South Carolina Department of Education

Federal Subrecipient Monitoring Meeting

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Contact SCDE's Single Audit Team @

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Agenda

I.	Opening Remarks/Introductions	A. Len Richardson
		Melissa Austin
II.	Purpose & Objective	Felicia Poston
III.	Project Accounting Procedures	Shonda Pooser
		Quentina Gregg
IV.	Monitoring Procedures	Melissa Austin
	A. Desk Review Process	Nancy Williams
	B. Documentation Review Process	
	C. Onsite Review Process	
V.	Internal Control Weaknesses	
VI.	Comments & Recommendations	Program Directors/Contacts

Purpose & Objective

Primary Purpose & Objectives of the Single Audit Review Process

I. To comply with the federal grant monitoring requirements of OMB Circular A-133 Subpart D §___.400(d). The Audits of States, Local Governments, & Non-Profit Organizations circular outlines the responsibility of the pass-through entity for the federal awards it makes.

II. To safeguard the integrity of the federal grants awarded by SCDE program offices by determining that subrecipients spend federal funds in accordance with the following:

A. Grant Award Requirements

B. Applicable Laws and Regulations

The Single Audit Section COULD NOT meet our objectives without the cooperation and assistance from:

A. SCDE Program Officials

B. SCDE Project Accounting Section

C. SC State Auditor's Office

D. LEAs & Non-LEA Subrecipients

Primary Purpose & Objectives of the Single Audit Review Process *(con't.)*

A pass-through entity shall perform the following for the Federal awards it makes:

A. IDENTIFY – Federal awards made by informing each subrecipient of CFDA title & number, award name, award number, & award year and name of Federal Agency.

B. ADVISE – Subrecipients of requirements imposed on them by Federal laws, regulations, & the provisions of contracts or grant agreements as well as any supplemental requirements imposed by the pass-through entity.

C. MONITOR – Activities of subrecipients as necessary to ensure that Federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.

Primary Purpose & Objectives of the Single Audit Review Process *(con't.)*

A pass-through entity shall perform the following for the Federal awards it makes:

D. ENSURE – Subrecipients expending $500,000 or more in Federal awards *(during subrecipient's FY)* have met the audit requirements for that FY.

E. ISSUE – A management decision on audit findings within 6 months after receipt of the subrecipient's audit report and ensure that subrecipient takes appropriate and timely corrective action.

F. CONSIDER – Whether subrecipient audits necessitate adjustment of the pass-through entity's own records.

G. REQUIRE – Each subrecipient to permit the pass-through entity and auditors to have access to the records and financial statements as necessary for the pass-through entity to comply with this part.

Reporting Requirements

I. **<u>Office of Management & Budget (OMB)</u>** –

Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations states the requirements for organizations expending federal awards.

http://www.whitehouse.gov/omb/circulars_a133

A. Non-federal entities expending $500,000 or more in federal awards in a **<u>single</u>** fiscal year must have:

1. Single Audit *or*
2. Program Specific Audit

B. Non-federal entities expending $500,000 or less in federal awards in a **<u>single</u>** fiscal year are **<u>EXEMPT</u>** from the <u>single audit requirement</u> for that year.

**** Records are still required to be maintained & available for review or audit by appropriate agency officials.****

SCDE's 2010-2011 Subrecipients Include

102 LEAs

School Districts, Career & Technical Ed. Centers, County Boards, Alternative Schools, & Charters

269 Non-LEA Subrecipients

Colleges, Universities, State Agencies, Residential Care Homes, Literacy Councils, County & Community Organizations, Church & Private Schools, Charitable Associations, and Other Non-Profit Organizations

371 TOTAL SUBRECEPIENTS

269 * *(About 73%)* are Non-LEA Subrecipients

Majority DO NOT require a Single Audit to be performed

(They have LESS than $500,000 in federal expenditures)

** In FY 2009-2010, there were 252 Non-LEA Subrecipients

Determination of Subrecipients for Testing Sample of FY

I. Compile a listing of all organizations that received federal dollars from the SCDE.

- There are 3 sources used to identify these organizations:
  - A. Project Accounting Master List (ATTACHMENT A)
  - B. Payments to Counties Report (ATTACHMENT B)
  - C. Decode Listing (see ATTACHMENT C)

Types of Reviews Performed by the SCDE Single Audit Team

I. <u>Desk Review</u>

- Conducted on all single audit reports for non-LEA's who expended more than $500,000 in federal awards during the fiscal year.
- Performed for LEA's who received a federal award finding.

II. <u>Documentation Review</u>

- Conducted on randomly selected non-LEA's who expended less than $500,000 in federal awards during the fiscal year.

III. <u>Onsite Review</u>

- A risk-based review process conducted at the subrecipient's physical location *(usually deemed necessary & requested by the program official)*.

Project Accounting Procedures

LEA & Non-LEA Desk Review Procedures

Ensure Completion of Single Audit Report and/or Federal Program Questionnaire

I. Send a letter (ATTACHMENT D) to all Non-LEA organizations requesting the following:

   A. One copy of the Single Audit Report

   B. Summary Schedule of Prior Audit Findings

   C. Corrective Action Plan

   D. Federal Program Questionnaire (ATTACHMENT E)

II. The Non-LEA subrecipients that expended $500,000 or more in federal funds are required to have a single audit conducted.

   ❖ *All of the items (A thru D) are required to be submitted.*

Ensure Completion of Single Audit Report and/or Federal Program Questionnaire *(con't)*

III. All Non-LEA subrecipients expending federal funds are required to complete and return the Federal Program Questionnaire.

IV. The completed Federal Program Questionnaires are used to determine which Non-LEA subrecipients are required to have an A-133 audit performed and those that are not.

V. The receipt of single audit reports or other appropriate financial reports and questionnaires are monitored and recorded.

Performing The Review

I. REVIEW single audit report & ensure that the single audit was completed in accordance with OMB Circular A-133.

http://www.whitehouse.gov/omb/circulars/a133_compliance_supplement_2011

II. ENSURE the Schedule of Expenditures of Federal Awards (SEFA) is included and properly identifies all expenditures incurred from federal grants received from the SCDE.

III. DETERMINE if there are any reportable conditions and/or findings that affect federal awards passed through the SCDE.

   A. If reportable conditions and/or findings are noted, the following is sent to the appropriate SCDE program office directors:

      1. A memorandum requesting a Management Decision (ATTACHMENT F)
      2. A copy of reportable conditions and/or findings (ATTACHMENT F-1)
      3. A copy of any prior year reportable conditions and/or findings (ATTACHMENT F-1)
      4. A copy of the Corrective Action Plan (ATTACHMENTS F-1)

IV. MANAGEMENT DECISIONS are collected from SCDE program offices.

V. The Management Decisions are then issued to subrecipients within six months of receipt of the single report.

Reporting Requirements

Auditee Responsibilities

I. IDENTIFY all federal program awards received & expended – information shall include:

   A. CFDA *(Catalog of Domestic Federal Assistance)* title & number – **www.cfda.gov**
   B. Award number & year *(assigned by pass-through entity)*
   C. Name of federal agency
   D. Name of pass-through entity

II. MAINTAIN control over federal programs – provide reasonable assurance that federal awards are managed in compliance with laws, regulations, and provisions of contracts or grant agreements related to each federal program.

III. COMPLY with laws, regulations, and provisions of contracts or grant agreements related to each federal program.

Reporting Requirements *(con't)*

Auditee Responsibilities

IV. PREPARE appropriate financial statements – including SEFA *(Schedule of Expenditures Federal Awards)*

- ❖ ***Refer to question #1 on the previous slide for reporting requirements.***

V. ENSURE that required audits are properly performed & submitted when due.

*** December 1st for all LEAs & Charter Schools**

*** 9 months after the FY ends for all non-profits**

VI. FOLLOW-UP and take corrective action on audit findings.

A. PREPARE corrective action plan – to address current year audit findings – *if applicable* information should include:

- ❖ Name*(s)* of responsible contact person*(s)*
- ❖ Corrective action planned
- ❖ Anticipated completion date

B. IMPLEMENT corrective action plan

LEA Desk Review

The SCDE’s Office of Finance, Single Audit Section, will conduct desk reviews of subrecipient single audit reports. For Local Education Agencies (LEA’s), desk reviews are conducted only if the entity has any federal award findings.
Note: For Non-LEA’s, desk reviews are conducted on all single audits reports.

Report is reviewed for any findings related to federal awards passed through the SCDE. If an SCDE related finding is noted, the appropriate program office(s) are notified and a management decision is requested.

<u>Note:</u>

- ❑ LEA Desk Reviews have varied from 20 to 41 ~ for the past 4 years.
- ❑ Non-LEA Desk Reviews are approximately 55 each year.

* A team of 2 Auditors has performed between 75 & 96 Desk Reviews annually.

* Recently, the team has performed reviews for multiple years simultaneously for a single entity.

Documentation Review Procedures

Background Information

I. The Documentation Review Process was implemented beginning with Fiscal Year 2000-2001 for all Non-LEA subrecipients.

II. This procedure was prompted by the "Discussion with Management" issued by the Office of the State Auditor for FY 2000-2001.

III. These procedures were approved and implemented in July 2002.

IV. A memorandum was sent to all Program Office Directors and Grant Liaisons regarding Collection of Expenditure Documentation for Federal Grant Awards/Agreements.

Issued on:

- 08/05/10
- 09/21/11
- 08/30/12

Procedures For Non-LEA Subrecipients Expending < $500K In Federal Awards

I. SELECT 70% of all Non-LEA subrecipients of the total statewide grant award allocations.

   Note:

   - For FY 07-08 ~ 30 Non-LEA subrecipients were selected for review.
   - For FY 08-09 ~ 46 Non-LEA subrecipients were selected for review.
   - For FY 09-10 ~ 58 Non-LEA subrecipients were selected for review.

II. REVIEW and DOCUMENT information available from SCDE federal program officials for the above selected subrecipients. The information reviewed includes the grant award, effective dates, grant amounts, scope, terms and conditions, results of compliance reviews, performance reports, and all other available information.

III. REQUEST copies of judgmentally selected expenditure claim forms from the SCDE Project Accounting Section for selected subrecipients. Review claim forms for required signature and date to ensure subrecipient's certification of expenditures being INCURRED prior to the submission of the claim form.

Procedures For Non-LEA Subrecipients Expending < $500K In Federal Awards *(con't)*

IV. REQUEST supporting documentation from subrecipients to document expenditures on the SCDE expenditure claim form.

(ATTACHMENT H) and (ATTACHMENT H-1)

IV. REVIEW supporting documentation for program allowability and for additional risk assessment to determine if an on-site review is required.

V. NOTIFY federal program officials of the desk review's results. (ATTACHMENT I)

Note: Single Audit Team recommends corrective action and the program office concurs or requests additional corrective actions.

IV. NOTIFY subrecipient of the desk review's results.

(ATTACHMENT I-1)

Program Office
Monitoring Responsibilities

I. INCLUDE specific financial accounting and reporting requirements in the Terms & Conditions for EACH Grant Award.

II. OBTAIN name, phone number, and address of individual/contact responsible for the financial accounting of the grant prior to awarding grants.

III. ENSURE that the certification statement on the reimbursement claim forms are addressed in the grant document prior to awarding the funds.

IV. SUBMIT a copy of the Grant Award/Food Service Agreement & a signed copy of the Terms & Conditions and Assurances *(and all other pertinent documentation/information – i.e., budget revisions, change in personnel or contact information, relocation of entity, etc.).*

V. ENSURE subrecipient receives a copy of:

"Guidelines For Retaining Documentation To Support Expenditure Claims"

Documentation Requirements

I. Assurances

- Part B

II. Terms & Conditions

- Part C – Travel Costs *(*Travel costs, if allowable, **must not exceed** limits noted in the United States General Services Administration (www.gsa.gov) regulations for lodging, meals, or mileage*)*
  - U.S. General Services Administration – www.gsa.gov
- Part H – Documentation
- Part K – Audits
- Part L - Records

III. Support of Salaries & Wages

- Circular A-87 – "Cost Principles for State, local, & Indian Tribal Governments" **http://www.whitehouse.gov/omb/circulars_a087_2004/** (2 CFR Part 225)
- Circular A-122 – "Cost Principles for Non-Profit Organizations" (2 CFR Part 230) **http://www.whitehouse.gov/omb/circulars_a122_2004/**

Types of Participating Employees

"Cost Objective" means a function, organizational subdivision, contract, or grant, or any other activity for which cost data are needed and for which costs are incurred.

- Single Cost Objective
- Multiple Cost Objectives

- *OMB Circulars A-87 & A-122 (2 CFR Parts 225 and 230)*

Single Cost Objective Employees

- Employees who are employed **<u>100%</u>** in a **<u>single</u>** cost objective.

  * ***Must support their salaries and wages by completing <u>SEMI-ANNUAL</u> certifications – substantiating that the worked solely on that program.***

  ***** **<u>Certifications must be signed</u>** by the **<u>employee</u>** and the **<u>supervisor</u>** who has first hand knowledge of the work performed.

Multiple Cost Objective Employees

- Employees paid from **<u>more than one</u>** federal grant
- Employees paid by a federal grant and a non-federal grant, with **<u>different</u>** cost objectives
- Non-federally funded employees whose salary is used as a **<u>"match"</u>** for a federally funded salary

***** Must support their salaries and wages by completing <u>MONTHLY</u> Personnel Activity Reports (PARs) unless a substitute system has been approved.***

Documentation & Onsite Review
Fiscal Monitoring Components

- **Budget vs. Expenditures**
- **Time & Effort Evaluation**
  - ❑ Salary Certification
  - ❑ Personnel Activity Reports (PARs)
- **Support of Expenditures – "Sample" Source Documents Listed Below**

A. Salaries/Employee Benefits

- ❑ Job Description *(All Employees)*
- ❑ Signed & Dated Timesheets and Record of Hourly Wage *(Hourly Employees)*
- ❑ Payroll Schedule *(Hourly Employees)*
- ❑ Signed & Dated Personnel Activity Report or Personnel Log and Record of Monthly or Annual Salary *(Hourly or Salaried Employees)*
- ❑ Payment Record – (i.e., Copy of Check, Check Register/Stub, or Job Analysis, etc. *(All Employees)*

Documentation & Onsite Review
Fiscal Monitoring Components

Support of Expenditures *(con't)*

B. Purchased Services/Supplies & Materials/Capital Outlay

- Invoice or Contract **MUST** be specific – ***who, what, when, where, why & associated costs or fees***
- Purchase Requisition/Purchase Order
- Receiving Report
- Credit Card Receipt, Statement, or Invoice
- Travel *(Registration Fees, Mileage, Lodging, etc.)*
- Payment Record – (i.e., Copy of Check, Check Register/Stub, etc.)

Onsite Review Procedures

I. The Single Audit Team will conduct on-site reviews to satisfy audit requirements for FYs 2008-2009, 2009-2010, and 2010-2011.

A. PRE-ENGAGEMENT: Procedures Performed Prior to the Onsite Review Visit

1. Identify Audit Team Members to Conduct Onsite Review
2. Contact Subrecipient
3. Prepare Engagement Letter (ATTACHMENT J)
4. Contact Program Office *(if applicable)*

B. ENGAGEMENT: Procedures Performed During the Onsite Review Visit

1. Entrance Conference
2. Gathering of Documents to be Reviewed
3. Reconciliation and Test-work Procedures
4. Exit Conference

C. POST-ENGAGEMENT: Procedures Performed After the Onsite Review Visit

1. Memorandum to Program Office

   Re: The Results of the Review Engagement (ATTACHMENT K)

   Note: Single Audit Team recommends corrective action and the program office concurs or requests additional corrective actions.

1. Close-out Letter to Grantee (Subrecipient)

   Re: The Results and Recommendations from the Program Office (ATTACHMENT L)

Onsite Review Procedures *(con't)*

II. The Single Audit Team will also conduct limited scope audits of those LEAs with significant repeat findings. These audits will focus on a selection of federal programs not tested by the independent auditor to determine if all federal funds passed through to the LEA by SCDE were appropriately expended in accordance with regulations. The audits will also identify internal control deficiencies and needed improvements by the LEA.

III. Risk based processes will be resumed once the Single Audit team has satisfied its outstanding Documentation Reviews for FYs 2008-2010.

Questions

Resources

SC Department of Education – *(SCDE)*

www.ed.sc.gov

SCDE Office of Finance

- Single Audit Team
- Project Accounting Team

SCDE Grants Office

- SCDE Grants Manual – Revised May 2012

Office of Management & Budget – *(OMB)*

www.whitehouse.gov/omb/circulars_a133

www.whitehouse.gov/omb/circulars_a087_2004 (2 CFR Part 225)

www.whitehouse.gov/omb/circulars_a122_2004 (2 CFR Part 230)

Catalog of Domestic Federal Assistance – *(CFDA)*

www.cfda.gov

Education Department General Administrative Regulations – (*EDGAR*)

www.sec.gov/edgar.shtml

U.S. General Services Administration – *(GSA)*

www.gsa.gov