2022 ESSA Academy

Melissa Myers
Director
Office of Auditing Services

Outline

- Audit Preparation
- Adequate Supporting Documentation
- Time and Effort
- 2 CFR Part 200/Required Written Procedures
- Common Audit Findings
- ESSER Monitoring
- Subrecipient Risk Assessment
- SCDE Resources

Audit Preparation

Audit Requirement

- SC Code of Law 59-17-100 requires all school districts submit an annual audit report to the SCDE by December 1 after the close of the fiscal year
- 2 CFR 200.501 requires non-federal entities that expend at least $750,000 in federal funds to have a single audit
- All SC school districts meet requirement to conduct a single audit
- Single audit combines a financial audit with an audit of federal programs determined to be major programs.

Major Federal Program Determination

- Auditor uses a risk-based approach to determine which federal programs are major programs
- Risk factors include consideration of:
  - Current and prior audit experience
    - Federal program not recently audited; results of prior audits
  - Oversight by federal agencies and pass-through entities
    - OMB may designate programs as higher risk
  - Inherent risk of the federal program
    - Nature of the program
    - Phase of program in its lifecycle (New program, etc.)

Major Federal Program Determination

- Based on risk factors, it is highly likely that at least one of the ESSA programs will be determined to be a major program for most LEAs

- ESSER programs will definitely be tested as high-risk

- Funds expended prior to June 30, 2022, will be subject to audit during the FY 2021-22 single audits due on December 1, 2022

Audit Preparation

Ensure that your LEA complies with all terms and conditions of the subgrant award to avoid any potential audit findings during the FY 2021-22 and subsequent single audits.

Audit Preparation

- Maintain all supporting documentation for expenditures incurred
- Ensure staff involved with expending funds understand all allowable activities
- Only request reimbursement for allowable activities

Audit Preparation

- Ensure that your general ledger supports expenditures requested for reimbursement
- Ensure all expenditures have been both **incurred and paid** prior to requesting reimbursement

OMB Compliance Requirements

Single auditors will test the applicable compliance requirements found in the OMB Compliance Supplement for the ESSA and ESSER programs when performing the single audit.

OMB Compliance Requirements

May include the following:

- Activities Allowed or Unallowed
  - Specifies what expenditures are allowable or unallowable under a program
- Allocable Costs/Cost Principles
  - Specifies expenditures that are allowable and how they are calculated and supported.

OMB Compliance Requirements, continued

Cash Management

- Reimbursements are properly supported by documentation and claims are filed at least quarterly

OMB Compliance Requirements

- Equipment and Real Property Management
  - Management, use, and disposal of equipment or real property
- Period of Performance
  - Expenditures incurred within the grant period.

OMB Compliance Supplement

- View the 2021 OMB Compliance Supplement to determine specific requirements that were tested under the various ESSA and ESSER programs
- 2021 Supplement is posted at: 2021 Compliance Supplement Addendum_Final (whitehouse.gov)
- 2022 Compliance Supplement should be posted in the spring

SCDE Monitoring

Independent audits performed will be in addition to monitoring that will be conducted by the SCDE as the pass-through entity.

ADEQUATE SUPPORTING DOCUMENTATION

Documentation

- Guidelines for Retaining Documentation to Support Expenditure Claims is embedded within the Assurances of your grant award.
  - Guidelines for Retaining Documentation to Support Expenditures - South Carolina Department of Education - 03/08/2022 9:26 AM (sc.gov)

- Adherence to guidance in this document reduces errors, delays, and repeat requests for submission of documentation to fulfill audit requests.

Adequate Supporting Documentation

- Claim for payroll and employee benefits
  - Timesheets
  - Personnel activity reports (PARS)
  - Semi-annual certifications
  - Payroll registers
  - Labor History Reports
  - Paystub
  - Salary agreement
  - Job description
  - Documentation of benefit rate for each type of benefit

Adequate Supporting Documentation (Cont'd)

- Purchased Services
  - Contracts
    - Period of performance (dates)
    - Detailed description of service(s) to be rendered
    - Contract amount (payment terms)
    - Authorized signatures
    - Invoices to support payments made
    - Timesheets

Adequate Supporting Documentation (Cont’d)

- Supplies
  - Purchase Orders
  - Requisitions
  - Invoices or Receipts
  - Goods receipt
  - Packing slips

TIME AND EFFORT

Time and Effort

- Employees who work in whole or in part on a federal cost objective must complete time and effort documents

- Part D of the SCDE Assurances state that the applicant “will also comply with the Office of Management and Budget 2 CFR Part 200 Subpart 2 - Cost Principles related to the allowability, reasonableness, and allocability of costs consistent with the approved budget and also by maintaining required support for salaries and wages. Required support includes certification and/or personnel activity records depending upon the amount of time spent on cost objectives.

Time and Effort

- If an employee's salary is fully supported by one federal cost objective, a semi-annual certification is required.
- If an employee's salary supports more than one cost objective, a Personnel Activity report is required
  - A timesheet can be a PAR if all required elements for both documents are present

PAR AS A TIMESHEET

ATTACHMENT B: Example of Staff Timesheet and PAR

ABC District
XYZ School Grant Number:
Staff Timesheet and PAR

Name: Job Title: Pay Period Begin Date: Pay Period End Date:

WEEK 1	*Federal Program #1* Time In	*Federal Program #1* Time Out		*Federal Program #2* Time In	*Federal Program #2* Time Out		*Federal Program #3* *Time In*	*Federal Program #3* Time Out		*Hours Worked*	*Sick Leave*	*Annual Leave*	*Holiday*		TOTAL HOURS WORKED
MONDAY															
TUESDAY															
WEDNESDAY															
THURSDAY															
FRIDAY															
Totals:															

WEEK 2	*Federal Program #1* Time In	*Federal Program #1* Time Out		*Federal Program #2* Time In	*Federal Program #2* Time Out		*Federal Program #3* *Time In*	*Federal Program #3* Time Out		*Hours Worked*	*Sick Leave*	*Annual Leave*	*Holiday*		TOTAL HOURS WORKED
MONDAY															
TUESDAY															
WEDNESDAY															
THURSDAY															
FRIDAY															
Totals:															

WEEK 3	*Federal Program #1* Time In	*Federal Program #1* Time Out		*Federal Program #2* Time In	*Federal Program #2* Time Out		*Federal Program #3* *Time In*	*Federal Program #3* Time Out		*Hours Worked*	*Sick Leave*	*Annual Leave*	*Holiday*		TOTAL HOURS WORKED
MONDAY															
TUESDAY															
WEDNESDAY															
THURSDAY															
FRIDAY															
Totals:															

WEEK 4	*Federal Program #1* Time In	*Federal Program #1* Time Out		*Federal Program #2* Time In	*Federal Program #2* Time Out		*Federal Program #3* *Time In*	*Federal Program #3* Time Out		*Hours Worked*	*Sick Leave*	*Annual Leave*	*Holiday*		TOTAL HOURS WORKED
MONDAY															
TUESDAY															
WEDNESDAY															
THURSDAY															
FRIDAY															
Totals:															

Total Week 1 thru Week 4: ____________________The following signatures certify that this document represents a true recording of time & effort expended for the period indicated and that we have full knowledge of those activities. Federal Program 1 percentage____________ Federal Program 2 percentage____________ Federal Program 3 percentage _____________

Signature of Employee:_______________________________________Date:_________________Signature of Supervisor:__________________________________ Date:__________________

Guidelines for Retaining Documentation to Support Expenditures March 1, 2022
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PAR Only

February

Monthly Personnel Activity Report

Title | **Month** February | **Year** 2022

Name First/Last

Signature | **Supervisor's Signature**

Account for all time worked per day. (Minimum of 1/4 hour increments)

DIRECT TIME PROGRAM NAME	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	TOTAL HOURS	TOTAL %
Insert federal award funding title																																0.0	#DIV/0!
																																0.0	#DIV/0!
Insert other funding																																0.0	#DIV/0!
source(s) below:																																0.0	#DIV/0!
example: General Fund																																0.0	#DIV/0!
																																0.0	#DIV/0!
																																0.0	#DIV/0!
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SUBTOTAL	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	#DIV/0!
INDIRECT TIME																																	
Sick Leave																																0.0	#DIV/0!
Holiday																																0.0	#DIV/0!
Annual Leave																																0.0	#DIV/0!
Prof. Development																																0.0	#DIV/0!
Other (Describe)																																0.0	#DIV/0!
SUBTOTAL	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	#DIV/0!
GRAND TOTALS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	#DIV/0!

Charges to federal awards for salaries and wages must be based on records that accurately reflect the work performed. (2 CFR 200.430-431)

Time must be documented in hours, not percent.

This form is to be completed only by staff that are "split-funded": partially funded through a federal grant award and partially funded through another funding source (general funds, special education funds, Title III, etc.)

Page 1

Individual Semi-Annual Certification
(See *handout 5*)

Semi-Annual Certification
(Staff Working Solely on One Cost Objective)

This is to certify that Jean Smith has worked 100% of his/her time for the period January 1, 2021 through June 30, 2021 on the ESSER I cost objective.

____
Signature of Employee

____
Printed Name of Employee

____
Date

____
Signature of Supervisor

____
Printed Name of Supervisor

____
Date

Blanket Semi-Annual Certification

School District of South Carolina
South Carolina Elementary School
Office of Special Education Services

Semi-Annual Certification for Salaries & Wages Charged to Federal Grants

Grant Title:	Special Education–Grants to States
Grant Number:	H63010100918
Funding Source:	U.S. Department of Education
Supervisor:	John Davis

All employees who are paid in full or in part with federal funds must keep specific documents to demonstrate the amount of time they spent on grant activities. (2 C.F.R. § 200.430(i)(1)) Charges to federal awards for salaries and wages must be based on records that accurately reflect the work performed.

I certify that 100% of the job duties of the employees listed below were related to activities in compliance with the grant award noted above during the period from January 1, 2018, through June 30, 2018.

The information recorded on this form is true and correct to the best of my knowledge.

Employee Name	Position Title	Funding %
Emily Smith	School Psychologist	100% - Special Education
Latonya Adams	Special Eduation Teacher	100% - Special Education
Rodney Lewis	Special Education Teacher	50% - Special Education 50% - General Fund

John Davis
Supervisor Signature*

7/5/18
Date

*Must be signed by a supervisor official having firsthand knowledge of the work performed by the employee.

2 CFR PART 200

2 CFR Part 200

- Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards
  - Commonly referred to as the Uniform Grant Guidance (UGG)
  - Nonfederal entities expending $750,000 or more in federal funds required to have a single audit

2 CFR Part 200 (Cont’d)

- Written procedures for determining the allowability of costs in accordance with federal cost principles and the terms and conditions of the federal award (2 CFR Part 200.302((7))

- Written procedures for cash management (timely requests for reimbursement of expenditures) (2 CFR Part 200.305)

- Must have documented procedures for procurement consistent with federal, state, and local laws and regulations for the acquisition of property and services (2 CFR Part 200.318(a)

2 CFR Part 200 (Cont'd)

- Must have written standards of conduct covering conflicts of interest and for governing the actions of its employees engaged in the selection, award, and administration of contracts (2 CFR Part 200.318(c). No employee, officer, or agent may participate in the selection, award, or administration of a contract supported by a Federal award if he or she has a real or apparent conflict of interest. Conflict of interests exist when an employee, agent, officer, or any member of his or her immediate family, his or her partner, or an organization which employs or is about to employ any of the parties indicated therein, has a financial or other interest or a tangible personal benefit from a firm considered for a contract

- Must disclose in writing, in a timely manner: All violations of Federal criminal law involving bribery, or gratuity violations potentially affecting the Federal award (2 CFR Part 200.113)

2 CFR Part 200 (Cont'd)

- An official authorized to legally bind the non-federal entity <u>must certify on annual and final fiscal reports or vouchers requesting payment:</u>

"By signing this report, I certify the best of my knowledge and belief that the report is true, complete and accurate and the expenditures, disbursements and cash receipts are for the purposes and objectives set forth in the terms and conditions of the federal award.

I am aware that any false, fictitious, or fraudulent information or the omission of any material fact, may subject me to criminal, civil, or administrative penalties for fraud, false statements, false claims, or otherwise…"

(2 CFR Part 200.415(a))

Common Audit Findings

- Lack of required documentation to support personnel salary costs
- Supporting documentation does not adequately support nonpersonnel costs submitted for expenditure reimbursement
- Unallowable costs
- Failure to adhere to the approved budget

COMMON AUDIT FINDINGS

Common Audit Findings

- Expenditure report submitted for reimbursement before expenditures were both incurred and paid (claim made in advance of spending)
- Inadequate internal controls over equipment purchased with grant funds
- Required written procedures under 2 CFR Part 200 not present or omits required language
- Expenditures incurred and paid outside of the period of the availability (prior to the effective date of grant or after the grant period ended)

Results of Audit Findings

- Corrective action plan required for findings noted
- REPAYMENT OF FUNDS
- Possible negative press coverage of audit
- Possibly report in Federal Awardee Performance and Integrity Information System (FAPIIS)
- Entity Possibly listed as suspended or debarred
- Possibly turn over to SLED and/or US Department of Education's Inspector General

ESSER I Monitoring

ESSER I Monitoring

- 15 close-out letters have been issued to districts regarding their use of ESSER I funds.
- Seven districts are in the process of being monitored for ESSER I
- Priority visits began with high risk districts, districts on a fiscal practice designation, and districts who had drawn down at least 75% of its allocations
- We have now begun ESSER I monitoring for districts who are low risk.

ESSER I Monitoring

- To prepare for an ESSER I monitoring review, ensure that all documentation discussed in previous slides is present
- Common findings for these visits include the list of common findings discussed earlier for all audits of federal funds

SCDE Subrecipient Risk Assessment

Subrecipient Risk Assessment (2 CFR Part 200.332b)

All pass-through entities must evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward which may include consideration of such factors as:

- (1) The subrecipient's prior experience with the same or similar subawards;
- (2) The results of previous audits including whether or not the subrecipient receives a Single Audit in accordance with Subpart F—Audit Requirements of this part,
- (3) Whether the subrecipient has new personnel or new or substantially changed systems; and
- (4) The extent and results of Federal awarding agency monitoring (e.g., if the subrecipient also receives Federal awards directly from a Federal awarding agency).

SCDE’s Risk Assessment Process

- Each federal program area that awards grant funds to a subrecipient rates each subrecipient on selected criteria
- The SCDE Office of Finance and Office of Auditing Services also provide a rating on selected criteria
- Ratings from each area are averaged to formulate a total risk score for subrecipients of federal funds
- Based on total risk score, LEAs are identified as high, medium, and low risk
  - 9 – 18 (Low risk)
  - 19 – 28 (Medium risk)
  - 29 + (High risk)
- Risk scores will also be used to make federal award grant decisions for discretionary awards and to determine what level of additional state support is required for a subrecipient

SCDE's Risk Assessment Process (cont.)

- The Office of Auditing Services will send FY 2020-21 risk assessment scores to each District's Superintendent, School Business Official, and Federal Programs Director notifying them of the District's overall risk score.
  - Correspondence was sent to districts requesting the federal program director to be entered in DEIM by March 17, 2022

- All subrecipients who are identified as at risk of noncompliance (high risk) will be notified directly by the Office of the State Superintendent. The SCDE can and will impose specific subaward conditions, allowable under 2 CFR Part 200.207(b), on the federal funds that pass-through the SCDE to the subrecipient.

SCDE's LEA Risk Criteria

Criteria 1 – Key Personnel Turnover

- Experience of key personnel
- Stability of key personnel
- Turnover in key personnel

Criteria 2 – Required Reporting

- Required program reporting submitted and timeliness of submission

SCDE’s LEA Risk Criteria (cont.)

Criteria 3 - Programmatic Compliance

- Instances of programmatic noncompliance
- Minimal or significant deficiencies noted

Criteria 4 – Fiscal Compliance

- Level of fiscal deficiencies noted during monitoring visits

Criteria 5 – Performance

- Were performance requirements, expectations, and outcomes met?

SCDE's LEA Risk Criteria (cont.)

Criteria 6 – Technical Assistance

- Frequency and need for technical support and assistance

Criteria 7 – Financial Stability

- The percentage of general fund unreserved balance to general fund total expenditures

Criteria 8 – Management Systems

- Internal control findings or federal award noncompliance findings noted in annual audit report

SCDE’s LEA Risk Criteria (cont.)

Criteria 9 - Audit Report Submission

- Submission of annual audit in the LEA Audit Reporting System (LARS) by the established deadline

Criteria 10 - Other Material Factors

- Accreditation
- Cheating/Test security violations
- Other known issues (state program violations, etc.)

LEA Subrecipient Risk Assessment Results

- High Risk LEAs
  - FY 2019-20: 0*
  - FY 2018-19: 2
  - FY 2017-18: 3
  - FY 2016-17: 5
  - FY 2015-16: 3

* One entity would have been designated as high risk but by the time the audit report was received, the district no longer existed.

SCDE Resources

SCDE Resources

- Guidelines for Retaining Documentation to Support Expenditures

https://ed.sc.gov/finance/auditing/manuals-handbooks-and-guidelines/guidelines-for-retaining-documentation-to-support-expenditures1/guidelines-for-retaining-documentation-to-support-expenditures/

SCDE Resources

- SCDE Annual Audit Guide
  - https://ed.sc.gov/finance/auditing/manuals-handbooks-and-guidelines/annual-audit-guide-and-lars-template/
- SCDE Financial Accounting Handbook

  https://ed.sc.gov/finance/auditing/manuals-handbooks-and-guidelines/financial-accounting-handbook/

SCDE Resources

- SCDE Subrecipient Risk Assessments
  https://www.ed.sc.gov/finance/auditing/information-memos-and-forms/subrecipient-risk-assessments/