



# Translating Audits to Action: Audit Resolution at the Local, State, and Federal Levels

April 24, 2018

Facilitator: Wayne Ball, CIFR, NCSI FST



# Presenters

## Morgan Williams

Federal Programs  
Manager, Georgia  
Department of Audits &  
Accounts

[williamsm@audits.ga.gov](mailto:williamsm@audits.ga.gov)



## Marnie Fredrickson

Assistant Chief Deputy  
Auditor  
Ohio Auditor of State's  
Office

[MAFredrickson@ohio.gov](mailto:MAFredrickson@ohio.gov)



## Charles Kniseley

OSEP Audit Facilitator  
(Team B)

[Charles.Kniseley@ed.gov](mailto:Charles.Kniseley@ed.gov)



## Lynne Fairfax

OSEP Audit  
Facilitator (Team D)

[Lynne.Fairfax@ed.gov](mailto:Lynne.Fairfax@ed.gov)



# IDEA Audit Process – Local Educational Agencies (LEAs)

Morgan Williams, CPA, CGFM

Georgia Department of Audits & Accounts

# Introduction and Expectations



## Georgia Department of Audits and Accounts (DOAA)

- Performs audits for most public LEAs, which includes completing audits over major Federal programs.
- Audits over Federal programs follow guidance reflected in the annual OMB Compliance Supplement:  
[https://www.whitehouse.gov/sites/whitehouse.gov/files/omb/circulars/A133/2017/Compliance\\_Supplement\\_2017.pdf](https://www.whitehouse.gov/sites/whitehouse.gov/files/omb/circulars/A133/2017/Compliance_Supplement_2017.pdf)
- Federal Audit Expectations:
  - The LEA has complied with the compliance requirements that could have a direct and material effect on each of its major Federal programs.
  - The LEA has established and maintained internal controls to reasonably ensure compliance with the requirements of each of its major Federal programs.

# Selecting the Special Education Cluster (IDEA) for Testing



## Major Program Determination Factors

- Dollar amount expended
- The timing of the last IDEA audit
- Issues noted with the program in the previous fiscal year's audit:
  - Material weakness finding(s)
  - Modified opinion
  - Dollar amount of questioned costs
- Requests made by Federal awarding agency
- And many more!!!

# Performing the Audit - Compliance Requirements



## Activities Allowed or Unallowed (AAU)

- Determine whether Federal awards were expended only for allowable activities.

## Allowable Costs/Cost Principles

- De Minimis Indirect Cost Rate
  - Determine that the de minimis rate is applied to the appropriate base amount.
  - Determine that the de minimis rate is used consistently by a non-Federal entity under its Federal awards.

# Compliance Requirements: Allowable Costs/Costs Principles



## Direct Costs:

- Determine whether (1) direct charges to Federal awards were for allowable costs and (2) unallowable costs determined to be direct costs were included in the allocation base for the purpose of computing an indirect cost rate.

## Indirect Costs:

- Determine whether (1) charges to cost pools used in calculating indirect cost rates were for allowable costs, (2) the methods for allocating the costs are in accordance with the cost principles, and produce an equitable and consistent distribution of costs, (3) indirect cost rates were applied in accordance with negotiated indirect cost rate agreements (ICRA), and (4) indirect cost rates were applied in accordance with the ICRP maintained on file.

# Compliance Requirements: Cash Management



- Determine whether payment methods minimized the time elapsing between transfer of Federal funds from the U.S. Treasury or the pass-through entity and the disbursement by the non-Federal entity and any interest earned on advances was properly remitted.
- For grants and cooperative agreements to non-Federal entities that are paid on a reimbursement basis, supporting documentation shows that the costs for which reimbursement was requested were paid prior to the date of the reimbursement request.
- Determine whether pass-through entities implemented procedures to ensure that payments to subrecipients minimized the time elapsing between transfer of Federal funds from the pass-through entity to the subrecipient and the disbursement of such funds for program purposes by the subrecipient, as required by applicable cash management requirements in the Federal award to the recipient.

# Compliance Requirements: Equipment, Real Property, Level of Effort, Earmarking



## Equipment and Real Property Management

- Determine whether the non-Federal entity maintains proper records for equipment and adequately safeguards and maintains equipment.
- Determine whether disposition or encumbrance of any equipment or real property acquired under Federal awards is in accordance with Federal requirements and that the awarding agency was compensated for its share of any property sold or converted to non-Federal use.

## Matching, Level of Effort, Earmarking

- Level of Effort - Determine whether specified service or expenditure levels were maintained.
- Earmarking - Determine whether the minimum or maximum limits for specified purposes or types of participants were met.

# Compliance Requirements: Period of Performance, Procurement



## Period of Performance

- Determine whether the Federal award was only charged for: (a) allowable costs incurred during the period of performance; or (b) costs incurred prior to the date the Federal award was made that were authorized by the Federal awarding agency or pass-through entity.
- Determine whether obligations were liquidated within the required time period.

## Procurement and Suspension and Debarment

- Determine whether procurements were made in compliance with applicable Federal regulations and other procurement requirements specific to an award or subaward.
- For covered transactions determine whether the non-Federal entity verified that entities are not suspended or debarred, or otherwise excluded.

# Compliance Requirements: Reporting, Subrecipient Monitoring



## Reporting

- Determine whether required reports for Federal awards include all activity of the reporting period, are supported by applicable accounting or performance records, and are fairly presented in accordance with governing requirements.

## Subrecipient Monitoring

- Determine whether the pass-through entity (PTE) identified the subaward and applicable requirements at the time of the subaward (or subsequent subaward modification) in the terms and conditions of the subaward and other award documents sufficient for the PTE to comply with Federal statutes, regulations, and the terms and conditions of the Federal award.
- Determine whether the PTE monitored subrecipient activities to provide reasonable assurance that the subrecipient administered the subaward in compliance with the terms and conditions of the subaward.

# Compliance Requirements: Special Tests and Provisions



- Determine whether (1) the schools operating schoolwide programs were eligible to do so, (2) the schoolwide programs included the core elements and components, (3) funds included in the schoolwide program were used to address specific educational needs that the school identified in the needs assessment and that were articulated in the schoolwide plan, and (4) the annual evaluation of the results achieved by the schoolwide program and revision of the schoolwide plan based on that evaluation were completed.
- Determine whether new or significantly expanding charter schools received the amount of Federal formula funds for which they were eligible in a timely manner.

# Frequently Reported Deficiencies



**Allowable Costs/Cost Principles:** Documentation of Employee Time and Effort

**Cash Management:** Excessive Cash Balances

**Equipment and Real Property Management:** Inadequate Equipment Listings

**Matching, Level of Effort, Earmarking:** Failure to Meet Maintenance of Effort Requirements

**Reporting:** Inaccurate Completion Reports

# Outcome of Audits



## Deficiency reporting:

- Deficiencies are discussed during the exit conference meeting with the LEA.
- Federal Significant Deficiency and Material Weakness findings are published in the LEA's audit report.

## Deficiency follow-up:

- Federal Significant Deficiency and Material Weakness findings are reported to the Georgia Department of Education (GaDOE), and the GaDOE initiates additional review and remediation efforts.
- DOAA auditors will review these findings in the next audit period and obtain documentation from the GaDOE regarding clearance of these findings.

# Contact Us – Georgia (DOAA)



Website: <http://www.audits.ga.gov/>

Email: [williamsm@audits.ga.gov](mailto:williamsm@audits.ga.gov)

Tel: 404-656-2180

# State Educational Agencies (SEAs) and Charter Schools

Marnie A. Fredrickson

Assistant Chief Deputy Auditor, Ohio Auditor of  
State's Office

# About Ohio Auditor of State's Office

[www.ohioauditor.gov](http://www.ohioauditor.gov)



- **One of five independently-elected statewide offices under Ohio's Constitution**
  - Independent, objective, nonpartisan
- **Performs duties set forth in the Ohio Revised Code, Ch. 117**
- **Employs more than 700 auditors and other professionals**
- **Audits more than 5,900 entities (larger units of government conducted annually, smaller units usually biennially)**

# About Ohio Auditor of State's Office

[www.ohioauditor.gov](http://www.ohioauditor.gov) (cont.)



- Counties (GAAP-*Generally Accepted Accounting Principals*), Cities (GAAP), Villages, Townships, Public Libraries, Educational Service Centers (GAAP), Solid Waste and EMS Districts, Governmental cemeteries, and lots of others
- Traditional Public School districts (GAAP) -- **608**
- Community schools (GAAP) -- **330**
- State colleges & universities (GAAP) -- **80**
- State of Ohio and related agencies/commissions (GAAP)

# Ohio Auditor of State's Office: What we do



## Major Initiatives:

- 2012 Statewide Audit of Student Attendance Data and Accountability System Report
- 2015 Report on Community School Attendance Counts Report
- 2016 Second Community School Student Attendance Count Report

**These reports and all other audit reports are available on Ohio Auditor of State (AOS) website under the 'Audit Search' option.**

# Ohio Auditor of State's Office: What we do (cont.)



## **Financial audits (the largest portion of our work!)**

- AOS performs more than 60% of those audits with Independent Public Accountants (IPAs) contracted to perform remainder

## **Agreed upon procedures**

## **Medicaid compliance examinations (providers)**

## **Special audits and investigations**

## **Performance audits**

## **Local government services such as compilations, trainings, consulting, financial health evaluations, and financial supervision**

# Ohio Auditor of State's Office: Number of Audits



- **Number of Single Audits for 2016-2017 School Year**
  - Traditional schools – 185 (out of 608 audits)
  - Community schools – 3 (out of 362 audits)
- **Number of Single Audits for 2015-2016 School Year**
  - Traditional schools – 290 (out of 608 audits)
  - Community schools – 16 (out of 366 audits)

# Ohio Auditor of State's Office: Standards



For all audits unless AOS independence is impaired, generally adhere to the requirements of:

- American Institute of Certified Public Accountants (AICPA)
- Generally Accepted Auditing Standards (GAAS) and Government Accountability Office (GAO)
- Generally Accepted Government Auditing Standards (GAGAS) (Yellow Book)

**Exception:** AOS performs some stewardship work in the public interest under special authority of the Ohio Rev. Code that is not required to adhere to standards, although we still try to follow the standards as much as possible.

# Ohio Auditor of State's Office: Common Findings



**Most commonly reported single audit cross-cutting and IDEA Part B programmatic issues among Ohio schools:**

- Errors in Schedule of Expenditures of Federal Awards (LEA)
- Lack of time and effort certifications (LEA)
- Late filing of Data Collection Form (DCF) with the Clearinghouse (LEA)
- Late and inaccurate Final Expenditure Reports (LEA)
- Failure to bid contract expenditures or obtain price quotes (LEA)
- SEA misallocating IDEA Part B funds to new/significantly expanded community schools (SEA)
- SEA calculation of LEA Maintenance of Effort compliance was incorrect due to lack of inter-department communication and incorrect data used (SEA)

# The US Department of Education's Role in Audit Resolution

Lynne Fairfax

Charlie Kniseley

# Uniform Guidance Requirements for Federal Agencies

2 CFR § 200.513



## Responsibilities of the US Department of Education (the Department) include:

- Providing technical audit advice and liaison assistance
- Conducting audit quality control reviews
- Advising the audit community and specific auditors
- Coordinating management decisions for cross-cutting audit findings.

# The Department's Audit Intake Process



## The Department's Post Audit Group (PAG):

- Manages incoming single audits from the Federal Audit Clearinghouse
- Coordinates the Department's audit triage process
- Monitors the Department's Audit Accountability and Resolution Tracking System (AARTS)
- Performs Data Analytics on audits received

# Resolution of Joint Audit Findings



During the Departmental triage process, a lead program is designated by PAG. That program is responsible for:

- Facilitating communication across program offices involved in cross-cutting findings
- Determining whether joint resolution of those findings is appropriate
- Organizing document requests and follow-up with States
- Deciding on an approach for the resolution of each finding

# The Role of your OSEP Audit Facilitator



- Notification to SEAs of OSEP's receipt of audit findings
- Collection, analysis, and retention of supporting documentation
- Determination of additional corrective actions, as appropriate
- Development of Program Determination Letters (management decisions)
- Follow-up on corrective actions, and issue closeout letters
- Updates to the Department's automated audit tracking system (AARTS)

# Program Determination Letters (PDLs) and Closeout Letters



## Contain determination language that includes:

- A statement indicating whether the Assistant Secretary sustained the finding and agreed with the auditor's recommendations
- The legal authority for the finding
- A summary of the corrective actions and supporting documentation submitted by the SEA
- A statement of resolution, or additional required actions (as appropriate)
- Information related to repayment (if applicable)

# The Department's Data Analytics on Single Audits



## Analysis of trends in:

- Findings and resolution across States and programs
- Questioned costs and remittances
- Improper Payments

## Data is used in:

- Reporting to Congress
- Informing the Department's organizational assessment

# SEA Oversight of LEA Single Audit Resolution Office of the Inspector General (OIG) Report

**Objective:** To identify common weaknesses and positive practices that the Department should communicate to State Educational Agencies (SEAs) to improve oversight of local educational agency (LEA) single audit resolution nationwide.

Three States (Illinois, Massachusetts, and North Carolina) were audited for oversight of the use of Federal funds and the resolution of LEA single audit findings.

# Reported Results



## Weaknesses:

- Ensuring LEAs take appropriate corrective actions
- Communicating with LEA officials throughout audit resolution
- Issuing management decisions that meet Federal requirements
- Establishing effective internal control over LEA audit resolution

# Reported Results (cont.)



## Positive Practices:

- Issuing enhanced management decisions for repeat findings
- Issuing management decisions for financial statement findings
- Establishing an earlier single audit reporting deadline
- Ensuring LEA action officials receive the management decision

# OIG Recommendations to the Department (1 of 3 slides)



**Develop and issue detailed guidance to all SEAs describing their responsibilities for oversight of the LEA single audit resolution process.**

# OIG Recommendations to the Department (2 of 3)



- Explain the requirement to issue management decisions for all applicable LEA findings within regulatory timeframes and describe specific content requirements for management decisions under 2 C.F.R. § 200.521.
- Emphasize the importance of identifying and requiring appropriate corrective actions for LEAs in resolving audit findings – clear, specific and reasonably expected to correct underlying cause of the finding.
- Urge SEAs to engage in proactive communication with LEAs throughout the audit resolution process. Inform States of requirements in 2 C.F.R. § 200.331(d)(2) to follow-up on status of corrective action and describe benefits of using cooperative audit resolution techniques.

# OIG Recommendations to the Department (3 of 3)



- Emphasize the importance of enhancing audit resolution activities for significant or repeat findings and resolve any barriers to audit resolution.
- Highlight critical controls over single audit resolution that all SEAs should implement.
- Describe positive practices in oversight of LEA audit resolution that SEAs may implement where feasible.

# The Department's Resolution



- Issue detailed guidance to all SEAs regarding oversight responsibilities.
- Provide clear and sufficient instruction to auditors through the OMB Compliance Supplement.
- Explore mechanisms to communicate audit requirements to the single State auditors.
- Collaborate with all program offices that award Federal grants to SEAs to maximize the Department's monitoring and oversight of SEA oversight of LEA single audit resolution activities.

# Department Resources



- US Department of Education's Post Audit Group:  
<https://www2.ed.gov/about/offices/list/ocfo/fipao/whatispag.html>
- Reports to Congress on Audit Follow-up:  
<https://www2.ed.gov/about/offices/list/ocfo/pubs.html>
- Improper Payments:  
<https://www2.ed.gov/about/offices/list/ocfo/fipao/improper-payments.html>
- State Oversight of LEA Single Audit Resolution ED IG Report:  
<https://www2.ed.gov/about/offices/list/oig/auditreports/fy2017/x09q0006.pdf>

# Your OSEP Audit Facilitator



**Team A-** Susan Kauffman ([susan.kauffman@ed.gov](mailto:susan.kauffman@ed.gov))

**Team B-** Charlie Kniseley ([charles.kniseley@ed.gov](mailto:charles.kniseley@ed.gov))

**Team C-** Contact Angela Tanner-Dean ([angela.tanner-dean@ed.gov](mailto:angela.tanner-dean@ed.gov))

**Team D-** Lynne Fairfax ([lynne.fairfax@ed.gov](mailto:lynne.fairfax@ed.gov))

Please complete a session evaluation form before leaving.

Your input is important in helping us develop meaningful content for states.

Thank you!

# Contact Us



Web: <http://cifr.wested.org/>

Email: [cifr\\_info@wested.org](mailto:cifr_info@wested.org)

Tel: 855.865.7323

Twitter: [@CIFR\\_IDEA](https://twitter.com/CIFR_IDEA)

This conference is supported under U.S. Department of Education grant #H373F140001. Conference content may not represent U.S. Department of Education policy, and you should not assume endorsement by the Federal Government. Project Officer: Daniel Schreier.