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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 and non-profit 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.



HEINFELD, MEECH & CO., P.C.
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The New USFR Compliance Questionnaire

By Tonya D. Pelke, CPA,
Consulting Manager

In July 2008, the new Uniform System of Financial Records Compliance Questionnaire (USFRCQ) was issued, which is required to be used beginning with fiscal year 2008 audits. Although there are several minor changes from last year's questionnaire, there are three areas in which changes will affect what your auditors will review. These areas are: due diligence on cooperative purchase agreements (p. 10), expenditures of extracurricular activities fees tax credit monies (p. 12), and certain meal reimbursements for travel (p. 14).



Due Diligence. The due diligence question on the USFRCQ was expanded to specifically require the auditor to list on the USFRCQ the following:

- All cooperatives by name that the District participated in during the audit period
- The number of contracts used through each cooperative
- The number of these contracts that were reviewed by the District; and
- The number of contracts tested by the audit firm.

Previously, the auditors were only required to answer yes or no as to whether or not the District adequately performed due diligence. Districts are required to perform due diligence on at least a sample of purchases made through each cooperative the District participated in during the audit period. Documentation to support the due diligence review should be prepared and retained.

Extracurricular Activities Fees Tax Credit. This particular question is completely new this year. This question reads, "Did the District expend extracurricular activities fees tax credit monies only for activities that qualify as eligible activities under A.R.S. §43-1089.01 **and** 15-342(24)."

(Continued on page 2)

September 2008

ADM Reporting.....	2
Your Audit Report – MD&A and Transmittal Letter.....	3
Online Auctions for Surplus Property Disposal	4
HMU Workshops	4
Pink for the Cure.....	5
Just Ask H&M.....	5
Upcoming Deadlines.....	6

The New USFRCS (Cont'd from page 1)

Extracurricular activity is defined in A.R.S. §15-342(24) as “any optional, noncredit, educational or recreational activity which supplements the education program of the school, whether offered before, during or after regular school hours.” According to A.R.S. §43-1089.01, these monies can be spent on either extracurricular activities or character education programs.

Extracurricular activities are defined in this statute as “school sponsored activities that require enrolled students to pay a fee in order to participate.” It also specifically excludes any senior trips or events that are recreational, amusement or tourist activities.

The details of a “character education program” is described in A.R.S. §15-719. According to this section, the character education program must, at a minimum, include three main components. First, it should include instruction in the definition and application of at least six of the 16 character traits listed, such as respect and citizenship. Second, activities, discussions and visual media and literacy presentations should be used to illustrate and reinforce the application of the character traits. Lastly, presentations should be made by teachers or mentors who demonstrate the selected character traits.

Look to the “Tax Credit Eligible Expenditures Determination Chart” developed by the Auditor General for guidance on allowable expenditures.

Meal Reimbursements for Travel. This question is also new for this year. It relates specifically to meal reimbursements for travel with no overnight stay or no substantial sleep or rest. According to Internal Revenue Service (IRS) regulations, and also explained in USFR Memorandum No. 231, these particular meal reimbursements must be reported as a taxable employee benefit on the employee’s W-2. In order to exclude the reimbursements from income, the IRS requires employees to be traveling away from home substantially longer than an ordinary day’s work AND employees would need to stop for sleep or rest to properly perform their duties (require an overnight stay).

For additional information regarding the changes to the USFR Compliance Questionnaire, please contact your auditor or the consulting division at (602) 277-9449, ext 308. **ISM**

Recent Developments in Student Attendance Reporting

By Tracy McLaughlin, Consulting Manager

Reporting High School Attendance.

Effective July 1, 2008, the SAIS Division at ADE stopped accepting minutes when reporting attendance absences except in select cases, such as preschool students with disabilities and approved alternative calendars. This means that high schools that have traditionally reported attendance in terms of minutes now should have converted to reporting by absences. Attendance reporting for grades 1-8 did not change.

The attendance for a high school student may be counted as one-fourth of a day’s attendance for each 60 minutes of instructional time in a course that counts towards graduation. Attendance cannot exceed the student’s full or fractional membership. This means that a full day of attendance for a high school student is 240 minutes of instructional time a day in courses that count towards graduation. Proration charts are available in the Procedures for Reporting Absences Guidelines Version 5, available on ADE’s website at <http://www.ade.az.gov/schoolfinance/Guidelines/GE-20AbsenceReportingProcedure.pdf>.

Please note that the audit for the fiscal year ended June 30, 2008 will be based on the requirements in effect during the period under review; therefore the auditors will be reviewing minutes as reported during fiscal year 2008 (e.g., a high school reporting attendance in minutes). The audit for the fiscal year ended June 30, 2009 will be based on the new requirement.

Update to Student Management Software.

Partial day attendance is continues to be an area in which districts and charter holders receive audit findings. Most districts and schools utilize sign in/out sheets to track students who arrive late or leave early. Those sheets should be used to ensure accurate absence reporting in the computerized attendance system and that absence information is based on the amount of instructional time missed by the student. Some student management systems have incorporated a forum to enter arrival and departure time directly into the software into recent upgrades and will calculate the appropriate absence based on the bell schedule set-up.

For any assistance regarding this topic or a calculating tool for partial day attendance, please contact your auditor or Tracy McLaughlin at (602) 277-9449, ext. 307. **ISM**

Your Audit Report– The MD&A and Transmittal Letter

By Jennifer L. Shields, CPA, CGFM, Partner

With the arrival of fall, it's that time of year to get ready for the completion of your audit. If you haven't already done so, you should start thinking of preparing the Management's Discussion and Analysis (MD&A) now. In addition, for those of you that prepare a Comprehensive Annual Financial Report (CAFR), you will have the additional task of writing a transmittal letter.

First, let's discuss the MD&A. The MD&A is a required component of any government's financial statements. The auditors do not audit the information, but rather apply reasoning and analytical procedures to the information presented. Many districts depend on the auditors to compile the financial statements in the appropriate format. This may cause the district to rely on the auditor for the final numbers prior to preparing the MD&A explanations. However, this is a great time of year to spend a few minutes gathering your thoughts and making notes about the last year. Why did fund balance decrease? Was it because you spent down bond proceeds or because you just had more expenditures than you received in revenue? Can you isolate fund balance decreases to a specific fund? Did salaries increase because of raises or because of increased student population, or maybe both? If you spend a few minutes thinking about those things now, you will have a much easier time writing your MD&A than if you wait for the draft of the audit report. The auditors will gather information throughout the course of the audit to explain variances in numbers from one year to the next, to the budget, etc. However, it is important to remember that even if the audit team knows the answers, it is still the district's responsibility to write the MD&A.

In addition to the required elements of certain condensed financial information, specific items that must be covered in the MD&A include:

- A discussion of *why* the changes occurred in account balances or classifications
- An explanation of why the actual results differed materially from budgeted amounts, including both original and final budget amounts
- A description of currently known facts, decisions, or conditions that are expected to have a significant effect on the financial position or results of operations

In addition to the MD&A, Districts receiving a CAFR will need to prepare information for their transmittal letter. The purpose of the transmittal letter is to introduce the CAFR to the readers of the financial statements. There are specific elements that must be included in order to conform to CAFR program requirements, which in turn leads to some boilerplate language regarding budget and other legal requirements, the audit, internal controls, and the like. However, one of the biggest complaints of readers of the CAFR is that many transmittal letters sound alike. Keeping this in mind, it should be noted that there are required elements that are unique to each district.

Specific items that should be included in the transmittal letter include:

- Profile of the district. Are you an inner-city, landlocked district or a fast-growing, rural district? Take some time to highlight what is special about your district.
- Information useful in assessing the economic condition of the district. This is a great place to discuss the local economy and long term-financial planning. A good place to get this type of information is from the districts long-term capital budget.
- A discussion of awards and acknowledgements
- Major initiatives

In summary, both the transmittal letter and the MD&A are important documents that convey different information to the readers of the financial statements. The transmittal letter allows, requires and encourages governments to provide narrative discussions about the entity and its policies, future plans and past accomplishments. The MD&A requires information to help the reader determine why changes occurred and only allows presentation of required elements.

So don't be afraid to get those pencils out and start writing your MD&A and transmittal letter to reflect your district and its unique characteristics. If you have any questions about your audit preparation, please contact your auditor. **F&M**

Online Auctions for Surplus Property Disposal

By Anne Ortiz, Audit Senior

Online auction sites are emerging as a method of surplus property disposal (think eBay for governmental agencies). Surplus property disposal can be a time-consuming process when several items have little remaining value; alternatively, large dollar value items may have returned more proceeds to the District if a greater audience could be reached. There are specific benefits to an online auction service, including controlling the timeline of disposals, reaching a potentially larger bidding audience, improving internal controls over surplus property disposal, and making providing audit documentation easier.

The use of an online auction service can be easily tailored to your needs. It can be used only one to two times per year, similar to a live auction where several items are posted at once and have similar ending times. Alternatively, auctions can be held more frequently (four to five times per year) to improve removal of accumulating surplus property on a more frequent basis. Finally, auctions can be posted continuously throughout the year as surplus property is identified.

The unique features of an online auction can improve internal controls and USFR compliance. Auctions posted in the current and prior fiscal years can be viewed at any time to identify the item disposed and the amount of the proceeds. Additional features include the ability to block specific individuals from bidding to exclude individuals directly or indirectly involved with identifying assets for disposal. Like other auction disposal methods, advertisement is required. The two most common methods are placement of traditional advertisements twice before each auction or a single advertisement notifying the use of an online auction service as the school district's disposal method.

As with other auction services, a fee will be collected by the online auction provider, typically recouped by assessing a percentage fee based on the auction proceeds. Depending on the amount of use throughout the year and the value of items sold, the dollar amount of fees paid to the vendor could fall within the verbal quote, written quote or formal solicitation (bid or RFP) dollar thresholds. In addition, Districts frequently procure this service through a cooperative purchasing agreement with a local municipality.

Questions? Contact 520-742-2611, x109 or kerab@heinfeldmeech.com. **H&M**

H&M University Workshops

Information on our workshops, including links to online registration, can be found at www.heinfeldmeech.com/hmu. (Online registration usually opens about 6-8 weeks before the event.)

For more help or for pre-registration, contact Susan at hmu@heinfeldmeech.com or 520-742-2611, x107.

Fringe Benefits – Staying in Compliance with IRS Standards

Vail (Tucson area): Tues., September 30

Phoenix (midtown area): Thurs., October 2

Financial Statements 101 for School Districts

Phoenix (midtown area): Wed., December 3

Vail (Tucson area): Thurs., December 4

Fraud/Internal Controls

Vail (Tucson area): Tues., February 10

Mesa (Phoenix area): Wed., February 11

ADM Compliance

Vail (Tucson area): Tues., March 3

Mesa (Phoenix area): Wed., March 4

Fair Labor Standards Act

Vail (Tucson area): Tues., March 24

Mesa (Phoenix area): Wed., March 25

Flagstaff: Thurs., March 26

Capital Assets Accounting

Vail (Tucson area): Tues., May 51

Mesa (Phoenix area): Wed., May 6

Bringing HMU to your District/School:


Are you interested in bringing one of our workshops to your District/School? To find out more about holding a training for your District's personnel or hosting a regional workshop, contact us at 520-742-2611, ext 133 or info@heinfeldmeech.com.

H&M Goes Passionately Pink for the Cure

At Heinfeld, Meech & Co., P.C., we aren't just interested in auditing and accounting; we are also interested in promoting causes important to our community. For the second year in a row, our firm is participating in a program called Passionately Pink for the Cure, a program of the Susan G. Komen for the Cure. The program is designed to promote awareness and to raise much needed funds for breast cancer research, local education, screening, and treatment efforts.

This year, we will go Passionately Pink for the Cure on Friday, October 3, 2008 and it is not too late to join our team! Participation is as easy as donating just \$5 along with promise to wear pink on October 3rd. To join, visit our website at www.heinfeldmeech.com and click on the Passionately Pink for the Cure icon. Participants who donated at least \$20 by the end of August will receive a pink T-shirt to show their support. The entire donation by participants goes to the Passionately Pink for the Cure program, and shirts are provided courtesy of our firm.

Our vision is to see our staff, clients, friends and family throughout the state of Arizona wearing pink on Friday, October 3rd, to raise awareness and funds for breast cancer research. We would love to have you join our team, so don't wait, join our team today! Thank you for your support and let's all go Passionately Pink for the Cure!

For more information, contact Jennifer Shields at 602.277.9449 ext. 310 or jennifer@heinfeldmeech.com. 

Heinfeld, Meech & Co., P.C. News

Congratulations to Brian Morrow, Audit Senior, and Randena (Dena) Darpli, Staff Auditor II, for their recent achievement of their CPA certifications. Congratulations also to Corey Arvizu, Partner, for being recently named to the 2008 "40 Under 40" list by *Tucson Business Edge*.


Puzzler

Decipher the hidden meaning: (Answer on p. 4)

fighting


Just Ask H&M

Q: ARS 15-979 E 2 says Instructional Improvement Funds may be used for "instructional improvement programs including programs to develop minimum reading skills for students by the end of third grade". Does this limit instructional programs to just reading programs?

A: No. According to Chuck Essigs, the reading program reference in the statute is only given as an example. 

H&M Again Named #4 "Best Small Company to Work for in America"


In June, Heinfeld, Meech & Co., P.C. was named #4 on the *25 Best Small Companies to Work for in America* for the second year in a row. The list was announced at the Society for Human Resource Management's (SHRM) 60th Annual Conference & Exposition in Chicago.

This annual list, now in its fifth year, ranks the top 25 small companies in America that use smart people management strategies to develop successful organizations with highly productive and satisfied workforces. The organizations, ranging in size from 50 to 250 employees, were announced by SHRM and selected and ranked by the Great Place to Work[®] Institute (GPTW). The results were based on a randomly distributed employee opinion survey. Each company evaluated was given a score based on employees' responses to a detailed questionnaire about the organizations' workplace cultures. Information about H&M and the rest of the winning organizations is listed on the GPTW website at www.greatplacetowork.com. 

Welcome to Our New Clients!

H&M welcomes our new clients:

Acorn Montessori Schools
Bouse Elementary School District
Pima Joint Technology Education District
Pima Vocational High School

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

Upcoming Deadlines for Schools

<u>Due Date</u>	<u>Item</u>
September 26	September Final Estimated Student Count for FY 2008-09 (Charters only)
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) (both Charters and Districts) School District Employees Report due to the ADE
October 18	End of cash management reporting period for all Federal projects
October 31	October Enrollment Report due to ADE (Charters only) 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	Annual audit reports due to the Arizona State Board for Charter Schools (Charters requiring Single Audits may apply for an extension to March 31 st) 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) Districts may apply to the State Board of Education for approval or reapproval for a career ladder program. (Annual reapproval required.) (Districts)
November 18	End of cash management reporting period for all Federal projects.
December 5	Copy of the revised expenditure budget and a notice of the public hearing must be published (or at least 10 days before meeting). (Districts)
December 8	Special Education Census report due to ADE (Charters)
December 15	The publisher's affidavit of publication for the AFR must be filed with the Superintendent of Public Instruction (or no later than 30 days after publication). (Districts) Revised expenditure budget must be presented at a public meeting. For grants received from ADE, districts should submit a cash management report to ADE for each special project with a budget of \$10,000 or more. Charter schools should submit English Language Learner program participation transactions to ADE.

Upcoming Southern Arizona School Business Officials Meetings

<u>Date</u>	<u>Hosted By</u>
Oct. 17	Sunnyside Unified
Nov. 21	Flowing Wells Unified
Jan. 16	Tucson Unified
Feb. 20	Tanque Verde Unified

All SASBO meetings begin at 11 a.m. For more information about upcoming meetings, please contact John Filippelli at 520-762-2040 or filippellij@vail.k12.az.us.

Answer to Puzzler (Page 5):
"Two black eyes"