

# Imagine

What we can do together

Heinfeld, Meech & Co., P.C. is an Arizona based CPA firm and we are recognized leaders in the State of Arizona in the field of school accounting and auditing. Our firm provides services to over 70% of Arizona's Average Daily Membership – more than any other accounting firm.

Nationally recognized in the "Best Small Companies to Work for in America" list, our core purpose is to be the best at everything we do. Since we opened our firm in 1986, providing quality service to governmental clients has been our primary objective.

Our dedicated top-quality talent and substantial resources ensure that we stay abreast of emerging issues to serve our clients better. We remain dedicated to our Firm philosophy of "clients first."

*Imagine What We Can Do Together* is a quick-read digest of information that brings valuable news to you and your organization. If at any time you would like additional information, please contact us to discuss your questions.

For more about Heinfeld, Meech & Co., P.C., please visit our web site at [www.heinfeldmeech.com](http://www.heinfeldmeech.com).



HEINFELD, MEECH & CO., P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

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## USFR Compliance Questionnaire Updates

The Uniform System of Financial Records (USFR) Compliance Questionnaire was recently updated with the issuance of USFR Memorandum No. 240 (dated July 20, 2009). This new questionnaire must be used beginning with all fiscal year 2009 audits. Districts should be aware that changes that affecting areas that were tested during preliminary fieldwork may now require additional requests from your auditors.

The questionnaire changes include the following:

**Classroom Site Fund:** A new question has been added asking if the District recorded CSF revenues and expenditures in the separate CSFs (011–013) throughout the fiscal year, as monies were received and expended, rather than at year end.

**Financial Reporting:** The question regarding filing of the publisher's affidavit of publication was modified to include the option of emailing a screen shot of the web link to the Superintendent of Public Instruction by Nov. 15<sup>th</sup>.

**Information Technology:** A question was refined to ask if system permission controls were used to restrict access to programs and data files through the use of passwords and were those passwords required to be updated periodically.

### Student Attendance Reporting:

- A requirement was added for auditors to select at least three schools and that all student attendance records selected from testwork should be made from the 100<sup>th</sup> day reporting period.
- The number of required hours for half-day kindergarten sessions was increased to 356.
- A question was added specifically about the number of hours for full-day kindergarten (at least 692 hours).
- For Technology Assisted Project Based Instruction (TAPBI), questions were modified to specifically indicate that *District computer-generated* daily logs are used to verify the amount of students' academic time as well as hours reported to ADE.

*(Continued on page 2)*

### August 2009

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## Supplanting Issues with Federal Stimulus Legislation and the ARRA

By Tracy McLaughlin, Consulting Manager

On April 2, 2009, the U.S. Department of Education released the [Guidance on the State Fiscal Stabilization Fund Program](#). This guidance included information relating to supplement, not supplant requirements applicable to Title I, Part A the American Recovery and Reinvestment Act of 2009 (ARRA) funds. The big question is whether a Local Education Agency (LEA) may use Title I, Part A ARRA funds to pay for a program or activity that was previously paid for with non-Federal funds, without violating the supplement, not supplant requirements.

Generally speaking, Title I, Part A funds cannot be used to pay for a program or activity that was previously paid for by non-Federal funds. However, an LEA can use Title I, Part A funds for an activity/program that was previously paid for with non-Federal funds if:

- An LEA can demonstrate that there was such a reduction in non-Federal funds that it can no longer sustain a particular activity/program with non-Federal funds, and therefore the activity/program will be eliminated. In this case, the LEA would be required to use fiscal and programmatic records to document the reduction in non-Federal funds, and explain that in the absence of Title I, Part A funds, the activity/program would be eliminated.
- An LEA can demonstrate that its educational priorities with respect to the use of non-Federal funds has changed. In this case, the LEA's documentation would need to explain what priorities have changed to warrant a shift of the non-Federal funds away from a particular activity/program. In addition, the LEA would need to include the reasons for choosing to eliminate non-Federal support for the activity/program.

As with any expenditures paid from Title I, Part A funds, the expenditures related to the activity/program now being paid with Title I, Part A funds must be allowable under Title I, Part A guidelines, and be consistent with all Title I fiscal and programmatic requirements. In addition, the expenditures must meet all the general standards established by the Office of Management and Budget (OMB) Circular A-87 *Cost Principles for State, Local, and Indian Tribal Governments*.

Therefore, it is possible to pay for an activity/program with Title I, Part A funds, which was previously paid for by non-Federal funds, without violating supplement, not supplant rules, however documentation must be maintained to support the LEA's decision. In addition, the LEA's documentation must be contemporaneous with the LEA's decision-making process.

A copy of the [Guidance on the State Fiscal Stabilization Fund Program](#) can be accessed at <http://www.ed.gov/programs/statestabilization/guidance.pdf>. If you have any questions, contact Tracy McLaughlin at 602-277-9449, ext 307 or [tracym@heinfeldmeech.com](mailto:tracym@heinfeldmeech.com). **ESM**

### USFRCS Changes (Cont'd from p. 1)

- For Technology Assisted Project Based Instruction (TAPBI), questions were modified to specifically indicate that *District computer-generated* daily logs may be used to verify the amount of students' academic time and hours reported to ADE.
- In question 18, a clarification was added regarding identification numbers as a method of documentation/authorization for personnel making/authorizing changes to the ADM record.
- In question 19, a clarification was made regarding definition of the first 20-day period for ADE reporting (defined as the first 20-day period beginning on the first day of school or the opening of SAIS for current fiscal year data submission, whichever is later).
- A question was removed regarding the reporting of attendance in minutes.

**Records Management:** A question was modified to ask about District's retention *and disposal* of records in accordance with requirements. In addition, a question was added regarding policies and procedures to address maintenance and disposition of confidential records.

#### Government Board/Management

**Procedures:** Question was added regarding management's resolution of all allegations of theft, fraud or misuse of District monies/assets in a timely manner.

**Questions?** Contact Jennifer Shields at 602-277-9449, ext 308 or [jennifer@heinfeldmeech.com](mailto:jennifer@heinfeldmeech.com)

## The Single Audit Process

By Sara Kirk, Audit Manager

As your auditors begin arriving on site at your District to perform preliminary fieldwork for your June 30, 2009 audit, the audit team will most likely be performing audit work relating to the USFR compliance questionnaire and the District's annual Single Audit, as applicable. Districts that **expend** more than \$500,000 in federal funds are required to have a Single Audit performed each year. If your District is required to have a Single Audit, have you ever wondered how your auditor determines how many and what federal programs will be tested for the year?

**How many programs will be tested?** The number of programs tested is dependent on whether the District qualifies as a high risk auditee or a low risk auditee. If the District is a high risk auditee, programs comprising a minimum of 50% of the total federal awards expended must be tested. If the District is a low risk auditee, programs comprising a minimum of 25% of the total federal awards expended must be tested. The auditee risk determination is based upon the following for each of the previous two audit years:

- If a Single Audit was conducted in accordance with OMB Circular A-133 as applicable;
- Whether the auditor's opinions on the financial statements and the schedule of expenditures of federal awards (SEFA) were unqualified; and
- Whether findings were noted related to the District's Yellow Book and Single Audit.

**Which programs will be tested?** Once the District's risk level as an entity has been assessed, the District's individual programs are then assessed. The focus is on federal programs with expenditures during the audit year in excess of \$300,000 or 3% of total federal awards (called Type A programs) and on federal programs with expenditures in excess of \$100,000 (called Type B programs). The factors evaluated during the program assessment include, but are not limited to:

- If the program has been audited in at least one of the two most recent audit periods;
- If any significant audit findings were noted (if the program was audited in the prior year);

- Size of the program;
- Maturity of the program at both the Federal Agency level and the District level;
- Level of complexity;
- Recent changes in personnel and/or systems affecting the program; and
- Level of oversight.

Once the applicable programs have been evaluated, the federal programs to be audited during the current year are selected.

**Looking forward....** It is important to note the impact that the American Recovery and Reinvestment Act of 2009 (ARRA) funds may have on your Single Audit for the current year and future years. The expenditures associated with additional federal funds received may push your District over the \$500,000 Single Audit threshold for the first time, requiring you to have a Single Audit. Federal programs at your District that historically have had expenditures below the Type A threshold in past years may now need to be tested. Additionally, new requirements attached to the funds may increase the program's risk when assessed by your auditors utilizing the process detailed above. **H&M**

## H&M Announcements

### H&M Named to 2009 List of Best Companies to Work for in America

For the third consecutive year, our firm has been named #4 on the list of the Best Small Companies to Work for in America, a recognition given by the Society for Human Resource Management and the Great Place to Work Institute, Inc.

### Staff Promotions and CPA Achievements

Heinfeld, Meech & Co., P.C. extends congratulations to our staff for achieving these recent promotions: CW Payne, CPA, and Cherie R. Roberts, CPA, to Partner; Meghan Doherty, CPA, Michael Lauzon, Marydel Speidell, and Brittney Williams to Manager; Randena P. Darpli, CPA, Donna Peterson, Chulssang Ham and Christopher Heinfeld to Senior; and Melanie Askew, Belinda Castillo, Travis Zander, and Jon Beckham to Staff II.

In addition, the following staff recently received their CPA certifications: Meghan Doherty, Audit Manager, Matthew Reams, Staff Consultant II, and Joshua Jumper, Staff Auditor.

## Record Retention Issues for Accounts Payable

By Cherie R. Roberts, CPA, Partner

According to the retention schedules published by the Records Management Division of the Arizona State Library, Archives and Public Records, accounts payable (A/P) invoices should be retained for four years after the fiscal year received. It is quite common to see our clients box together all A/P invoices for the year with one common destruction date. However, districts may want to reconsider this practice.

The retention schedules also state that invoices for capital assets should be retained for three years after the fiscal year in which the asset was disposed. If an asset is disposed fifteen years later and the boxes of A/P invoices were destroyed after four years, what happened to that capital asset invoice? Did someone go through the box to search for any capital asset invoices that should not have been destroyed? Typically, the answer is no.

Another exception is expenditures of bond proceeds. IRS Regulations require bond records (which includes those invoices for expenditures paid from bond proceeds) to be retained for three years after the final redemption date of the bonds.


As more and more districts convert to document imaging systems, the record retention requirements may be easier to follow. For those districts retaining hard copy files, here are a couple of suggestions:

- 1) Make copies of those invoices requiring longer retention periods, and place the copies in the A/P files. Retain the originals in separate capital asset or bond files in accordance with the required retention schedules.
- 2) Alternatively, create a list in the front of the A/P file for "missing" invoices and reference to the capital asset or bond file where the original is located.

In either case, this involves staff time to pull those invoices; however, if handled up front, compliance with retention requirements for capital asset and bond files can be much more manageable.

While bond records can simply be boxed with the appropriate destruction date, the

capital asset invoices are not as straightforward. Each fiscal year, the list of disposed capital assets from three years prior should be reviewed for invoices to be destroyed. If capital asset invoices are filed by asset number, they can be quickly pulled for destruction.

For questions or assistance with record retention procedures, please contact Cherie Roberts at (602) 277-9449, ext 376 or [cherier@heinfeldmeech.com](mailto:cherier@heinfeldmeech.com). 

## AICPA Online Resources

The AICPA's Governmental Audit Quality Center (GAQC) has many free online resources to assist with current and upcoming changes affecting governmental accounting and auditing. You can access these resources at the GAQC's website at <http://gaqc.aicpa.org/>.

### Preparing for Your Single Audit: An Auditee Perspective

This archived GAQC conference call was intended to help entities better understand the requirements of the Single Audit Act and OMB Circular A-133. You can listen to (or download) a copy of this conference call at <http://gaqc.aicpa.org/Resources/Preparing+fo+r+Your+Single+Audit+Conference+Call.htm>

### The Recovery Act and Its Potential Impact on 2009 Single Audits

This archived conference call was presented by the U.S. Federal Representatives and moderated by Mary Foelster of the AICPA. Its purpose was to provide entities and auditors with a federal perspective on the Recovery Act. A copy of this call can be downloaded at <http://gaqc.aicpa.org/Resources/The+Recover+y+Act+and+Its+Potential+Impact+on+2009+Sin+gle+Audits.htm>

## Year-End Checklists: Capital Assets & Compensated Absences

By CW Payne, CPA, Partner


It's that time of year again – time to close out the previous year and begin a new one. During this time, District employees face a lot of other deadlines in addition to normal operations. A couple areas that can get overlooked until the last minute are capital assets and compensated absences. However, these important areas should not be postponed for a few reasons:

- Capital assets are required to be included on your Annual Financial Report (AFR) which is due October 15.
- Compensated absences need to be rolled over for the new year and the employee listing should be cleaned up.
- And, finally, both of these areas are audited each year.


For capital assets, the amounts reported on your AFR should agree to the amounts on the reports/schedules given to your auditors. In addition, one of the USFR questions asks about adequate documentation to support amounts on the AFR and the financial statements. If these amounts do not agree, it could be included in your District's report as an audit finding.

For compensated absences, prior year balances need to be rolled over promptly and accurately to begin the new year. Prior year information should be completely posted into the system and reviewed for accuracy as soon as possible after the end of the year. If not completed timely, incorrect balances may be rolled over into the new year, which may cause difficulties in preparing for your audit and could also result in questions from employees about their accrued balances. In addition, the District could receive an audit finding if the District's policies regarding leave or maintenance of records are not followed.

While Districts often wait to complete these items until after the year-end crunch, there are benefits for completing both areas by (DATE). Try to keep these areas on your to-do list during this busy time of year.

If your District would like assistance in these areas, our consulting division can assist you with procedural reviews and staff trainings. For more information, contact CW Payne at 928-774-4201, ext 304 or [cwp@heinfeldmeech.com](mailto:cwp@heinfeldmeech.com). 


## Just Ask H&M

- Q:** Is it acceptable to pay coaches from the instruction code?
- A:** Yes, as they are 'instructing' the students on athletics, including after-school programs. However, the District should be aware of issues that may arise with paying an athletic director or other similar position from the instruction code, as those positions may be performing administrative duties.
- Q:** Is there official guidance available regarding districts giving awards to individual students for meeting certain goals?
- A:** Districts should refer to Arizona Attorney General Opinion No. I87-123. The conclusion of this opinion is that the use of M&O funds or auxiliary operations funds to students who achieve perfect attendance or achieve honor roll status is not permissible. However use of student activity funds for this purpose is permissible if the awards can be demonstrated to further an educational objective. The full opinion can be downloaded at: <http://www.heinfeldmeech.com/docs/faq%20document%20-%20ag%20opinion%2087-123.pdf> 

## Welcome to Our New Clients!

H&M welcomes our new clients:

Cobre Valley Institute of Technology  
Creighton Elementary School District  
Gila Institute of Technology  
Osborn Elementary School District

We are excited that you have chosen H&M and look forward to helping you achieve new levels of accounting and managerial success! 

## Puzzler

Decipher the hidden meaning: (Answer on p. 7)

**It's a ALL world**


## Creating Work/Life Balance with Alternative Work Environments

By Kimberly A. Robinson, CPA, Partner

Whether you are trying to retain or attract talent, we all know that times are changing and so is the work environment. Not everyone wants or needs to work a “normal”, full-time 8 to 5 job. As the working population continues to shrink, you may need to offer options beyond the one-size-fits-all approach. Changes in demographics, attitudes, and family structures are individual expectations from employers. Even the government sector may need to consider new ways to address the greater demand for alternative schedules or fewer hours.

While employers need their workforce to be efficient and effective, technology has created numerous opportunities for employees to work remotely. While not a viable option for every position, telecommuting (for all or some of the work week) has benefits for both the employer and the employee. Employees save time and money by eliminating a daily commute and can maintain a better work-life balance with more opportunities to meet personal obligations. On the other hand, employers save money by reducing on-site office space requirements, overhead costs, and employee absenteeism. Telecommuting with flexible work hours can also help employees meet conflicting needs without compromising the number of hours worked. Employees that are able to work schedules or telecommute occasionally are happier at work and home, thereby increasing staff retention rates and decreasing costs associated with replacing a trained employee.

Another retention tool to consider for valuable employees is creating positions with less than full-time work schedules. Again, this benefits both the employee who wishes to reduce work time and the employer who will not lose the time and money spent on recruiting and developing that staff member. No one wants to lose a high-performing, knowledgeable employee simply because he/she wants to work 10 less hours a week. In addition, happy workers are more efficient and increase morale. It's better to continue to retain access to the employee's knowledge and skills some of the time than none.

Remember, work/life balance initiatives can only be successful if they are embraced and supported from the top levels of the organization. Even the smallest effort in providing flexibility to your employees can demonstrate your dedication and respect. 

## H&M University Workshops

Information on our workshops, including links to online registration, can be found at [www.heinfeldmeech.com/hmu](http://www.heinfeldmeech.com/hmu). For more help, contact Susan at 520-742-2611, x107 or [hmu@heinfeldmeech.com](mailto:hmu@heinfeldmeech.com).

### Monitoring Internal Controls (webinar)

**Course Content:** This session will discuss the importance of monitoring internal controls. Effective monitoring applied to the internal control process can lead to identifying and correcting internal control problems in a timely manner and make an organization more effective and efficient in the reporting process. We will also discuss the variety of monitoring procedures that an entity can perform and give examples of effective monitoring.

**Date/Time:** Fri., 8/21/09 – 10am to 12pm

**Cost:** Clients - \$100 per site; Non-clients: \$125 per site (*unlimited participants per site*)

### Student Activities/Auxiliary Operations/ Extracurricular Tax Credits

**Course Content:** USFR & A.R.S. regulations for these areas; understanding the differences between these funds; overview of best business practices; and District policies and procedures for these areas.

Tucson area (Vail): Tues., Sept. 15<sup>th</sup>

Mesa: Wed., Sept. 16<sup>th</sup>

**Cost:** Clients - \$75; Non-clients: \$95

### Accounting Skills for Governments and Nonprofits

**Course Content:** This is a new series of three one-day workshops designed specifically to teach basic accounting skills to personnel of governmental entities and nonprofit organizations. Classes are designed as a sequence, but can also be taken individually. For course content details for each day, visit [www.heinfeldmeech.com/hmu](http://www.heinfeldmeech.com/hmu)

**Location:** Mesa, AZ (EVIT)

**Dates:** Day 1: Friday, September 11th

Day 2: Friday, October 9th

Day 3: Friday, November 13th

**Cost:** Clients - \$75; Non-clients - \$95

*Students completing all three workshops in the series will also receive a (non-transferable) coupon for a free H&M workshop to be used by 11/15/2010.*

## Upcoming Deadlines

<u>Due Date</u>	<u>Item</u>
August 20	Amount to be raised from primary and secondary property taxes must be fixed, levied & assessed (A.R.S. §§15-992 and 42-304.B)
Before Aug 31 <sup>st</sup>	PEA/LEA calendar due to the ADE
September 28	Deadline for completion reports to be submitted to ADE for projects ending June 30
October 1	Districts participating in an accommodation school agreement must remit tuition payments to the CSS for accommodation school special education program costs (A.R.S. §15-764.D)
October 15	A copy of the AFR must be furnished to the Supt. of Public Instruction (A.R.S. §15-991.D) School District Employees Report (SDER) due to the ADE
October 18	End of cash management reporting period for all Federal projects
October 31	Contribution and Wage Report (Form UC-018) and State Unemployment Compensation Fund contributions/payments must be submitted to AZ Department of Economic Security (A.A.C. R6-3-1704.B) Quarterly Report of Income Tax Withheld (Form A1-QRT) must be filed with the Arizona Department of Revenue (A.R.S. §43-401.C)
November 15	The AFR (or summary) must be published or mailed to each household (A.R.S. §15-904) ( <i>by November 15, or within 30 days of publishing</i> ) Districts may apply to the State Board of Education for approval or reapproval for a career ladder program. (Annual reapproval required.)
November 18	End of cash management reporting period for all Federal projects.

## Upcoming Presentations by H&M Staff

### **Arizona School Boards Association Annual School Law Conference (Litchfield Park)**

*Common Mistakes that Show Up on School District Audits (and How to Avoid Them)*

Jennifer L. Shields, CPA, CGFM, Partner

Fri., September 11 – 4:00 p.m. to 4:50 p.m.

### **ASBO International Annual Meeting (Chicago, IL)**

*How to Prepare a Comprehensive Annual Financial Report*

Gary Heinfeld, CPA, CGFM, Founding Partner, and Scott W. Kies, CPA, Managing Partner

Fri., October 23 – 1:00 p.m. to 5:00 p.m.

*New Fund Balances*

Gary Heinfeld, CPA, CGFM, Founding Partner

Sat., October 24 – 1:45 – 2:45 pm

*ASBO International's Certification Program*

Scott W. Kies, CPA, Managing Partner

Sat., October 24 – 1:45 – 2:45 pm

*Implementing New GASB Derivative Accounting Rules*

Gary Heinfeld, CPA, CGFM, Founding Partner

Sat., October 24 – 3:45 – 2:45 pm

<p>Answer to Puzzler (Page 5): "It's a small world after all"</p>
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