



# KANSAS STATE DEPARTMENT OF EDUCATION

FISCAL AUDIT SECTION  
Director of Fiscal Auditing  
785-296-4976

## INDIRECT COSTS AUDIT GUIDE

2016-17 expenditures, audited in FY18

Revised – August 2017

### PURPOSE OF AUDIT

The School Finance Section of the Kansas State Department of Education uses the “Indirect Costs” listed in Table V of the Annual Statistical Report, to compute future year indirect cost rates for federally funded programs. The audit is conducted to determine the accuracy and validity of the expenditures reported by the district.

The five items to be audited could be paid out of the district’s **General Fund, Supplemental General Fund or the Contingency Fund.**

### AUDIT STEPS

1. Determine the gross salary of the Superintendent for the duties as a Superintendent. Exclude fringe benefits (such as health insurance, reimbursements for actual expenditures incurred, etc.) and prorated time spent in some other capacity (principal). If part of the salary is tax free (sec. 125), auditors are to consider that portion as fringe. If any benefits or payments are taxable, then include them as salary. This salary should be found in the **Function 2300**, or more specifically 2321, Object 110.
2. Determine the gross salary for all Assistant Superintendents using the same criteria as shown above for Superintendents. **Function 2300**
3. Determine Area Director’s Salary’s. Activities concerned with area-wide supervisory responsibility, paid from **Function 2300 or 2500**. Included in Function 2500 would be the Director of Fiscal Services, Director of IT, and the Director of Human Resources. Included in Function 2300 would be Director of Curriculum, Director of Secondary Education, Director of Special Education, Director of Elementary Education, Director of Legal Services, and Director of Instruction. Other directors of district-wide instructional programs that have administrative responsibilities paid from either 2300 or 2500 would be included.

#### **Samples of those individuals to exclude:**

- Director of Transportation
- Director of Food Service
- Director of Operations and Maintenance.

*A Special Note pertaining to the three areas referenced above. These individuals may act in more than one capacity and if that is the case the salary should be prorated. For example, the Superintendent may also act as a building principal, list only the amount paid as superintendent.*

**In order to include any director, their salary MUST be paid from the General, Supplemental General or Contingency Reserve Funds.**

4. Board Expenses. Expenses that can be directly attributable to the District's Board. This would include such items as:
  - A. Travel and registrations for Board members.
  - B. Dues such as KASB & National Association of School Boards.
  - C. Periodicals, books and subscriptions for Board members.
  - D. Legal expenses related to litigation against the Board.
  - E. Other expenses that are directly related to the Board.

Items that would not be included are:

- a. Board attorney retainer fees.
- b. Cost of the annual CPA audit.

Some items must be decided on an individual basis, but the determining factor is whether the expense was for the board or for the district.

5. District Election Expense. Payments made to the county clerk(s) for the conduct of school district elections. (2314)

## **REPORTING REQUIREMENTS**

Using the current USD write-up program, find the "Indirect Costs" tab. The amounts claimed by the district will be pre-loaded into the write up.

1. Enter the audited figures.
2. In the "Notes" section record why changes were made to any item above. Be specific, this information would be critical if an audit appeal occurs.
3. The auditor may wish to attach a list of individuals and salaries making up the total amount for each line.

*An Equal Employment/Educational Opportunity Agency  
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KSDE General Counsel, 900 SW Jackson., Topeka, KS 66612 785-296-3201*

[Return to Top](#)