

Audit Process

School Auditing Office (November 2023)



COLORADO
Department of Education

Overview

In order to ensure compliance with the Public School Finance Act of 1994 (PSFA of 1994), each school district receiving funds under this Act is subject to an audit by the School Auditing Office. Pursuant to 1 CCR 301-39 (8.01), each district shall retain complete documentation supporting any certification made to the Department or any other data given to the Department for purposes of administering the Public School Finance Act of 1994 until audited by the Department or until five years from the certification due date, whichever comes first.

Each compliance audit conducted by the School Auditing Office includes a review of district provided documentation to support the data submitted by the district in the Student October Count data submission (PSFA of 1994). Although districts are only engaged for audit every 2-5 years, these audits will include the funded pupil, at-risk, and ELL counts for all data submissions that have occurred since the district's last audited year.

Process

1. **Audit Engagement:** The district Superintendent is notified, by the School Auditing Office, via email, that the district is being engaged for audit.
 - a. This email will indicate the programs and fiscal years to be included in the audit review, and the district audit contacts the School Auditing Office has on file.
 - b. If necessary, the Superintendent (or authorized district representative) should notify the School Auditing Office if audit contacts need to be updated. The "[Audit District Contact Form](#)" should be completed and emailed to the [School Auditing Office](#) at audit@cde.state.co.us
 - i. Once received, the School Auditing Office will share the district's audit Syncplicity folder (used for secure document transfer) with each identified district audit contact.
2. **Audit Scheduling:** The district audit contact(s) for all programs included in the audit review will receive an email from the School Auditing Office notifying them of the upcoming audit and corresponding instructions, including information regarding the following:
 - a. **Document Upload:** Each district audit contact will have a date by which to upload all audit documentation to the district's audit Syncplicity folder.
 - b. **The naming convention for these folders is as follows:** District Number_District Name_Audit_FAST
3. **Document Review:** Once all documentation has been uploaded, the assigned auditor will work with the district to establish a timeline for conducting the initial pass-through review of the uploaded documentation. This initial pass-through will normally be completed within six months of the documentation being uploaded to Syncplicity.
4. **Request for Additional Documentation:** After completing the initial pass-through, the auditor will upload corresponding exception lists for all applicable counts and years for review by the district audit contact, who will then upload any additional documentation needed to address the noted exceptions and/or adjustments.
 - a. This process will repeat as additional documentation needs are identified and until all issues have been addressed. The time to complete the audit fieldwork will be based on the number of issues identified and the availability of documentation.



5. **Draft Audit Report:** After all additional documentation has been reviewed, and the remaining exceptions and adjustments have been discussed with the district contact(s), the auditor will draft the audit report. The draft audit report is then subject to an internal School Auditing Office review prior to it being issued to the district's Superintendent. This review process could take several months to complete.
 - a. **Issued:** Once the draft audit report is issued, the district will have approximately 30 days in which to submit additional documentation to the School Auditing Office for consideration prior to the audit being finalized.

6. **Final Audit Report:** After all district questions and concerns related to the draft audit report have been addressed (as indicated by written or verbal confirmation by an authorized district official), the School Auditing Office will finalize the district's audit report.
 - a. A copy of the final audit report (along with an invoice or notice of payment, if applicable) will be provided to the district's Superintendent via Syncplicity.

7. **Payment:** As a result of the findings identified in the final audit report, the district may owe money back to the state (based on prior overpayment) or be entitled to receive money from the state (based on prior underpayment). Depending on the circumstances, along with the final audit report, the district may have received either a Notification of Payment or an Invoice.
 - a. **Notification of Payment:** If the district has received a Notification of Payment with the final audit report, this means that the district was found to be entitled to additional funds (as a result of underpayment during one or more years of the audit cycle). Payment will be issued to the district within 45 days.
 - b. **Invoice:** If the district has received an Invoice with the final audit report, this means that the district was found to owe money (as a result of overpayment during one or more years of the audit cycle).
 - i. **Timeline for repayment:** The district will have an interest-free period for repaying any funds owed. The length of this period is equal to the number of days that have passed since the settlement date of the previous audit. For example, if the date the prior audit was settled was two years and 13 days prior to the date the current audit was issued, the district would have 743 days to pay the full audit liability before interest begins to accrue.
 - ii. **Audit Repayment Options:** If the district chooses not to pay the full balance within 30 days following receipt of the invoice, the district is asked to submit an Audit Repayment Plan and identify which of the following repayment options the district has chosen:

Option 1: The district will select a date by which to send the department a check to pay the entire balance owed to the state.

Option 2: The district will send checks to the department for partial payments on regular intervals (monthly, quarterly, yearly) selected by the district.

Option 3: The district gives the department permission to withhold audit payments from the district's State Share funding distribution (in amounts and intervals selected by the district).

For more information on preparing for audit, visit the [School Auditing Office Training and Office Hours](http://www.cde.state.co.us/cdefinance/auditunit_trainings) webpage at http://www.cde.state.co.us/cdefinance/auditunit_trainings or [contact the School Auditing Office](mailto:audit@cde.state.co.us) at audit@cde.state.co.us