**Section 675.230 Reports of Actual Costs**

a) Each provider shall report to the State Board of Education, no later than September 30 following the end of the SES reporting period or 45 days after the end of the provider's fiscal year, whichever is later, and using a form provided by ISBE, the provider's district program cost for each district the provider served. The cost report shall also indicate the payments received or invoiced to the district for the SES reporting period, as well as the difference between these payments and the district program cost.

1) Each provider shall identify all transactions with related organizations and the actual cost of each transaction.

2) For purposes of this subsection (a)(2), a student "served" is one with respect to whom a provider performed any service that was billed to a district. Each non-governmental provider serving more than 50 students within a district must engage an independent Licensed Certified Public Accountant (CPA) who is a member of the American Institute of Certified Public Accountants to perform agreed-upon procedures on its reported information. An agreed-upon procedures report must be submitted with the district program cost report required by this subsection (a). The agreed-upon procedures must include the following.

A) Obtain the general ledger trial balance as of the reporting date and agree or reconcile the balances in the trial balance to the cost report;

B) Inquire of members of management who have responsibility for financial and accounting matters concerning:

i) whether the cost report has been prepared using the accrual basis;

ii) the procedures for recording, classifying, and summarizing transactions and accumulating information;

iii) the method used to allocate curriculum development and administrative and general expenses to the district;

iv) known transactions with related organizations and whether the actual cost of such transactions was accurately reported; and

v) the provider's procedures for identifying non-reimbursable expenses;

C) Identify and report on results from the following procedures:

i) compare the actual average cost per pupil as shown on the cost report to the average cost per pupil shown in the contract with the district, and report on management's explanation for any differences greater than 10 percent; and

ii) compare current-year and prior-year cost results by report line item, and report on management's explanations for any differences in line item amounts that exceed 10 percent of the prior year's amounts, or if the total cost for the reporting period exceeds the total cost for the prior year by more than 5 percent;

D) For providers serving more than 200 students in a district, select a sample of program and curriculum and training expenses for source document testing. The sample must be representative of the population and represent no less than 25 percent of the expenses for each category. As a part of testing procedures, perform the following:

i) verify that the provider properly classified costs according to the categories and subcategories set forth in Section 675.210 of this Part, and report on sampled items that were not classified in accordance with that Section;

ii) verify that sampled items are not non-reimbursable as defined in Section 675.220 of this Part, and report on sampled items that are non-reimbursable as defined in that Section; and

iii) verify that curriculum development and administrative and general expenses have been allocated to the district in an accurate and consistent manner and in accordance with Section 675.210(b) of this Part, and report on allocations for any sampled items that are not in accordance with that Section; and

E) Report on whether, as determined by the procedures performed under subsection (a)(2)(D) of this Section, the sampled items contain errors, omissions, inconsistencies, or non-compliance with the cost reporting requirements set forth in this Section, and specify each material error, omission, or inconsistency.

3) An agreed-upon procedures report submitted pursuant to subsection (a)(2) of this Section shall indicate whether all elements of the provider's cost report comply with the requirements of this Subpart B. In addition to the specific items to be reported under subsection (a)(2) of this Section, the CPA shall also report on:

A) any unreconciled differences between the general ledger trial balance and the cost report;

B) any cost report that was not prepared on the accrual basis;

C) any entries that are not supported by or do not agree with documentation provided by management;

D) any cost allocation methods that are not in accordance with the requirements set forth in Section 675.210(b) of this Part; and

E) any other material error, omission, inconsistency, or area of non-compliance that comes to the CPA's attention during the course of conducting the agreed-upon procedures required by subsection (a)(2) of this Section.

b) Each provider shall report the number of students enrolled in the provider's program during each SES reporting period. If a student's services are terminated during the SES reporting period, the student shall be reported in accordance with the percentage of the program completed prior to termination of services. For example, a student who completed 60 percent of the provider's program prior to termination of services should be reported as .6 of a student on the provider's cost report.

c) All reporting shall be provided on an accrual basis.

(Source: Amended at 33 Ill. Reg. 8497, effective June 1, 2009)