

Local Government Services

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***Memorandum***

**TO:**Independent Auditors Authorized to Conduct Audits of Montana Local Governments

**FROM:** The Department of Administration -Local Government Services

**DATE:**  March 10, 2020

**RE:** Financial Reviews of Montana School Districts and Special Education Cooperatives

Under the authority of Section 2-7-503(3)(b), MCA, the Office of Public Instruction (OPI) has directed that the school districts and special education cooperatives on the enclosed listing must have a financial review of their financial statements for the fiscal year (FY) ending June 30, 2020.

The Department of Administration has established that financial reviews of school districts and special education cooperatives are “agreed-upon procedures” engagements as prescribed in the Standards for Attestation Engagements, AT-C Section 215 *“Agreed-Upon Procedures Engagements”* and AT-C Section 315 *“Compliance Attestation.”*

The Department’s standard financial review contract and the prescribed standards for agreed-upon procedures engagements must be used for all financial reviews of school districts and special education cooperatives. These financial reviews must be conducted by an accountant on the Department's Roster of Independent Auditors Authorized to Conduct Audits of Montana Local Governments.

The selected school districts and special education cooperatives have been notified of this fact. The Department of Administration has sent them copies of the Standard Financial Review Contract and the Department's Roster.

All documentation and information needed to complete a financial review is listed below and can be found on our website at <http://sfsd.mt.gov/lgsb/Forms/AuditReviewProgram/7_SchoolDistrictFinancialReviews.aspx>

Local Government Services Standard Financial Review Contract (Rev 5/2018) - This contract is a three-party contract entered into by the SD or Co-op, the auditor, and the Department. Appendix B includes the procedures to be performed during the financial review engagement. Appendix C includes a sample management representation letter.

Sample financial review report - This report contains a sample agreed-upon procedures report for a financial review of a school district, including the schedules required by the contract. The same basic format should be used for a report on a special education cooperative, except that it should be modified appropriately to reflect the different procedures and schedules required, as indicated in Appendix B to the contract.

To reduce costs, school districts and cooperatives within proximity of each other have been encouraged to join into a group when selecting a firm to do the financial reviews. In this manner, travel costs may be reduced or shared. If you are engaged to conduct financial reviews for a group of school districts and cooperatives that jointly solicited for proposals, you will still enter into individual contracts with each district and cooperative and any overall review fee for the group of schools will need to be allocated to each district or cooperative.

The method schools and cooperatives use to select a firm may vary. Some schools or cooperatives may call or write individual firms and request proposals, while others may request proposals through newspaper legal advertisements. Some of you may choose to initiate contact with the various schools and cooperatives. Based on contracts on file, the fees for financial reviews of school districts and cooperatives for the year ended June 30, 2019 ranged from $800-$2450.

If you have any questions, please feel free to contact us at (406) 444-9101 or LGSPortalRegistration@mt.gov.

Enclosures: Listing of selected districts/cooperatives

School District AUP sample report