

State of Rhode Island

Uniform Chart of Accounts (UCOA)

Annual Compliance Testing Requirements

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Office of the Auditor General

7/28/2021

Uniform Chart of Accounts (UCOA) – Annual Compliance Testing Requirements

EXECUTIVE SUMMARY:

The Office of the Auditor General (OAG) and the RI Department of Education (RIDE) agree to and acknowledge that the procedures (enclosed herein) are appropriate to meet our purposes. The agreed-upon procedures (AUP) that were effective for fiscal 2020 engagements will continue to be effective for fiscal 2021 engagements. The revisions made in this fiscal 2021 document include the following technical updates, but no changes have been made to the procedures:

- The UCOA Rules for Tuition Costs (see pages 6-7) were updated to reflect the change in UCOA requirements related to Career and Technical Education classes and programs.
- The sample **Independent Accountant’s Report** on page 13 has been updated to comply with the *Statement on Standards for Attestation Engagements (SSAE) No. 19*, effective for reports dated on or after July 15, 2021.

Please submit a copy of the UCOA Agreed-Upon Procedures Report to both the OAG and RIDE:

OAG

rina.dibenedetto@rioag.gov

Rina DiBenedetto
Office of the Auditor General
33 Broad Street, Suite 201
Providence, RI 02903

RIDE

william.trimble@ride.ri.gov

William Trimble
RI Department of Education
255 Westminster Street
Providence, RI 02903

Uniform Chart of Accounts (UCOA) – Annual Compliance Testing Requirements

OVERVIEW:

Each municipal school district, regional school district, collaborative, State school, or charter school, which is required to adopt the Uniform Chart of Accounts (UCOA), shall have additional compliance testing procedures designed to assess compliance with UCOA requirements and the entity's effectiveness of internal control over compliance with those requirements. The auditors engaged to perform the annual audit of the entity shall also be engaged to report on their tests of compliance with UCOA requirements in an agreed-upon procedures compliance attestation format.

A minimum sample of transactions shall be selected and tested for compliance with UCOA provisions. Additionally, selected UCOA compliance requirements shall be included within the agreed-upon procedures compliance work program.

The municipal school district, regional school district, collaborative, State school, or charter school shall provide the agreed-upon-procedures report along with the entity's audited financial statements to the Rhode Island Department of Education (RIDE) and the Office of the Auditor General by December 31 or at the conclusion of the annual audit if an extension has been approved by the Auditor General. For school districts, regional school districts, collaboratives, State schools, or charter schools which have adopted a fiscal year end other than June 30, the agreed upon procedures report shall also be provided by December 31 for the activity related to the year ended on the preceding June 30.

COMPLIANCE TESTING REQUIREMENTS:

Auditors shall follow the guidance included in the AICPA Codification of Statements on Standards for Attestation Engagements– AT-C Section 105, *Concepts Common to All Attestation Engagements*; AT-C Section 215, *Agreed-Upon Procedures Engagements*; and AT-C Section 315, *Compliance Attestation*. The auditors shall comply with the 2018 Revision of *Government Auditing Standards* requirements for agreed-upon procedures engagements; specifically, paragraphs 7.78 through 7.85.

- 1. A minimum sample of randomly selected expenditure transactions for the municipal school district, regional school district, collaborative, State school, or charter school shall be tested for compliance with UCOA coding requirements.**

Select a sample of 35, 45, or 60 (see below) transactions from the universe of all expenditures in the final UCOA format upload file for the fiscal year as reported to the Rhode Island Department of Education (RIDE). A detailed transaction level file should be obtained from the entity's accounting system to correspond with the final UCOA upload file provided to RIDE for the preceding fiscal year. RIDE will provide a Validation Totals Report to each school district, collaborative, State school, and charter school to confirm the final upload file information. The sample of transactions to be tested for compliance with UCOA coding shall be selected randomly from the detailed transaction file for the fiscal year.

Alternatively, the auditor may obtain a preliminary fiscal year file from the reporting entity's accounting system for purposes of selecting a sample of transactions to test. When a preliminary file is used for selecting the sample, the auditor will be required to reconcile changes from the preliminary file to the final validated upload file and determine the significance of any changes and assess the validity of the sample.

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Sample size shall be determined as follows:

- Smaller school districts, regional school districts, collaboratives, State schools, or charter schools having aggregate fiscal year expenditures of less than \$5 million shall utilize a minimum sample size of **35** transactions to be tested for UCOA coding compliance.
- School districts, regional school districts, collaboratives, State schools, or charter schools, having aggregate fiscal year expenditures greater than \$5 million but less than \$50 million, shall utilize a minimum sample size of **45** transactions to be tested for UCOA coding compliance provided there are no significant deficiencies and material weaknesses in internal control over financial reporting related to the accounting and financial reporting practices as reported in the current and prior audit. School districts, regional school districts, collaboratives, State schools, or charter schools with expenditures greater than \$5 million which also have significant deficiencies and material weaknesses in internal control over financial reporting related to the accounting and financial reporting practices as reported in the current and prior audit shall utilize a minimum sample size of **60** transactions.
- School districts, regional school districts, collaboratives, State schools, or charter schools, having aggregate fiscal year expenditures greater than \$50 million, shall utilize a minimum sample size of **60** transactions to be tested for UCOA coding compliance.

Examine supporting vendor invoices, journal entries, and other supporting documentation to determine if the expenditure has been appropriately classified based upon UCOA classification requirements included in the Uniform Chart of Accounts guidance for the fiscal year. The segments of the account number to be tested for compliance shall include the following:

- Fund/Subfund
- Location
- Function
- Program
- Subject
- Object
- Job classification (for applicable personnel costs)

For personnel costs selected for testing, Location (school/department) and Job Classification shall be tested by tracing the employee name to the entity's assignment roster for the applicable school year.

All noncompliance found in the sample of expenditure transactions tested for compliance with UCOA classification requirements shall be reported. Each instance of noncompliance shall describe the transaction and the specific noncompliance observed.

2. UCOA accounts are used and UCOA methodologies are followed in the accounting system and records of each reporting entity. Determine if the entity's systems and procedures support the following UCOA requirements:

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- Total activity (revenue and expenditures) of the entity for the fiscal year as reported (uploaded) to the UCOA database as of the final upload date shall be reconciled to the total activity within each Fund/Subfund of the municipal school district, regional school district, collaborative, State school, or charter school as reported in the final audited financial statements.
- The UCOA accounts and methodologies are maintained within the actual accounting systems and are not converted to UCOA requirements outside of the accounting system.

Determine if any variance exists in revenue or expenditures between the total amounts reported (uploaded) to the UCOA database and audited amounts reported within the Fund/Subfund on the financial statements of the municipal school district, regional school district, collaborative, or charter school. Any variances shall be reported. A transfer of appropriations from the municipality's general fund to the unrestricted school fund is treated as revenue in the unrestricted school fund for UCOA reporting purposes and should be reported as a proper reconciling item.

Please Note:

- *The reporting entity will be required to amend its UCOA upload file to include final amounts which reflect audit adjustments, if applicable.*
- *For school districts with a fiscal year end of June 30, the reconciliation between the audited financial statements and the UCOA file is not required to be presented in the AUP reporting package because a three-way reconciliation between the audited financial statements, the Municipal Transparency Portal (MTP) schedules, and the UCOA file would be presented in the audited financial statements as other supplementary information. It shall be noted in the AUP report that the three-way reconciliation is presented in the audit report. All other school entities (i.e., school districts with a fiscal year end other than June 30, charter schools, State schools, and collaboratives) shall continue to include the reconciliation in the AUP report.*

Determine if the amounts reported (uploaded) to the UCOA database are present in form and content within the accounting system of the reporting entity by requesting a copy of the last report of coding errors identified by RIDE just prior to the final upload with zero errors. Trace to the corrections made to the school's accounting system to address the errors. All errors shall be tested, up to a maximum of five errors if more than five errors are listed.

3. Tuition costs are subject to various UCOA coding requirements. Determine if the entity has complied with the UCOA requirements for reporting tuition costs:

- **Tuition costs may be charged to one of eight different expenditure object codes in the 55600 series, depending to whom the tuition payment is made (e.g., another school district within the State, a charter school, a private school, etc - refer to the gray box for details). In addition to tuition charges, the billings from an outside provider may also include costs for personal aides and other similar charges. Such charges are part of the services being provided to the student and should be captured in the same Object account for Tuition costs. This maintains consistency in application of costs of this nature.**

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- For all Tuition accounts in the Object 55600 series, the Location will always be an Out-of-District account which will be limited to Location Types 07, 08, 10, 11, and 13.
- An Out-of-District Location is defined not by the geographic boundaries, but by who “owns” the Non-Public/Private School. By definition, all entities to which Tuition is paid are Out-of-District Locations. Accordingly, only Function 431 (Public, Parochial, Private, and Charter School Pass-Throughs) may be used with the Tuition Object codes in the 55600 series.
- The Tuition Object 55600 series may be used with any Fund Type except 40 (Debt Service Funds) and 90 (Custodial Funds).
- For Special Education students, Program 20 is used for students who are district-placed or program 50 for students who are parentally-placed in the alternative location. For non-Special Education students, Program codes 30, 40, 50, or Program 10 series should be used. Program code 30 should be used for tuition payments (and other associated costs) for students to attend Career and Technical programs in other Districts or Charter Schools.
- Any Subject codes can be used with Tuition costs except 2701, 2702, 2703, 9700, 9800, and 9900. Subject Series 2100 is used for Special Education and 1400 series with Career and Technical programs.
- Only Job Classification code 0000 should be used with tuition payments.

Obtain an extract from the accounting system of all transactions posted to the 55600 series object codes (tuition expenditures):

- Select a random sample of 10 transactions. If tuition payments are posted to Program 10 (General Education), at least half of the sample (or five) shall be selected from Program 10. Transactions tested in Compliance Testing Requirement No. 1 may also be used to satisfy the compliance testing requirement for tuition payments if the selected transaction was posted to a tuition object code in the 55600 series.
- Examine the billing invoices (and any additional supporting documentation submitted by the provider) to determine if the expenditure was appropriately coded based upon UCOA rules for tuition payments. The segments of the account number to be tested include the following: object, location, fund, function, program, subject, and job classification codes. Particular attention shall be focused on the program segment and whether career and technical programs are appropriately coded as Program Code 30.

All noncompliance found in the sample transactions tested for compliance with UCOA classification requirements shall be reported. Each instance of noncompliance shall describe the transaction, including the dollar amount and the specific noncompliance observed.

UCOA Rules for Tuition Costs:

Object and Location Types: Use the following object code and location type for tuition costs:

<u>Object</u>	<u>Location Type</u>	<u>Description</u>
55610	Type 07	Tuition to Other School Districts within the State
55620	Type 13	Tuition to Other School Districts outside the State
55630	Type 08	Tuition to Non-Public/Private Schools
55640	Type 118XX	Tuition to Educational Service Agencies (Collaboratives) within the State
55650	Type 119XX	Tuition to Educational Service Agencies (Collaboratives) outside the State
55660	Type 10	Tuition to Charter Schools
55680	Type 07	Tuition to Other School Districts for Voucher Payments
55690	Types 07 - 11	Tuition – Other (Presently, Object 55690 has no identified locations and should not be used unless authorized by RIDE)

Fund: The above tuition object codes may be used with any Fund Type except 40 and 90.

Function: Use Function 431 only

Subject: Use any Subject except 2701, 2702, 2703, 9700, 9800, and 9900. Use Subject Series 2100 for Special Education. Refer to the General Function/Subject Rules and the required Location Type/Subject Rules for guidance on determining the proper Subject account(s) to use with Function and Location accounts, respectively.

Job Classification: Use Job Classification 0000 only

Program: For Special Education Students:

- Program 20 - for Students who are District-Placed (refer to UCOA Manual for the categories of services included in Special Education)
- Program 50 - for Students who are Parentally-Placed in the alternative location

For Non-Special Education Students:

- Program 10 Series - General Education
- Program 30 - Career & Technical
- Program 40 - Bilingual/ESL
- Program 50 - Non-public schools

Program Segment Rules:

DEFINITION: Program 10 - Regular Elementary/Secondary Education Programs. Program 10 (and subprograms 11-15) accounts include activities that provide students in pre-kindergarten through grade 12 with learning experiences to prepare them for further education or training and for responsibilities as citizens, family members, and workers.

- Program 10 series also include alternative education programs that focus on the educational needs of students at risk of failing or dropping out of school because of academic, behavioral, or situational factors. It is also used for programs associated with gifted and talented students, and Performance Based Graduation requirements.

- *Regular programs are distinguished from special education programs that focus on adapting curriculum or instruction to accommodate a specific disability and from career/technical programs that focus on career skills.*

DEFINITION: Program 30 - Career and Technical Education (CTE) Programs. CTE programs include activities delivered through traditional comprehensive and career-technical high schools, recognized charter schools, or campus-based classrooms that prepare students to meet challenging academic standards as well as industry skill standards while preparing students for broad-based careers and further education beyond high school in certain career cluster areas (refer to the UCOA Manual for a listing and description of the 16 career cluster areas).

Guidance on Using Program Accounts - *The facts should be analyzed to determine the proper Program Account to be used in this order:*

- *Determine if the “specialized” Program accounts are applicable – if the activities are best addressed by the use of Program accounts such as Special Education (Program 20), Career and Technical Education (Program 30), or Programs 40 or 50, they should be used.*
- *Where none of the specialized accounts apply and the facts indicate that direct or indirect activities are related to General Education, Program 10 (including Program 11-15 as applicable) should be used.*

Effective July 1, 2020, all Career and Technology Education (CTE) programs and classes are required to use Program 30 only with Subject 1400 Series accounts (Career and Technical Education), provided however, Programs 62 and 63 must be used with Subject 1400 series accounts when related to Summer School or After School locations to fulfill the requirements of the Dual Identification Concept. Use of Program 10 series accounts with Subject 1400 series are no longer permitted.

These requirements apply whether the class is located in a Career and Tech Center or in a regular high school and irrespective if a program or class is “RIDE-approved”.

4. Payroll costs are subject to various UCOA coding requirements. Determine if the entity's procedures for payroll related costs support the following UCOA requirements:

- **Benefit costs are to be charged in the same manner as are the directly-related compensation accounts – i.e., to the same Fund/Subfund, Location, Function, Program, Subject, and Job Classification and in the same proportion when allocated to more than one Fund/Subfund. Alternatively, the Allocation Holding Accounts, Location 99999 and Subject 9900 may be used where allowed by the applicable Object Intersection Rule for the Benefit Object selected. Healthcare benefit costs are to be allocated consistent with the employees' wages based on actual insurance premiums or, in the case of employers who are self-insured, based on working rates.**

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- The entity has made a determination as to whether any employee meets the conditions that would require allocation of salary and benefits to more than one Fund/Subfund, Location, Function, Program or Subject and has supporting documentation for that determination, (e.g., department heads, nurses who also teach, etc.)
- Wages and related benefits for Short-term Substitute Teachers (Job Classifications 1295-1299) are charged only to Subject 0000 when used in conjunction with Function 112 (Substitutes). For those same Job Classification accounts when used with Function 221 (Curriculum Development) and Function 222 (In-Services, Staff Development and Support), wages and related benefits are to be charged to the appropriate accounts for Fund/Subfund, Location, Program, and Subject which were used for the class for which the Substitute Teacher has been engaged to replace. For the Subject segment for example, use Subject 1500 for Middle or High School Math, 0011 for Elementary School Math, and 0200 for Art for all School types.
- Long-term Substitute Teachers (Job Classification 1294) are to be charged to the appropriate accounts for Fund/Subfund, Location, Program, and Subject which were used for the class for which the Substitute Teacher has been engaged to replace.
- Wages and benefits for short-term substitute teacher support personnel are to be charged to the appropriate accounts for Fund/Subfund, Location, Program, and Subject which are applicable to the activity to which they are assigned.
- Wages and related benefits for pre-school teachers are charged to the appropriate 09xxx location code.

Determine whether the entity's payroll system directly interfaces with the entity's general ledger accounting system and whether it is designed to post directly to the appropriate UCOA account or if there are a significant amount of manual adjustments and journal entries to allocate payroll related cost to the appropriate UCOA account.

Determine if the entity has reasonable and sufficient procedures in place to meet the payroll and related benefit coding requirements of UCOA.

Determine if pre-school is offered by the entity.

Review one payroll period posting to assess compliance with UCOA payroll allocation requirements and appropriate location code for pre-school teachers (this may be satisfied through payroll transactions tested in the sample of transactions tested for compliance in compliance testing requirement No. 1).

If the entity is using the intra-fund UCOA Allocation Tool, allocations are performed within the UCOA database and therefore testing is not required for benefit allocations made within that Fund/Subfund.

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UCOA Rules to be Tested:

- ❖ *In all cases, compensation costs and related benefit costs for each employee must be accounted for in the same Fund/Subfund – they may not cross Funds. Districts may NOT account for the compensation in one Fund/Subfund and the benefits in another. For example, if 50% of an individual’s salary is charged to the General Fund and 50% to a Special Revenue Fund, then the allocations of Benefits MUST follow the exact same percentages. When related to a particular grant, if the grant is insufficient to cover all the costs, the same prorated amount for each category (compensation and benefits) shall be used up to the limit of the grant.*
- ❖ *Charges to the Location segment for Salary and Benefits for employees that perform multiple functions are to be recorded using the following guidelines: For employees who perform their job requirements at multiple locations and performance of those duties requires a minimum of 20% of their time to any given Location those costs must be charged to the applicable Location accounts accordingly. If however, the performance of duties at any given Location is less than 20% of their time, charges to those locations are not required, but are permissible.*
- ❖ *Charges to the Function segment for Salary and Benefits for employees that perform multiple functions are to be recorded using the following guidelines: If an employee has a “Hands-On” relationship to multiple activities being performed and performance of those duties requires a minimum of 20% of their time to any given activity (Function), those costs must be charged to the appropriate Function accounts accordingly. If however, the role is more of an oversight role of supervising or managing others who perform the “Hands-On” work, is less than 20% of their time, charges to those Functions are not required, but are permissible.*
- ❖ *For Department Heads, House Leaders, and System-wide Supervisors, that portion of regular salary for teaching periods is charged to object 51110 (Regular Salaries); for non-teaching periods, that prorated portion is charged to Object 51132 (Department Heads, House Leaders, and System-wide Supervisors). Stipends for these positions are to be charged to Object 51401 (Stipend – Other).*
- ❖ *For Nurse Teachers, even if face-to-face teaching occurs, charge to Function 216 (Student Health Services – Medical), not Function 111 (Instructional Teachers).*
- ❖ *Nurses and other non-standard instructors included in Function 216 (Student Health Services – Medical) who teach classes representing **less** than 10% of their time must code instruction time to Subject 2500 (Non-Instruction) unless the application of the rule would violate a rule or rules of a higher authority – refer to the Account Level Use Rules and Requirements for the precedence order of UCOA Rules. Those that teach **more** than 10% of their time must record instruction time to Subject 0000 (General Education).*
- ❖ *For Short-Term Substitute Teachers (Job Classifications 1295-1299) with Function 112, use only Subject 0000 for all compensation and directly-related benefit accounts.*

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- ❖ *For Long Term Substitute Teachers (Job Classification 1294) with Function 112, use the Subject for the job for which the Substitute has been engaged to teach for all compensation and directly-related benefit accounts.*
- ❖ *For all Substitute Teachers (Job Classifications 1294-1299) with Functions 221 and 222, use the appropriate Subject that is assigned to the Teacher for which the Substitute has been engaged to replace, for all compensation and directly-related benefit accounts. However, when a Substitute Teacher teaches multiple subject in a given day (e.g. Math and English), Subject 0000 may be used in place of the specific subject for which they are subbing. Use of this exception should be limited.*
- ❖ *Preschools (in District), i.e., Preschools that "belong" to the District. A Pre-school is defined as including only pre-school age groups. Mandatory Method Rule: If a Kindergarten class is included with a Pre-school location, that location will be considered to be an Elementary school (Location Type 03) for purposes of the UCOA. All other Preschools are considered Non-Public/Private Schools (Location Type 08) or a Location Type 09 (Preschools in District).*

5. Professional Development costs are subject to various UCOA coding requirements. Determine if the entity has complied with the UCOA requirements for reporting Professional Development costs for four of the five Object accounts:

- **Object 51113 represents the portion of a teacher's regular salary, as specified in a contract or agreement, for professional days.**
- **Object 51302 represents additional payments made to a teacher for attending school-based professional development.**
- **Object 51303 represents additional payments made to a teacher for attending District-based professional development.**
- **Object 53301 represents third-party vendor costs (on-site or off-site) for providing professional development. For instruction-related personnel, the professional development costs should be posted to Function 222. For all other personnel, the professional development costs should be posted to the same Function account as the base wages.**

A review of union contracts and the adopted budget will provide information related to professional development to be offered to teachers.

Review payroll records to verify compliance with UCOA rules for Objects 51113, 51302, and 51303. (This may be satisfied by testing one payroll record which includes postings to these Object accounts and which may have been selected in compliance testing requirement 1 or 4).

Select a sample size of 5 transactions posted to Object 53301 (If less than 5 total transactions, sample all transactions). Examine the supporting vendor invoice to identify the specific employee(s) receiving professional development services and trace the employee name to the payroll record to determine the Function account to which base wages (Object 51113) were charged. Verify the professional development costs were posted to the proper Function account based on the UCOA rules for the

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Function Series. (Expenditures selected in Compliance Testing Requirement No. 1 may be used to satisfy this compliance testing requirement.)

UCOA Rules to be Tested:

DEFINITION: Object 51113 - Professional Days. Full-time, part-time, and prorated portions of the costs for professional development days for employees of the District.

- Include in **Object 51113** (Professional Days) the amount prorated from Object 51110 (Regular Salaries) the actual number of days included in applicable contracts and agreements relating to Professional Days or Professional Development or prorated based on the anticipated number of days if not specified in the contracts.
- For **Object 51113**, use Function 222 only for employees whose Regular Salary (Object 51110) is charged to the 100 and 200 Function Series. For all others, use the same Function account used for their Regular Salary in the 300, 400, and 500 Series. Functions 000, 411, 421, 422, 441, 997, 998, and 999 may not be used. For each employee, use the same Location, Program, Subject, and Job Classification account number as is used with Object 51110 (Regular Salaries).

DEFINITION: Object 51302 – Professional Development - School. Amounts paid to District employees (in addition to regular salaries) for professional development that is related to School-based (and budgeted at the School level) professional development.

DEFINITION: Object 51303 – Professional Development - Districts. Amounts paid to District employees (in addition to regular salaries) for professional development that is related to District-based (and budgeted at the District level) professional development.

- For **Objects 51302 and 51303**, use Function 222 only for employees whose Regular Salary (Object 51110) is charged to the 100 and 200 Function Series.

For all others, use the same Function account used for their Regular Salary in the 300, 400, and 500 Series.

For Out-of-District Locations, use Function 431 only.

Functions 000, 411, 421, 422, 441, 997, 998, and 999 may not be used.

For employees whose Function account is in the 100 or 200 Series, 511, or 512, as used with Object 51110 (Regular Salaries), use the specific Subject account for the subject they have received Professional Development known as the "Follow the Topic" Concept. If not Subject-specific, for General Education courses related to Instruction, use Subject 0000. For courses not related to Instruction, use Subject 2500.

For employees whose Function account is in the 300 or 400 Series, 521, 531, or 532, as used with Object 51110 (Regular Salaries), use Subject 2500 **only**.

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DEFINITION: Object 53301 – Purchased Professional Development and Training Services. Services supporting the professional development and training of District personnel, including instructional and administrative employees. Also applies to fees paid to consultants who attend training sessions provided by the District.

- For **Object 53301**, use Function 222 only for employees whose Regular Salary (Object 51110) is charged to the 100 and 200 Function Series.

For all others, use the same Function account used for their Regular Salary in the 300, 400, and 500 Series.

For Out-of-District Locations, use Function 431 only.

Functions 000, 411, 421, 422, 441, 997, 998, and 999 may not be used.

Use the specific Subject account for the Subject to which Professional Development Services are rendered ("Follow the Topic"). For General Education courses related to Instruction, use Subject 0000. For courses not related to Instruction, use Subject 2500. Subjects 9700, 9800, and 9900 may not be used.

COMPLIANCE REPORTING REQUIREMENTS:

Auditors shall follow the guidance included in the AICPA Codification of Statements on Standards for Attestation Engagements AT-C Section 105, *Concepts Common to All Attestation Engagements*; AT-C Section 215, *Agreed-Upon Procedures Engagements*; and AT-C Section 315, *Compliance Attestation*. The auditors shall comply with the 2018 Revision of *Government Auditing Standards* requirements for agreed-upon procedures engagements – specifically, paragraphs 7.78 through 7.85.

The auditor shall provide a written report in accordance with the applicable sections of the *Statements on Standards for Attestation Engagements* and *Government Auditing Standards*, as highlighted above. Refer to Exhibit 1 for the agreed-upon procedures and the format for reporting the procedures performed and results of testing.

Additionally, any noncompliance with UCOA requirements and the effectiveness of the entity's internal control over compliance with UCOA requirements should be considered in drafting the Independent Auditor's Report on Internal Control Over Financial Reporting and On Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.

Management comments provided to the entity should be inclusive of any recommendations to improve compliance or controls over compliance with UCOA requirements.

SAMPLE REPORT

Independent Accountant’s Report

[Appropriate Addressee]

We have performed the procedures enumerated in Exhibit 1 on *(Name of Entity)*’s compliance with the Uniform Chart of Accounts during the fiscal year ended June 30, 20xx and *(Name of Entity)*’s internal control over compliance with the aforementioned compliance requirements as of June 30, 20xx. The *(Name of Entity)* is responsible for compliance with the Uniform Chart of Accounts during the fiscal year ended June 30, 20xx and for internal control over compliance with the aforementioned compliance requirements as of June 30, 20xx

The *(Name of Entity)* has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of determining compliance with the specified Uniform Chart of Accounts requirements and internal control over compliance with the Uniform Chart of Accounts during the fiscal year ended June 30, 20xx. Additionally, the Rhode Island Department of Education and the Rhode Island Office of the Auditor General have agreed to and acknowledged that the procedures are appropriate to meet their purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and the associated findings are described in Exhibit 1.

We were engaged by *(Name of Entity)* to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to agreed-upon procedures engagements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on compliance and internal control over compliance with specified requirements. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of *(Name of Entity)* and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

[Additional paragraphs may be added to describe other matters.]

[Signature of practitioner’s firm]

[City and state where the practitioner’s report is issued]

[Date of practitioner’s report]

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EXHIBIT 1 – Sample Reporting Template

REQUIREMENT 1:

A minimum sample of randomly selected expenditure transactions for the municipal school district, regional school district, collaborative, State school or charter school shall be tested for compliance with UCOA coding requirements.

PROCEDURES:

Obtain a copy the school entity’s signed acknowledgment of the UCOA File Validation Totals Report received from the RI Department of Education (RIDE). Obtain a detailed transaction level file from the school entity’s accounting system which corresponds with the final UCOA upload file provided to RIDE.

Describe procedures for selecting the sample, the sample size selected, and the tests performed in accordance with the criteria outlined on pages two and three of this document. Please note - If a preliminary fiscal year file is used for selecting the sample, reconcile changes from the preliminary file to the final validated upload and determine the significance of any changes and assess the validity of the sample.

RESULTS:

Specify the date of the UCOA file tested: _____.

For each instance of noncompliance, enter the transaction detail in the table below. Highlight the account number segment that is not in compliance, as shown in the example below. Describe the purpose of each transaction, the error(s), and correction(s) immediately following the table. Rows may be added or deleted from the table, as necessary.

Item	Fund/ Subfund	Location	Func	Prog	Subject	Object	Job Class (personnel costs only)	Date	Payee	Amt	Corrected per final UCOA file
A	10000000	05105	214	10	2500	51110	1712	03/15/12	Nurse Employees	\$5,000.00	Yes
B	XXXXXXXX	XXXXX	XXX	XX	XXXX	XXXX	XXXX	XXXXXX	XXX	XXXXXX	Yes/No
C	XXXXXXXX	XXXXX	XXX	XX	XXXX	XXXX	XXXX	XXXXXX	XXX	XXXXXX	Yes/No

A – The regular salaries for nurse employees were charged to Function 214, but should have been charged to Function 216.

B -

C -

SCHOOL RESPONSE: (if applicable)

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REQUIREMENT 2:

UCOA accounts are used and UCOA methodologies are followed in the accounting system and records of each reporting entity. Determine if total activity (revenue and expenditures) for the fiscal year as reported (uploaded) to the UCOA database, as of the final upload date, reconciles to the total activity within each Fund/Subfund as reported in the final audited financial statements and if the amounts reported (uploaded) to the UCOA database are present in UCOA form, content and amounts within the accounting system of the reporting entity.

PROCEDURES:

Subtotal the final UCOA upload file by revenues and expenditures under each Fund/Subfund and reconcile to the audited financial statements (GAAP-basis). The following template should be used for reporting the reconciliation between the UCOA upload file and the audited financial statements. Fiduciary Funds are to be excluded from the reconciliation. Transfer of appropriations from the municipality's general fund to the unrestricted school fund are treated as revenue in the unrestricted school fund for UCOA reporting and should be reported as a proper reconciling item.

Please note – For school districts with a fiscal year end of June 30, the reconciliation between the audited financial statements and the UCOA file is not required to be presented in the AUP reporting package because a three-way reconciliation between the audited financial statements, the Municipal Transparency Portal (MTP) schedules, and the UCOA file would be presented in the audited financial statements as other supplementary information. It shall be noted in the AUP report that the three-way reconciliation is presented in the audit report. All other school entities (i.e., school districts with a fiscal year end other than June 30, charter schools, State schools, and collaboratives) shall continue to include the reconciliation in the AUP report.

Request from RIDE a copy of the reporting entity's last error report just prior to the school's final UCOA file upload with zero errors. Trace the errors listed on the report to the corrections made within the accounting system for the same reporting period. (Please Note - If the error report lists more than five coding errors, a maximum sample of five errors shall be tested.)

RESULTS:

For school districts with a fiscal year end of June 30, please make the following statement:

A three-way reconciliation between the audited financial statements, the Municipal Transparency Portal schedules, and the UCOA file is presented in the audit report of the municipality (or the regional school) as supplementary information.

For school districts with a fiscal year end other than June 30 and other school entities:

Variations between the UCOA upload file and audited financial statements shall be identified in the following reconciliation template.

For all school entities:

Describe the results from tracing the UCOA coding errors identified in the upload process to the corrections posted in the accounting system. Specifically identify in detail any coding errors that were not corrected in the accounting system.

SCHOOL RESPONSE: (if applicable)

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UCOA - Agreed-upon Procedures - reconciliation template		
UCOA annual upload file reconciled to audited financial statements		
	Revenues	Expenditures/Expenses
Amounts from the audited financial statements (funds that include activity included in the total UCOA upload file):		
Unrestricted School Fund	X	X
School special revenue funds	X	X
School capital project funds	X	X
School Enterprise funds (School Lunch operations)	X	X
Other: <i>(identify fund)</i>	X	X
Other: <i>(identify fund)</i>	X	X
Total		
Adjustments/reconciling items:		
Less: State share of teacher pension contribution - on-behalf payments	X	X
Less: State share of transportation - on-behalf payments	X	X
Add: Local appropriation to schools reflected as a transfer on financial statements and revenue per UCOA	X	
Less: indirect cost recoveries included as revenue in unrestricted school fund	X	
Less: GAAP recording of capital lease - capital outlay expenditures		X
Add: Use of fund balance reported as revenue in UCOA	X	
Other reconciling items		
Other reconciling items		
Adjusted totals		
UCOA - final upload file (including final audit adjustments)		
specify upload date _____		
Adjustments/reconciling items:		
Adjusted totals		
Unreconciled variance	0	0
<i>Revised October 2016</i>		

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REQUIREMENT 3:

Tuition costs are subject to various UCOA coding requirements. Determine if the entity has complied with the UCOA requirements for reporting tuition costs:

- a. Tuition costs may be charged to one of eight different expenditure object codes in the 55600 series, depending to whom the tuition payment is made (e.g., another school district within the State, a charter school, a private school, etc.). In addition to tuition charges, the billings from an outside provider may also include costs for personal aides and other similar charges. Such charges are part of the services being provided to the student and should be captured in the same Object account for Tuition costs. This maintains consistency in application of costs of this nature.
- b. For all Tuition accounts in the Object 55600 series, the Location will always be an Out-of-District account which will be limited to Location Types 07, 08, 10, 11, and 13.
- c. An Out-of-District Location is defined not by the geographic boundaries, but by who “owns” the Non-Public/Private School. By definition, all entities to which Tuition is paid are Out-of-District Locations. Accordingly, only Function 431 (Public, Parochial, Private, and Charter School Pass-Throughs) may be used with the Tuition Object codes in the 55600 series.
- d. The Tuition Object 55600 series may be used with any Fund Type except 40 (Debt Service Funds) and 90 (Custodial Funds).
- e. For Special Education students, Program 20 is used for students who are district-placed or program 50 for students who are parentally-placed in the alternative location. For non-Special Education students, Program codes 30, 40, 50, or Program 10 series should be used. Program code 30 should be used for tuition payments (and other associated costs) for students to attend Career and Technical programs in other Districts or Charter Schools.
- f. Any Subject codes can be used with Tuition costs except 2701, 2702, 2703, 9700, 9800, and 9900. Subject Series 2100 is used for Special Education and 1400 series with Career and Technical programs.
- g. Only Job Classification code 0000 should be used with tuition payments.

PROCEDURES:

Obtain an extract from the accounting system of all transactions posted to the 55600 series object codes (tuition expenditures):

- Select a random sample of 10 transactions. If tuition payments are posted to Program 10 (General Education), at least half of the sample (or five) shall be selected from Program 10. Describe procedures for selecting the random sample. Transactions tested in Compliance Testing Requirement No. 1 may also be used to satisfy the compliance testing requirement for tuition payments if the selected transaction was posted to a tuition object code in the 55600 series.
- Examine the billing invoices (and any additional supporting documentation submitted by the provider) to determine if the expenditure was appropriately coded based upon UCOA rules for

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tuition payments. The segments of the account number to be tested include the following: object, location, fund, function, program, subject, and job classification codes. Particular attention shall be focused on the program segment and whether career and technical programs are appropriately coded as Program Code 30.

RESULTS:

Describe procedures for selecting the sample and describe how many transactions were selected from each program code.

Describe results of compliance tests performed. Each instance of noncompliance shall describe the transaction detail (including dollar amount) and the specific noncompliance observed. Also, please note whether the error was corrected in the final upload file.

SCHOOL RESPONSE: (if applicable)

REQUIREMENT 4:

Payroll costs are subject to various UCOA coding requirements. Determine if the entity's procedures for payroll related costs support the following UCOA requirements:

- a. Benefit costs are to be charged in the same manner as are the directly-related compensation accounts – i.e., to the same Fund/Subfund, Location, Function, Program, Subject, and Job Classification and in the same proportion when allocated to more than one Fund/Subfund. Alternatively, the Allocation Holding Accounts, Location 99999 and Subject 9900 may be used where allowed by the applicable Object Intersection Rule for the Benefit Object selected. Healthcare benefit costs are to be allocated consistent with the employees' wages based on actual insurance premiums or, in the case of employers who are self-insured, based on working rates.
- b. The entity has made a determination as to whether any employee meets the conditions that would require allocation of salary and benefits to more than one Fund/Subfund, Location, Function, Program, or Subject and has supporting documentation for that determination, (e.g., department heads, nurses who also teach, etc.)
- c. Wages and related benefits for Short-term Substitute Teachers (Job Classifications 1295-1299) are charged only to Subject 0000 when used in conjunction with Function 112 (Substitutes). For those same Job Classification accounts when used with Function 221 (Curriculum Development) and Function 222 (In-Services, Staff Development and Support), wages and related benefits are to be charged to the appropriate accounts for Fund/Subfund, Location, Program, and Subject which were used for the class for which the Substitute Teacher has been engaged to replace. For the Subject segment for example, use Subject 1500 for Middle or High School Math, 0011 for Elementary School Math, and 0200 for Art for all School types.
- d. Long-term Substitute Teachers (Job Classification 1294) are to be charged to the appropriate accounts for Fund/Subfund, Location, Program, and Subject which were used for the class for which the Substitute Teacher has been engaged to replace.

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- e. Wages and benefits for short-term substitute teacher support personnel are to be charged to the appropriate accounts for Fund/Subfund, Location, Program, and Subject which are applicable to the activity to which they are assigned.
- f. Wages and related benefits for pre-school teachers are charged to the appropriate 09xxx location code.

PROCEDURES:

Determine whether the entity's payroll system directly interfaces with the entity's general ledger accounting system and whether it is designed to post directly to the appropriate UCOA account or if there are a significant amount of manual adjustments and journal entries to allocate payroll related cost to the appropriate UCOA account. Determine if the entity has reasonable and sufficient procedures in place to meet the payroll and related benefit requirements of the UCOA.

Determine if pre-school is offered by the entity.

Review one payroll period posting to assess compliance with UCOA payroll allocation requirements and when applicable, with the appropriate location code for pre-school teachers (this may be satisfied through payroll transactions tested in the sample of transactions tested for compliance in compliance testing requirement No. 1). Describe sample selection process. (Please note - If the entity is using the intra-fund UCOA allocation tool, allocations are performed within the UCOA database and therefore testing is not required for benefit allocations made within that Fund/Subfund.)

RESULTS:

Describe payroll system and whether the system interfaces directly with the general ledger system and whether it is designed to post directly to the proper UCOA code or if there are a significant amount of manual adjustments and journal entries to allocate payroll costs. Conclude if the entity's procedures are reasonable and sufficient to meet the payroll and related benefit requirements of UCOA.

Indicate whether the school entity has a pre-school program.

Describe results of compliance tests performed. Each instance of noncompliance shall describe the transaction detail (including dollar amount) and the specific noncompliance observed. Also, please note whether the error was corrected in the final upload file.

SCHOOL RESPONSE: (if applicable)

REQUIREMENT 5:

Professional Development costs are subject to various UCOA coding requirements. Determine if the entity has complied with the UCOA requirements for reporting Professional Development costs for four of the five Object accounts:

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- a. Object 51113 represents the portion of a teacher’s regular salary, as specified in a contract or agreement, for professional days.
- b. Object 51302 represents additional payments made to a teacher for attending School-based professional development.
- c. Object 51303 represents additional payments made to a teacher for attending District-based professional development.
- d. Object 53301 represents third-party vendor costs (on-site or off-site) for providing professional development. For instruction-related personnel, the professional development costs should be posted to Function 222. For all other personnel, the professional development costs should be posted to the same Function account as the base wages.

PROCEDURES:

Review union contracts and adopted budget to identify professional development offered to teachers.

Review payroll records to verify compliance with UCOA rules for Objects 51113, 51302, and 51303. (This may be satisfied by testing one payroll record which includes postings to these Object accounts and which may have been selected in compliance testing requirement 1 or 4).

Describe procedures for selecting a sample of transactions posted to Object 53301 (Expenditures selected in Compliance Testing Requirement No. 1 may be also used to satisfy this compliance testing requirement). Examine the supporting vendor invoice to identify the specific employee(s) receiving professional development services and trace the employee name to the payroll record to determine the Function account to which base wages (Object 51113) were charged. Verify the professional development costs were posted to the proper Function account based on the UCOA rules for the Function Series.

Describe any additional procedures performed.

RESULTS:

Describe results of compliance tests performed. Each instance of noncompliance shall describe the transaction detail (including dollar amount) and the specific noncompliance observed. Also, please note whether the error was corrected in the final upload file.

SCHOOL RESPONSE: (if applicable)

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