summarizing all revenue and expenditure financial transactions will be completed and certified on the due date.

(c) The school district must inform the Financial Accounting Section of the State Department of Education of any changes made at the district level to any of the financial transactions already submitted to the State Department of Education. Further, none of the data submitted by Law can be changed or altered by either the school district or the Financial Accounting Section after ~~November 15~~December 15 of each year.

(d) As referenced in 70 O.S. 2001, § 5-135.2 (B), the State Department of Education shall reduce the monthly payment of a district's State Aid funds if the district is not operating pursuant to said system. Not operating pursuant to said system shall be defined as a district not:

- (1) accurately recording and reporting all revenue and expenditures by applicable OCAS bold code dimensions;
- (2) submitting OCAS financial records via the Web-based system of all recorded and reported revenue and expenditures by applicable OCAS bold code dimensions to the State Department of Education;
- (3) ascertaining that current and accurate applicable OCAS codes are being utilized as updated and maintained by the State Department of Education;
- (4) complying with regulations as outlined in OAC 210:25-3-7 (Financial information processing), OAC 210:25-5-10 (The encumbrance clerk), OAC 210:25-5-11 (The school district treasurer), ~~OAC 210:25-5-12 (Purchase order procedures for schools)~~, or OAC 210:25-5-13 (School activity fund);
- (5) reconciling all recorded and reported revenue and expenditures by applicable OCAS bold code dimensions by balancing data with bank receipts and statements, purchase orders, warrant registers, investment ledgers, and all balance sheet accounts; and

(e) For appropriated funds, all indebtedness should be encumbered (have a purchase order issued and be recorded) on the day the obligation is incurred, rather than when it becomes due, and supporting documentation should be provided for all indebtedness.

(f) Upon the approval of the State Board of Education, school districts may make capital expenditures up to a maximum amount of \$50,000 (fifty thousand dollars) during the current fiscal year within the General Fund pursuant to 70 O.S. 2001, § 1-117, if the school district meets the established criteria as outlined in the Statutes. School districts shall be voting the maximum five (5) building fund mills. General Fund monies authorized by the State Board of Education for expenditures must be expended within the current fiscal year. Any such funds encumbered as of June 30th of the current fiscal year, but not expended by November 15th of the subsequent fiscal year, shall lapse and return to the original purpose of such funds.

(g) A school district shall be authorized to utilize general fund monies for capital expenditures, in addition to the amount specified in subsection (c), pursuant to the provisions of 70 O.S. 2001, § 1-117.

(h) Inventory cards or data processing records shall be kept on all equipment and removable fixtures, showing purchase order number when known, date of purchase (when known, if not known an estimated date shall be used), amount of purchase (if known, if not known present value must be estimated) a description of the item, the serial number (when applicable) and the location of the item. New purchases shall be included in the records on the same day in which they are physically received by the district. Disposed equipment must be removed from the records on the disposal date and a detailed description of the circumstances which results in the disposal recorded. Disposed equipment should not be included in the records of future years.

**State Board of Education
Public Comment Summary
Proposed Permanent Rule Changes
Chapter 25. Finance
Subchapter 5. Budgeting and Business Management**

210:25-5-4. Accounting [AMENDED]

Summary of Public Comment	Agency Response
No written or oral comments regarding the proposed rule were submitted during the public comment period.	<ul style="list-style-type: none">• N/A

**RULE IMPACT STATEMENT
TITLE 210. STATE DEPARTMENT OF EDUCATION
CHAPTER 25. FINANCE**

SUBCHAPTER 5. BUDGETING AND BUSINESS MANAGEMENT

- a. **What is the purpose of the proposed rule change?**
The purpose of the proposed amendments to 210:25-5-4 is to make non-substantive updates to the rule regulating accounting for Oklahoma school districts, and to move the deadline from November 15 to December 15 for making alterations to financial data submitted by school districts to the State Department of Education. This will permit local educational agencies and the State Department of Education additional time to verify the required financial data submitted by school districts.
- b. **What classes of persons will be affected by the proposed rule change and what classes of persons will bear the costs of the proposed rule change?**
The proposed changes will affect public school districts and their finance staff. The agency does not anticipate any additional costs to result from the rule amendment.
- c. **What classes of persons will benefit from the proposed rule change?**
The proposed changes will benefit public school districts and their finance staff.
- d. **What is the probable economic impact of the proposed rule upon affected classes of persons or political subdivisions?**
The agency does not anticipate any economic impact upon affected classes of persons or political subdivisions as a result of implementation of the proposed rule change at this time.
- e. **What is the probable cost to the agency to implement and enforce the proposed rule change?**
The agency does not anticipate any cost to the agency to implement and enforce as a result of the proposed change in the rule at this time. Additional record keeping, if any, will be performed by existing staff.
- f. **What is the economic impact on any political subdivision to implement the proposed rule change?**
The agency does not anticipate any economic impact on any political subdivision to implement the proposed rule change at this time.
- g. **Will implementing the rule change have an adverse effect on small business as provided by the Oklahoma Small Business Regulatory Flexibility Act?**
The agency does not anticipate any adverse economic impact on small business as a result of the proposed rule change at this time.
- h. **Are there any other methods which are less costly, nonregulatory, or less intrusive to achieve the purpose of the proposed rule change?**
No.
- i. **Will the rule change impact the public health, safety, and environment, and is the change designed to reduce significant risks to the public health, safety, and environment? If so, explain nature of risk and to what extent the proposed rule change will reduce the risk.**

The agency does not anticipate any impact on public health, safety, or environment as a result of implementation of the proposed rule at this time.

j. **What detrimental effect will there be on the public health, safety, and environment if the rule change is not implemented?**

The agency does not anticipate any detrimental effect on public health, safety, or environment as a result of failure to implement the proposed rule at this time.

k. **Date Prepared:** October 30, 2014

STATUTORY AUTHORITY

Oklahoma Statutes Citationized

Title 70. Schools

Chapter 1 - School Code of 1971

Article Article III - State Department of Education

Section 3-104 - State Board of Education - Powers and Duties

Cite as: 70 O.S. § 3-104 (OSCN 2015)

The supervision of the public school system of Oklahoma shall be vested in the State Board of Education and, subject to limitations otherwise provided by law, the State Board of Education shall:

1. Adopt policies and make rules for the operation of the public school system of the state;
2. Appoint, prescribe the duties and fix the compensation of a secretary, an attorney and all other personnel necessary for the proper performance of the functions of the State Board of Education. The secretary shall not be a member of the Board;
3. Submit to the Governor a departmental budget based upon major functions of the Department as prepared by the State Superintendent of Public Instruction and supported by detailed data on needs and proposed operations as partially determined by the budgetary needs of local school districts filed with the State Board of Education for the ensuing fiscal year. Appropriations therefor shall be made in lump-sum form for each major item in the budget as follows:
 - a. State Aid to schools,
 - b. the supervision of all other functions of general and special education including general control, free textbooks, school lunch, Indian education and all other functions of the Board and an amount sufficient to adequately staff and administer these services, and
 - c. the Board shall determine the details by which the budget and the appropriations are administered. Annually, the Board shall make preparations to consolidate all of the functions of the Department in such a way that the budget can be based on two items, administration and aid to schools. A maximum amount for administration shall be designated as a part of the total appropriation;
4. On the first day of December preceding each regular session of the Legislature, prepare and deliver to the Governor and the Legislature a report for the year ending June 30 immediately preceding the regular session of the Legislature. The report shall contain:
 - a. detailed statistics and other information concerning enrollment, attendance, expenditures including State Aid, and other pertinent data for all public schools in this state,
 - b. reports from each and every division within the State Department of Education as submitted by the State Superintendent of Public Instruction and any other division, department, institution or other agency under the supervision of the Board,
 - c. recommendations for the improvement of the public school system of the state,
 - d. a statement of the receipts and expenditures of the State Board of Education for the past year, and

e. a statement of plans and recommendations for the management and improvement of public schools and such other information relating to the educational interests of the state as may be deemed necessary and desirable;

5. Provide for the formulation and adoption of curricula, courses of study and other instructional aids necessary for the adequate instruction of pupils in the public schools;

6. Have authority in matters pertaining to the licensure and certification of persons for instructional, supervisory and administrative positions and services in the public schools of the state subject to the provisions of Section 6-184 of this title, and shall formulate rules governing the issuance and revocation of certificates for superintendents of schools, principals, supervisors, librarians, clerical employees, school nurses, school bus drivers, visiting teachers, classroom teachers and for other personnel performing instructional, administrative and supervisory services, but not including members of boards of education and other employees who do not work directly with pupils, and may charge and collect reasonable fees for the issuance of such certificates:

a. the State Department of Education shall not issue a certificate to and shall revoke the certificate of any person who has been convicted, whether upon a verdict or plea of guilty or upon a plea of nolo contendere, or received a suspended sentence or any probationary term for a crime or an attempt to commit a crime provided for in Section 843.5 of Title 21 of the Oklahoma Statutes if the offense involved sexual abuse or sexual exploitation as those terms are defined in Section 1-1-105 of Title 10A of the Oklahoma Statutes, Sections 741, 843.1, if the offense included sexual abuse or sexual exploitation, 865 et seq., 885, 888, 891, 1021, 1021.2, 1021.3, 1040.13a, 1087, 1088, 1111.1, 1114 or 1123 of Title 21 of the Oklahoma Statutes or who enters this state and who has been convicted, received a suspended sentence or received a deferred judgment for a crime or attempted crime which, if committed or attempted in this state, would be a crime or an attempt to commit a crime provided for in any of said laws,

b. all funds collected by the State Department of Education for the issuance of certificates to instructional, supervisory and administrative personnel in the public schools of the state shall be deposited in the "Teachers' Certificate Fund" in the State Treasury and may be expended by the State Board of Education to finance the activities of the State Department of Education necessary to administer the program, for consultative services, publication costs, actual and necessary travel expenses as provided in the State Travel Reimbursement Act incurred by persons performing research work, and other expenses found necessary by the State Board of Education for the improvement of the preparation and certification of teachers in Oklahoma. Provided, any unobligated balance in the Teachers' Certificate Fund in excess of Ten Thousand Dollars (\$10,000.00) on June 30 of any fiscal year shall be transferred to the General Revenue Fund of the State of Oklahoma. Until July 1, 1997, the State Board of Education shall have authority for approval of teacher education programs. The State Board of Education shall also have authority for the administration of teacher residency and professional development, subject to the provisions of the Oklahoma Teacher Preparation Act;

7. Promulgate rules governing the classification, inspection, supervision and accrediting of all public nursery, kindergarten, elementary and secondary schools and on-site educational services provided by public school districts or state-accredited private schools in partial hospitalization programs, day treatment programs, and day hospital programs as defined in this act for persons between the ages of three (3) and twenty-one (21) years of age in the state. However, no school shall be denied accreditation solely on the basis of average daily attendance.

Any school district which maintains an elementary school and faces the necessity of relocating its school facilities because of construction of a lake, either by state or federal authority, which will inundate the school facilities, shall be entitled to receive probationary accreditation from the State Board of Education for a period of five (5) years after the effective date of this act and any school district, otherwise qualified, shall be entitled to receive probationary accreditation from the State Board of Education for a period of two (2) consecutive years to attain the minimum average daily attendance. The Head Start and public nurseries or kindergartens operated from Community Action Program funds shall not be subjected to the

accrediting rules of the State Board of Education. Neither will the State Board of Education make rules affecting the operation of the public nurseries and kindergartens operated from federal funds secured through Community Action Programs even though they may be operating in the public schools of the state. However, any of the Head Start or public nurseries or kindergartens operated under federal regulations may make application for accrediting from the State Board of Education but will be accredited only if application for the approval of the programs is made. The status of no school district shall be changed which will reduce it to a lower classification until due notice has been given to the proper authorities thereof and an opportunity given to correct the conditions which otherwise would be the cause of such reduction.

Private and parochial schools may be accredited and classified in like manner as public schools or, if an accrediting association is approved by the State Board of Education, by procedures established by the State Board of Education to accept accreditation by such accrediting association, if application is made to the State Board of Education for such accrediting;

8. Be the legal agent of the State of Oklahoma to accept, in its discretion, the provisions of any Act of Congress appropriating or apportioning funds which are now, or may hereafter be, provided for use in connection with any phase of the system of public education in Oklahoma. It shall prescribe such rules as it finds necessary to provide for the proper distribution of such funds in accordance with the state and federal laws;

9. Be and is specifically hereby designated as the agency of this state to cooperate and deal with any officer, board or authority of the United States Government under any law of the United States which may require or recommend cooperation with any state board having charge of the administration of public schools unless otherwise provided by law;

10. Be and is hereby designated as the "State Educational Agency" referred to in Public Law 396 of the 79th Congress of the United States, which law states that said act may be cited as the "National School Lunch Act", and said State Board of Education is hereby authorized and directed to accept the terms and provisions of said act and to enter into such agreements, not in conflict with the Constitution of Oklahoma or the Constitution and Statutes of the United States, as may be necessary or appropriate to secure for the State of Oklahoma the benefits of the school lunch program established and referred to in said act;

11. Have authority to secure and administer the benefits of the National School Lunch Act, Public Law 396 of the 79th Congress of the United States, in the State of Oklahoma and is hereby authorized to employ or appoint and fix the compensation of such additional officers or employees and to incur such expenses as may be necessary for the accomplishment of the above purpose, administer the distribution of any state funds appropriated by the Legislature required as federal matching to reimburse on children's meals;

12. Accept and provide for the administration of any land, money, buildings, gifts, donation or other things of value which may be offered or bequeathed to the schools under the supervision or control of said Board;

13. Have authority to require persons having administrative control of all school districts in Oklahoma to make such regular and special reports regarding the activities of the schools in said districts as the Board may deem needful for the proper exercise of its duties and functions. Such authority shall include the right of the State Board of Education to withhold all state funds under its control, to withhold official recognition, including accrediting, until such required reports have been filed and accepted in the office of said Board and to revoke the certificates of persons failing or refusing to make such reports;

14. Have general supervision of the school lunch program. The State Board of Education may sponsor workshops for personnel and participants in the school lunch program and may develop, print and distribute free of charge or sell any materials, books and bulletins to be used in such school lunch

programs. There is hereby created in the State Treasury a revolving fund for the Board, to be designated the School Lunch Workshop Revolving Fund. The fund shall consist of all fees derived from or on behalf of any participant in any such workshop sponsored by the State Board of Education, or from the sale of any materials, books and bulletins, and such funds shall be disbursed for expenses of such workshops and for developing, printing and distributing of such materials, books and bulletins relating to the school lunch program. The fund shall be administered in accordance with Section 155 of Title 62 of the Oklahoma Statutes;

15. Prescribe all forms for school district and county officers to report to the State Board of Education where required. The State Board of Education shall also prescribe a list of appropriation accounts by which the funds of school districts shall be budgeted, accounted for and expended; and it shall be the duty of the State Auditor and Inspector in prescribing all budgeting, accounting and reporting forms for school funds to conform to such lists;

16. Provide for the establishment of a uniform system of pupil and personnel accounting, records and reports;

17. Have authority to provide for the health and safety of school children and school personnel while under the jurisdiction of school authorities;

18. Provide for the supervision of the transportation of pupils;

19. Have authority, upon request of the local school board, to act in behalf of the public schools of the state in the purchase of transportation equipment;

20. Have authority and is hereby required to perform all duties necessary to the administration of the public school system in Oklahoma as specified in the Oklahoma School Code; and, in addition thereto, those duties not specifically mentioned herein if not delegated by law to any other agency or official;

21. Administer the State Public Common School Building Equalization Fund established by Section 32 of Article X of the Oklahoma Constitution. Any monies as may be appropriated or designated by the Legislature, other than ad valorem taxes, any other funds identified by the State Department of Education, which may include, but not be limited to, grants-in-aid from the federal government for building purposes, the proceeds of all property that shall fall to the state by escheat, penalties for unlawful holding of real estate by corporations, and capital gains on assets of the permanent school funds, shall be deposited in the State Public Common School Building Equalization Fund. The fund shall be used to aid school districts and charter schools in acquiring buildings, subject to the limitations fixed by Section 32 of Article X of the Oklahoma Constitution. It is hereby declared that the term "acquiring buildings" as used in Section 32 of Article X of the Oklahoma Constitution shall mean acquiring or improving school sites, constructing, repairing, remodeling or equipping buildings, or acquiring school furniture, fixtures, or equipment. For charter schools, the fund shall only be used to acquire buildings in which students enrolled in the charter school will be attending. It is hereby declared that the term "school districts" as used in Section 32 of Article X of the Oklahoma Constitution shall mean school districts and charter schools created pursuant to the provisions of the Oklahoma Charter Schools Act. If sufficient monies are available in the fund, the Board shall solicit proposals for grants from school districts and charter schools and shall determine the process for consideration of proposals. Grants shall be awarded only to school districts which have a total assessed property valuation per average daily membership that is less than the state average total assessed property valuation per average daily membership and, at the time of application, the district has voted the five-mill building fund levy authorized in Section 10 of Article X of the Oklahoma Constitution, and has voted indebtedness through the issuance of new bonds for at least fifty percent (50%) within the last three (3) years of the maximum allowable pursuant to the provisions of Section 26 of Article X of the Oklahoma Constitution as shown on the school district budget filed with the State Board of Equalization for the current school year and certifications by the Attorney General prior to April 1 of the school year. Grants shall be awarded only to charter schools which have secured matching

funds for the specific purpose of acquiring buildings in an amount of not less than ten percent (10%) of the total grant amount. The amount of each grant awarded by the Board each year shall not exceed Four Million Dollars (\$4,000,000.00). From the total amount available to provide grants to public schools and charter schools, charter schools shall be allocated the greater of ten percent (10%) of the total amount or the percent of students enrolled in charter schools that are not sponsored by the Statewide Virtual Charter School Board as compared to the student enrollment in school districts which have a total assessed property valuation per average daily membership that is equal to or less than twenty-five percent (25%) of the state total assessed property valuation per average daily membership. The Board shall give priority consideration to school districts which have a total assessed property valuation per average daily membership that is equal to or less than twenty-five percent (25%) of the state average total assessed property valuation per average daily membership. The Board is authorized to prorate grants awarded if monies are not sufficient in the fund to award grants to qualified districts and charter schools. The State Board of Education shall make available to eligible charter schools any unused grant funds that remain after the initial allocation to all eligible public school districts and charter schools of this state. The State Board of Education shall prescribe rules for making grants of aid from, and for otherwise administering, the fund pursuant to the provisions of this paragraph, and may employ and fix the duties and compensation of technicians, aides, clerks, stenographers, attorneys and other personnel deemed necessary to carry out the provisions of this paragraph. The cost of administering the fund shall be paid from monies appropriated to the State Board of Education for the operation of the State Department of Education;

22. Recognize that the Director of the Oklahoma Department of Corrections shall be the administrative authority for the schools which are maintained in the state reformatories and shall appoint the principals and teachers in such schools. Provided, that rules of the State Board of Education for the classification, inspection and accreditation of public schools shall be applicable to such schools; and such schools shall comply with standards set by the State Board of Education; and

23. Have authority to administer a revolving fund which is hereby created in the State Treasury, to be designated the Statistical Services Revolving Fund. The fund shall consist of all monies received from the various school districts of the state, the United States Government, and other sources for the purpose of furnishing or financing statistical services and for any other purpose as designated by the Legislature. The State Board of Education is hereby authorized to enter into agreements with school districts, municipalities, the United States Government, foundations and other agencies or individuals for services, programs or research projects. The Statistical Services Revolving Fund shall be administered in accordance with Section 155 of Title 62 of the Oklahoma Statutes.

Historical Data

210:25-5-5. Auditing

(a) The statutes of the State of Oklahoma require the board of education of each school district to cause an annual audit of the district's financial activity. The audit must be made in accordance with State Statutes, State Board of Education Regulations and Federal Office of Management and Budget (OMB) Circular A-133. The State Board of Education shall examine each audit report and demand corrections of any existing deficiencies. It is mandatory that State Aid payments be withheld during noncompliance with the "School Audit Law-" at 70 O.S. § 22-101 et seq.

(b) Auditing is process of examining documents, reports, systems of internal control, accounting and financial procedures, and other evidence to ascertain:

- (1) That the statements prepared from the accounts present fairly the financial position and results of financial operations of each of the school's funds;
- (2) That the school administration has properly complied with statutory requirements and the rules and regulations of the State Board of Education in the conduct of its financial transactions;
- (3) That the school's financial transactions have been conducted with mathematical accuracy and have been properly recorded;
- (4) That the school has complied with the terms of grants and special agreements;
- (5) That adequate stewardship has been exercised by the school board, its officers and employees in the conduct of their duties in the administration of school assets.

(c) The audit must encompass all of the school district's funds. The requirements in (b) of this Section form the basis for the reporting of the school's general, special revenue, capital projects and debt service funds. School activity funds, including school lunch funds, and other trust or fiduciary funds must also be included in the audit report.

(d) The accounting principles by which all audits will be performed are as follows:

- (1) The school district's accounting system must conform with the laws of the State of Oklahoma and the rules and regulations of the State Board of Education.
- (2) The school district's accounting system shall make it possible to demonstrate compliance with legal provisions.
- (3) The school district's accounting system shall clearly reflect the financial operations of the school district.
- (4) If accounting principles, procedures, or standards conflict with legal or regulatory provisions, the legal or regulatory provisions shall take precedence.
- (5) The accounting system shall be kept in the manner prescribed by the State Board of Education or in the manner of an accounting system approved by the State Board of Education.
- (6) The school district shall establish the funds prescribed or authorized by law and necessitated by sound financial judgment. The classification of funds shall be faithfully followed in the Estimate of Needs, Accounting System and Financial Reports.
- (7) A complete self-balancing group of accounts shall be established for each fund. Each such group will include all the accounts necessary to set forth the financial operations of the fund and to reflect compliance with legal and regulatory provisions.
- (8) If a fixed asset fund is maintained, the accounts shall be kept on the basis of original cost, or the estimated cost if the original cost is not available, or in the case of gifts, the appraised value at the time received.

(9) The accounting system shall provide for budgetary control for both revenues and expenditures, and the financial statements will reflect, among other things, budgetary information.

(10) The accounts, except activity funds, shall be maintained on a modified cash basis in accordance with the laws of the State of Oklahoma or a school district may elect to file an application with the State Board of Education to convert to Generally Accepted Accounting Principles (GAAP) accounting. The State Board of Education will approve or reject the application based on the district's ability to implement the practice.

(11) Revenue and expenditures shall be classified in accordance with State Board of Education regulations in order to provide uniform accounting and consistent statistics.

(12) A cost accounting system is required. Cost accounting is in addition to a required financial accounting system, however, and must not be allowed to interfere with its uniform application. Although depreciation is not included in a required accounting system, it should be considered in determining unit cost when a cost accounting system is used.

(13) A common terminology and classification based upon that prescribed by State Board of Education rules and regulations, shall be used consistently throughout the estimate of needs, accounts, and financial reports.

(e) Primary audit procedures will consist of the following:

(1) Each Local Education Agency (LEA) will engage an independent auditor, approved by the ~~Oklahoma State Board of Education~~ Oklahoma State Auditor and Inspector, to examine its financial statements. Each LEA superintendent shall notify the State Board of Education, prior to the end of the fiscal year to be audited, of the independent auditor who has been engaged to conduct the audit.

(2) Where there are differences in state and federal standards due to the statutory and regulatory requirements in both levels of government, the LEA and the auditor will examine and adhere to both in order to be in total compliance.

(3) The Oklahoma State Department of Education will establish and maintain a monitoring system to assure that federal and state audit requirements are met. The Oklahoma State Department of Education will review each audit report and notify the appropriate federal program administrator of any deficiencies reported by the independent auditor regarding federal programs. The administrator will implement the procedures deemed necessary to resolve the exceptions noted by the auditor. The final result of the action taken will be filed with the audit report no later than 90 days after the program administrator has been advised of the auditor's findings.

(4) The State Board of Education may make inquiries and request additional documentation and response related to exceptions, recommendations or comments noted by an auditor.

(f) Audit report requirements are as follows:

(1) Audit reports may be presented in the following formats:

(A) Schools which have obtained prior approval from the State Board of Education to use generally accepted accounting principles (GAAP), must use a straight GAAP Governmental Accounting Standards Board (GASB) No. 34 compliant presentation.

(B) Schools using the regulatory basis of accounting as defined by Oklahoma Statutes may use GASB 34 compliant audit report presentations.

(C) Schools using the regulatory basis of accounting as defined by Oklahoma Statutes may use another comprehensive basis of accounting as prescribed by the Oklahoma State Department of Education. An example of a school district single audit report presented in

conformity with another comprehensive basis of accounting as prescribed by the Oklahoma State Department of Education is available in the Financial Accounting Section, State Department of Education. Schools need only present the funds and note disclosures that apply to the specific district. The example is not intended to take precedence over professional reporting standards and requirements.

- (2) Informational statements will specify
 - (A) Board members and officers
 - (B) Statutory bonds
 - (C) Other fidelity or honesty bonds
 - (D) Insurance coverage
 - (E) Other desirable statements
 - (3) Size of audit report will conform to the specified dimensions:
 - (A) Length = Maximum, 11"
 - (B) Width = Maximum, 8 1/2"
 - (4) Each audit report shall be presented to and reviewed with the local board of education in a public meeting as required by law. Each audit report must contain a signed Acknowledgement Page on a form supplied by the State Department of Education. The Acknowledgement Page will verify the date the audit was reviewed with the local school board as well as the school board's acknowledgement that as the governing body of the district responsible for the district's financial and compliance operations the audit findings and exceptions have been presented to them.
- (g) Requirements specific to Federal programs must be included in each audit.
- (1) Federal regulations (OMB Circular A-133, and Compliance Supplement) require a financial and compliance audit of programs receiving federal funds. These regulations (in accordance with P.L. 98-502) ensure that audits be made on an organization-wide basis rather than a grant-by-grant basis and according to the standards and procedures expressed therein. The Oklahoma State Department of Education shall serve as the recipient agency for A-133 purposes for the local education agencies. Overclaim assessments may be levied where necessary when there has been a lack of compliance and treated as a current expenditure.
 - (2) This rule and the adoption of the standards and regulations for audits of local boards of education does not limit the authority of federal or state agencies to make audits of programs in the local education agencies, and is in keeping with OMB Circular A-133. Some state and local governmental units in Oklahoma prepare their financial statements in conformity with a comprehensive basis of accounting other than generally accepted accounting principles. A-133 does not prohibit such practice; nonetheless, it requires, as do generally accepted auditing standards, that auditors state in their report the departures from generally accepted accounting principles. However, any additional audit work must build on the work already done.
 - (3) The auditor should clearly understand that A-133 audits require the expression of opinions and inclusion of comments in audit reports which go beyond the standard opinions and comments usually presented. Specifically, the audit report shall include:
 - (A) Financial statements, including footnotes, of the recipient organization.
 - (B) The auditors' comments on the financial statements which should:
 - (i) Identify the statements examined, and the period covered.

- (ii) Identify the various programs under which the organization received Federal funds, and the amount of the awards received.
 - (iii) Identify by a schedule showing receipts and disbursements for each grant program.
 - (iv) State that the audit was done in accordance with the "General Accounting Office Standards for Audit of Governmental Organizations, Programs, Activities, and Functions," the "Guidelines for Financial and Compliance Audits of Federally Assisted Programs," any compliance supplements approved by OMB, and generally accepted auditing standards established by the American Institute of Certified Public Accountants.
 - (v) Express an opinion as to whether the financial statements are fairly presented in accordance with generally accepted accounting principles. If an unqualified opinion cannot be expressed, state the nature of the qualification.
- (C) The auditors' comments on compliance and internal control should:
- (i) Include comments on weaknesses in and noncompliance with the systems of internal control, separately identifying material weaknesses.
 - (ii) Identify the nature and impact of any noted instances of noncompliance with the terms of agreements and those provisions of Federal law or regulations that could have a material effect on the financial statements and reports.
 - (iii) Contain an expression of positive assurance with respect to compliance with requirements for tested items, and negative assurance for untested items.
- (D) Comments on the accuracy and completeness of financial reports and claims submitted to state or federal agencies for federal fund advances or reimbursements.
- (E) Comments on corrective action taken or planned by the recipient.
- (F) Comments as to whether the indirect cost rates are appropriately calculated and applied.
- (4) These requirements are common to nearly all state and local funds and federal programs:
- (A) Funds disbursed by other governments were received and properly identified.
 - (B) Interest earned on idle funds was credited to the proper funds.
 - (C) Unexpended funds or unearned federal funds advanced or overpaid were correctly accounted for.
 - (D) A system of encumbrance accounting was maintained which reported the amount obligated, disbursed, remaining unobligated balance, and outstanding unliquidated obligations for each fund and program.
 - (E) Obligations reported were actually incurred during the fiscal year or approved program period, and, upon liquidation, were properly adjusted.
 - (F) Payments reported: Were actually made to the vendors, contractors and employees; were supported by adequate evidence of delivery of goods or performance of services; and conformed to applicable laws and regulations, including procurement requirements.
 - (G) Refunds, discount, etc., were properly applied as reductions of the gross expenditures of the specific funds or programs.
 - (H) Costs, direct and indirect, were correctly prorated to the proper funds or programs.
 - (I) The same expenditure was not claimed under more than one program or reported as an expenditure for two fiscal or program years.
 - (J) Inventory requirements for materials and equipment purchased with federal funds were maintained.

**State Board of Education
Public Comment Summary
Proposed Permanent Rule Changes
Chapter 25. Finance
Subchapter 5. Budgeting and Business Management
210:25-5-5. Auditing [AMENDED]**

Summary of Public Comment	Agency Response
No written or oral comments regarding the proposed rule were submitted during the public comment period.	<ul style="list-style-type: none">• N/A

RULE IMPACT STATEMENT
TITLE 210. STATE DEPARTMENT OF EDUCATION
CHAPTER 25. FINANCE

SUBCHAPTER 5. BUDGETING AND BUSINESS MANAGEMENT

- a. **What is the purpose of the proposed rule change?**
The purpose of the proposed amendment to 210:25-5-5 is to correct a reference in the existing rule, and clarify that the Oklahoma State Auditor and Inspector is the agency authorized to approve independent auditors qualified to examine the finances of local school districts. The proposed version also adds a statutory citation to the School Audit Law.
- b. **What classes of persons will be affected by the proposed rule change and what classes of persons will bear the costs of the proposed rule change?**
The proposed changes will affect public school districts and public schools, as well as independent auditors. The agency does not anticipate any additional costs to result from the rule amendment.
- c. **What classes of persons will benefit from the proposed rule change?**
The proposed changes will benefit public school districts and public schools, as well as qualified independent auditors.
- d. **What is the probable economic impact of the proposed rule upon affected classes of persons or political subdivisions?**
The agency does not anticipate any economic impact upon affected classes of persons or political subdivisions as a result of implementation of the proposed rule change at this time.
- e. **What is the probable cost to the agency to implement and enforce the proposed rule change?**
The agency does not anticipate any cost to the agency to implement and enforce as a result of the proposed change in the rule at this time. Additional record keeping, if any, will be performed by existing staff.
- f. **What is the economic impact on any political subdivision to implement the proposed rule change?**
The agency does not anticipate any economic impact on any political subdivision to implement the proposed rule change at this time.
- g. **Will implementing the rule change have an adverse effect on small business as provided by the Oklahoma Small Business Regulatory Flexibility Act?**
The agency does not anticipate any adverse economic impact on small business as a result of the proposed rule change at this time.
- h. **Are there any other methods which are less costly, nonregulatory, or less intrusive to achieve the purpose of the proposed rule change?**
No.
- i. **Will the rule change impact the public health, safety, and environment, and is the change designed to reduce significant risks to the public health, safety, and environment? If so, explain nature of risk and to what extent the proposed rule change will reduce the risk.**

The agency does not anticipate any impact on public health, safety, or environment as a result of implementation of the proposed rule at this time.

j. **What detrimental effect will there be on the public health, safety, and environment if the rule change is not implemented?**

The agency does not anticipate any detrimental effect on public health, safety, or environment as a result of failure to implement the proposed rule at this time.

k. **Date Prepared:** October 30, 2014

STATUTORY AUTHORITY

ENROLLED SENATE
BILL NO. 2034

By: Coffee of the Senate

and

Sullivan, Kern and Fields
of the House

An Act relating to school district audits; amending 70 O.S. 2001, Section 18-118, which relates to audit of state monies received by public school districts; transferring certain duties from the State Board of Education to the State Auditor and Inspector; amending 70 O.S. 2001, Sections 22-104, as amended by Section 15, Chapter 472, O.S.L. 2005, 22-108, 22-109 and 22-110, as amended by Section 16, Chapter 472, O.S.L. 2005 (70 O.S. Supp. 2009, Sections 22-104 and 22-110), which relate to the Oklahoma Public School Audit Law; clarifying scope and standards of audits; modifying eligibility and application requirements for firms to enter into certain audit contracts; modifying certain insurance requirements; modifying time period for completing certain audits; modifying certain audit procedures and requirements; transferring certain duties from the State Board of Education to the State Auditor and Inspector; requiring school districts to pay cost of certain audit; amending 74 O.S. 2001, Section 213, as amended by Section 4, Chapter 250, O.S.L. 2009 (74 O.S. Supp. 2009, Section 213), which relates to special audits; removing certain limitation; providing an effective date; and declaring an emergency.

BE IT ENACTED BY THE PEOPLE OF THE STATE OF OKLAHOMA:

SECTION 1. AMENDATORY 70 O.S. 2001, Section 18-118, is amended to read as follows:

Section 18-118. A. The State Board of Education Auditor and Inspector shall appoint approve auditors who shall audit the funds of the public school districts and the use made of the monies thereof, and shall make such other audits as may be required by the State Board of Education Auditor and Inspector.

B. School districts and officers and employees thereof who divert any monies received by a district from the purpose for which the monies were apportioned to the district shall be jointly and severally liable for any such diversion.

C. If audits disclose that state monies have been illegally apportioned to, or illegally disbursed or expended by, a school district or any of its officers or employees, the State Board of Education shall make demand that ~~said~~ the monies be returned to the State Treasurer by such school district. If ~~said~~ the monies are not returned, the State Board of Education shall withhold the unreturned amount from subsequent allocations of state funds otherwise due the district. The State Board of Education shall cause suit to be instituted to recover for the state any monies illegally disbursed or expended, if not otherwise recovered as provided herein.

SECTION 2. AMENDATORY 70 O.S. 2001, Section 22-104, as amended by Section 15, Chapter 472, O.S.L. 2005 (70 O.S. Supp. 2009, Section 22-104), is amended to read as follows:

Section 22-104. A. 1. The audit of the financial statements and compliance requirements of each public school district shall be made in accordance with auditing standards generally accepted auditing standards in the United States as defined by the American Institute of Certified Public Accountants or its successor organization and shall comply with the most recent Government Auditing Standards issued by the United States Government Accountability Office, except in those instances in which such standards are in violation of the laws of the State of Oklahoma or the rules and regulations of the State Board of Education.

2. The auditor's opinions shall state whether the financial statements of the school district were prepared in accordance with:

210:35-3-86. Qualifications; personnel records

- (a) All professional personnel, with the exception of some instructors in Career Technology programs, shall hold a baccalaureate degree from an accredited institution, provide evidence of adequate professional education preparation, meet the certification standards of Oklahoma, and be assigned to teach in areas for which they are certified.
- (b) The superintendent who is the administrative head of the school system shall hold a valid Oklahoma superintendent's certificate. The Technology Center superintendent who is the administrative head of the school system shall also hold the technology center superintendent endorsement issued by the State Board of Education. In addition, the technology center superintendent shall have a Standard Area School Administrator Credential which is issued by the Oklahoma Department of Career and Technology Education.
- (c) A deputy or assistant superintendent shall hold the same certification/credentials as the superintendent.
- (d) Administrative assistants shall have education training or experience appropriate to their responsibilities.
- (e) ~~Beginning with the 1991-1992 school year, a~~ Any administrative assistant whose responsibilities include the supervision of certificated personnel and/or educational program shall hold a valid administrative certificate appropriate to the grade level(s) that he/she supervises.
- (f) Other professional staff shall hold the appropriate certification for their job assignment.
- (g) Official up-to-date transcripts showing the work of all ~~secondary, elementary, and elementary district~~ school teachers and nurses in all districts shall be kept on file during the year in the office of the superintendent with copies at school sites. All districts shall also keep up-to-date transcripts on file during the year, in the office of the site principal and the superintendent. Districts may accept official transcripts from educational institutions in either hard copy or electronic form. Acceptance of an official transcript in electronic form may require direct submission by the issuing educational institution to the State Department of Education and the school district or charter school.

**State Board of Education
Public Comment Summary
Proposed Permanent Rule Changes
Chapter 35. Standards for Accreditation of Elementary, Middle Level, Secondary, and
Career and Technology Schools
Subchapter 3. Standards for Elementary, Middle Level, Secondary, and Career and
Technology Schools**

210:35-3-86. Qualifications: personnel records [AMENDED]

Summary of Public Comment	Agency Response
No written or oral comments regarding the proposed rule were submitted during the public comment period.	<ul style="list-style-type: none">• N/A

RULE IMPACT STATEMENT
TITLE 210. STATE DEPARTMENT OF EDUCATION
CHAPTER 35. STANDARDS FOR ACCREDITATION OF ELEMENTARY, MIDDLE
LEVEL, SECONDARY, AND CAREER AND TECHNOLOGY SCHOOLS

SUBCHAPTER 3. STANDARDS FOR ELEMENTARY, MIDDLE LEVEL,
SECONDARY, AND CAREER AND TECHNOLOGY SCHOOLS

- a. **What is the purpose of the proposed rule change?**
The purpose of the proposed amendments to 210:35-3-86 is to expand the acceptable formats for official transcripts of public school teachers and nurses to include digital copies sent electronically by the institution that issues the transcript. This update reflects changes in technology and institutional policies that have resulted in electronic copies that meet certain requirements being acknowledged as official transcript copies.
- b. **What classes of persons will be affected by the proposed rule change and what classes of persons will bear the costs of the proposed rule change?**
The proposed changes will affect public school teachers and school nurses, as well as public school districts and public schools. The agency does not anticipate any additional costs to result from the rule amendment.
- c. **What classes of persons will benefit from the proposed rule change?**
The proposed changes will benefit public school teachers and school nurses, as well as public school districts and public schools.
- d. **What is the probable economic impact of the proposed rule upon affected classes of persons or political subdivisions?**
The agency does not anticipate any economic impact upon affected classes of persons or political subdivisions as a result of implementation of the proposed rule change at this time.
- e. **What is the probable cost to the agency to implement and enforce the proposed rule change?**
The agency does not anticipate any cost to the agency to implement and enforce as a result of the proposed change in the rule at this time. Additional record keeping, if any, will be performed by existing staff.
- f. **What is the economic impact on any political subdivision to implement the proposed rule change?**
The agency does not anticipate any economic impact on any political subdivision to implement the proposed rule change at this time.
- g. **Will implementing the rule change have an adverse effect on small business as provided by the Oklahoma Small Business Regulatory Flexibility Act?**
The agency does not anticipate any adverse economic impact on small business as a result of the proposed rule change at this time.
- h. **Are there any other methods which are less costly, nonregulatory, or less intrusive to achieve the purpose of the proposed rule change?**
No.

- i. **Will the rule change impact the public health, safety, and environment, and is the change designed to reduce significant risks to the public health, safety, and environment? If so, explain nature of risk and to what extent the proposed rule change will reduce the risk.**

The agency does not anticipate any impact on public health, safety, or environment as a result of implementation of the proposed rule at this time.

- j. **What detrimental effect will there be on the public health, safety, and environment if the rule change is not implemented?**

The agency does not anticipate any detrimental effect on public health, safety, or environment as a result of failure to implement the proposed rule at this time.

- k. **Date Prepared:** November 10, 2014

STATUTORY AUTHORITY

*See 70 O.S. § 3-104, which appears under
action item 10(a)(1), "210:25-5-4. Accounting".*