

**RULES
OF
THE TENNESSEE DEPARTMENT OF EDUCATION
THE STATE BOARD OF EDUCATION**

**CHAPTER 0520-01-02
ADMINISTRATIVE RULES AND REGULATIONS**

0520-01-02-.13 FISCAL ACCOUNTABILITY STANDARDS.

(1) Data Collection

- (a) The Commissioner of Education shall prescribe a system of school fiscal accounting for all school systems which ensures that the expenditure of funds is properly accounted for and safeguarded in accordance with current law and State Board of Education rules, regulations, and minimum standards. The Commissioner shall require such reports from school systems as are required by federal or state law, State Board of Education rules, or as are otherwise necessary for ensuring fiscal accountability standards.
- (b) To ensure proper financial reporting of revenue and expenditures for all public school purposes, the system of school fiscal accounting shall include a standard chart of accounts and audit procedures. The standard chart of accounts shall be the basis for the Annual Public School Budget Document, which shall contain the account codes necessary to ensure the capability for meaningful comparisons of school systems. At a minimum, the Budget Document shall include separate account codes for all classroom and non-classroom components of the Basic Education Program (BEP), or for accounts which may be compiled into BEP components, and sufficient revenue account codes to differentiate between federal, state and local revenue.
- (c) The report of actual expenditures shall be the Annual Public School Financial Report and shall include sufficient information to allow a system by system comparison of budgeted and actual expenditures for BEP funding within the classroom and non-classroom areas. The Financial Report shall, at a minimum, contain account codes identifiable as BEP program components, or accounts which may be compiled into BEP components, and shall differentiate between federal, state and local revenue when reporting actual revenue for the prior year and estimated revenue for budget purposes.
- (d) The Department of Education shall establish procedures for collecting and verifying average daily memberships for use in determining BEP allocations. .

(2) Reports & Documents

- (a) Within thirty (30) days of the beginning of each school year, each school system shall submit to the Commissioner of Education, on a form provided by the Department of Education, a complete and certified copy of its entire school budget for the current year.
- (b) On or before August 1 of each year, each school system shall submit to the Commissioner a correct and accurate financial report of public school revenues and expenditures for the school year ending on June 30. The Commissioner of Education shall require such reports and maintain such documents as will allow a comparison of BEP allocations with actual expenditures for each school system.
- (c) The Commissioner shall provide to the State Board of Education on or before October 1 of each year a report of ADM for each school system for the previous school year.

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- (d) The Department of Education shall prepare and the State Board of Education shall approve estimated BEP allocations for each school system no less than 90 days prior to the beginning of the fiscal year.
 - (e) Modifications, revisions, or corrections to estimated BEP payments to LEAs will be made by the Department of Education and approved by the State Board of Education.
- (3) Review and Verification
- (a) The budget submitted by each school system will be reviewed by the Department of Education to ensure that state funds are not being used to supplant local funds and that each school system has appropriated funds sufficient to fund its local share of the BEP.
 - (b) Revenue derived from local sources must equal or exceed prior year actual revenues - excluding capital outlay and debt service, and adjusted for decline in average daily membership (ADM).
 - (c) The Department of Education shall verify that BEP funds are being budgeted for eligible expenses and that BEP funds earned in the classroom components, as defined by the State Board of Education, are budgeted for use in the classroom. The Commissioner shall advise the State Board of Education of all systems which fail to meet these minimum standards.
 - (d) Each school system shall provide to the Commissioner of Education or a designated representative copies of all school system related audit reports, including those made by governmental or independent public accountants.
 - (e) The Department of Education shall conduct review and follow-up procedures to ensure that audit exceptions are evaluated and appropriate actions are taken. The Commissioner shall notify the State Board of Education of any material and significant findings which reflect on the ability of the LEA to provide a quality education or which indicate that progress toward satisfactory resolution is not being made.
- (4) Audit
- (a) An Internal Audit Section will be maintained in the Department of Education for the purpose of testing and evaluating school system administrative and accounting controls, compliance, and financial and program accountability for state and federally funded programs, and for compliance with State Board of Education rules, regulations, and minimum standards. The Internal Audit Section shall make such full and limited scope audits as it deems necessary under the circumstances, and special audits as requested by responsible government officials. The audits will be performed in accordance with standards for the professional practice of internal auditing and with generally accepted governmental auditing standards.
 - (b) To provide reasonable assurance that attendance and financial reports are reliable and accurate, the Internal Audit Section shall conduct audit procedures for the review and testing of the attendance accounting system. The Internal Audit Section shall review such programs as necessary to provide reasonable assurance that funds are properly accounted for and safeguarded in accordance with current law, applicable federal standards, and State Board of Education rules, regulations, and minimum standards. Audits shall include evaluating program objectives, grant performance and accountability to determine that each LEA has a system in place to ensure compliance with program regulations and guidelines.
 - (c) The Commissioner of Education shall be advised of all audits, including a summary of the scope of the audit, the findings, recommendations, management comments, and

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conclusions including a determination as to the adequacy of corrective action planned or implemented. The State Board of Education, Superintendent, and representatives of the Comptroller's Office shall be provided copies of all audits conducted.

Authority: T.C.A. §§ 49-1-201; 49-1-210 and 49-1-302. **Administrative History:** Original rule filed November 3, 1993; effective March 30, 1994. Amendment filed June 30, 1995; effective October 27, 1995.