

# OHIO AUDITOR OF STATE KEITH FABER



**From:** Auditor of State's Center for Audit Excellence

**To:** All IPA Firms

**Subject:** School Capital Asset Accounting (Classic and Redesign)

**Date:** November 22, 2022

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In the SOC 1 Report for the Management Council issued October 20, 2022, DITA modified its opinion over the SSDT Redesign Inventory Application. The basis for the qualified opinion is explained in the report and includes certain issues relating to the calculation of depreciation expense and accumulated depreciation balances in the capital asset accounting systems certain schools utilize in the preparation of their annual financial statements. This increases the risk that calculations in the Redesign Inventory are incorrect. Due to these issues, the Management Council has posted additional guidance for schools on its website –see the links below.

For reasons not yet fully understood, the dates used in the former CLASSIC EIS reports are sometimes invalid, increasing the risk that beginning balances could also be incorrect.

Therefore, auditors are advised to consider beginning balances, depreciation calculations, and accumulated balances to be areas of increased risk when auditing these accounts for schools which use the Classic and Redesign EIS applications. As a first step auditors should ensure current year beginning balances agree to prior year ending balances between these reports. Where differences are identified, deference should be given to the prior year audited ending balance. Additionally, auditors should gain an understanding over management's capital asset compilation process, including how management identifies and tracks current year additions and deletions to capital assets. In many cases, we believe the differences may be immaterial and/or can be compiled or estimated and audited using documentation outside of the EIS system.

More specific guidance will be forthcoming on handling these issues in the future once we have had further time to investigate and evaluate these issues with the Management Council. However, in the meantime, please consult with the Center if you believe these differences in your audit are material. Our awareness of material differences and specific facts and circumstances will be helpful in developing audit guidance.

[Common Import Errors and Warnings - Inventory Documentation - SSDT Confluence Wiki \(ssdt-ohio.org\)](#)

[Life-To-Date Depreciation Discrepancies - Inventory Documentation - SSDT Confluence Wiki \(ssdt-ohio.org\)](#)

Questions can be directed to Tim Downing at [tpdowning@ohioauditor.gov](mailto:tpdowning@ohioauditor.gov) or Vance Pulley at [vrpulley@ohioauditor.gov](mailto:vrpulley@ohioauditor.gov).