

**SCHOOL DISTRICT  
ADM FORMULA AUDIT  
Suggested Audit Procedures**

**General**

ORS 328.465(5) “The audit required by this section shall include an audit of those factors that are used to compute the State School Fund distribution under ORS 327.013.”

OAR 162-10-315 (Secretary of State Minimum Standards for Audits) “There shall be comments regarding the school district’s compliance with legal requirements as stated in ORS 327.013 and as further defined by the Oregon State Department of Education pertaining to the district’s calculation and reporting of the factors used to compute the State School Fund distribution.”

**Objectives**

- Determine if internal controls are present and operating and assess risks.
- Determine that the factors used to calculate the average daily membership (ADM) are accurate and supported by the underlying accounting records.
- Determine that the teacher experience factor is correctly calculated and reported.
- Determine that the reimbursable transportation costs are properly computed and reported.

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**Planning and Supervision**

1. Obtain written representations from management that all information and records of the factors used to compute the State School Fund distribution have been made available.

**Internal Control**

2. Gain an understanding of the district's system of internal control for the following areas:
  - Regular attendance (form 581-3200)
  - Part-time program attendance (form 581-3201C)
  - Alternative program attendance (form 581-3201A)
  - Nonresident Students (form 581-3202)
  - English as a Second Language Students (form 581-3224)
  - Pregnant and Parenting students (form 581-3225)
3. Select a sample of schools within the district and review their written procedures to determine if they are in compliance with Student Accounting Records and State Reporting requirements (OAR 581-023-0006).
4. Perform tests of controls when applicable and assess risks.

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**Substantive Procedures**

Department of Education payments of state school fund moneys will vary from district to district depending on individual characteristics of that particular district (student population, teacher experience, transportation costs, and extra weighting categories such as alternative programs). Therefore, the auditor will employ a variety of substantive audit procedures to verify accuracy of individual factors supporting the amount of state school fund money received.

5. Depending on the significance of the individual factor being reviewed the auditor will judgmentally select the appropriate auditing procedures. Examples include the following:
  - a. Obtain district report forms for various factors (Step 2 above).
  - b. Perform analytical review procedures of the ADM factors.
  - c. Select a sample of students to determine proper enrollment or withdrawal.
  - d. Verify eligibility for certain programs and extra weighting factors (i.e., ESL or Pregnant and Parenting programs).
  - e. Trace attendance information to enrollment records.
  - f. Other reasonableness tests.
  
6. Apply selected auditing procedures to audit of individual factors as follows:
  - a. Student Personnel Accounting Report Verification (Form 581-3200).
  - b. Attendance History Records.
  - c. No Shows.
  - d. Part-Time Students.
  - e. Nonresident Student Reporting.
  - f. Private Alternative Programs.
  - g. Home Tutoring.
  - h. Additional weighting for English as a Second Language and Pregnant and Parenting Students.

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7. For Student Transportation Expenses consider the application of the following audit procedures:
  - a. Review transportation expenses by function codes for allowability.
  - b. Ascertain that only transportation vehicles are maintained at shop.
  - c. Test payroll expenditures and verify they are transportation related.
  - d. Review non-reimbursable miles reported.
  - e. Verify if depreciated vehicles/equipment are used for pupil transportation.
  - f. Foot and recalculate depreciation schedules.
  
8. For Teacher Experience consider the application of the following audit procedures:
  - a. Obtain a copy of licensed teacher salary agreements and agree teacher years of experience to selected personnel files.
  
9. Prepare a summary of audit findings and conclusions for inclusion in the audit report and/or management letter.

**REFERENCES**

OAR 581-023-0006 - Student Accounting Records and State Reporting

OAR 581-023-0040 - Approved Transportation Costs for Payments from the State School Fund

OAR 581-023-0100 - Eligibility Criteria for Student Weighting for Purposes of State School Fund Distribution

**OTHER INFORMATION**

- Department of Education and Secretary of State website for Administrative Rules [www.state.or.us/](http://www.state.or.us/); then Government (button); then Oregon Administrative Rules (button);
  
- "Oregon Student Personnel Accounting Manual" (2004 ed.) as well as applicable forms are on the Department of Education website at [www.ode.state.or.us/](http://www.ode.state.or.us/)