

Local Government Services

125 North Roberts | PO Box 200547 | Helena, MT 59620-0547

***Memorandum***

**TO:**Montana School Districts and Special Education Cooperatives

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

**DATE:** March 6, 2020

**RE:** FY2020 Financial Reviews of Certain School Districts and Special Education Cooperatives

Under the authority of Section 2-7-503(3)(b), MCA, the Office of Public Instruction (OPI) has selected your district or cooperative (SD or Co-op) for a financial review of your financial statements for the fiscal year (FY) ending June 30, 2020.

**Please Note**:

* If your total revenues for FY2020 are in excess of $750,000, you must have an audit, rather than a financial review.
* If your entity already holds an audit contract for FY2020 and your total financial assistance is $750,000 or less, you have two choices:

1. Have the audit as originally contracted,

**OR**

1. Cancel the audit contract and contract for a financial review instead.

Selection of CPA Firm

The financial review must be conducted by a member of the Department's Roster of Independent Auditors Authorized to Conduct Audits of Montana Local Government Entities (the Roster).

To reduce costs, you and other SDs or Co-ops within proximity of each other may join in selecting a firm to do the financial reviews and may also agree to send records to a central location. Please be sure that your records are adequately safeguarded when out of your possession.

The method you use to select an auditor may vary. You may call or write individual firms to request proposals, or you may formally request proposals in newspaper legal advertisements. Regardless of the method, we recommend that you check references of any auditor you consider for your financial review.

The list of SDs and Co-ops required to be reviewed is being emailed to all auditors on the Roster, and some of those firms may contact you regarding your review.

Cost of Financial Review

The audit firm you select will charge a fee for the financial review. Based on approved contracts for financial reviews of SDs and Co-ops for FY2019 the fees ranged from $800 to $2,450, although fees proposed for FY2019 financial reviews may not fall within this range. Variables that could affect the fee include travel costs for the auditor and the condition of your financial records. You should consider this fee in developing your budget for the fiscal year beginning July 1, 2020 as the review will have to be conducted sometime during the period from July 1, 2020, through June 30, 2021. The financial review report must be submitted to the Department by June 30, 2021.

Contract

You will enter into a contract with the auditor to perform the review. You and the auditor must complete and sign the Department's standard audit contract (see attached). The contract must then be sent to the Department for our signed approval.

The following materials are attached:

1. Local Government Services Standard Financial Review Contract (Rev 5/2018) - Appendix A details specific terms of the contract. Appendix B includes the procedures to be performed during the financial review engagement. Appendix C includes a sample management representation letter to be signed during the financial review.

2. The current Roster of independent auditors authorized to conduct audits and financial reviews of Montana local government entities. An auditor on the Roster must conduct your financial review. An online report is also available on the Department’s web site at <http://sfsd.mt.gov/LGSB/AuditorRoster>.

If you have any questions regarding the financial review process, please contact us at 444-9101 or [LGSPortalRegistration@mt.gov](mailto:LGSPortalRegistration@mt.gov).