

2023 ESSA Academy

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Melissa A. 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 - Annual audit by December 1
- 2 CFR 200.501 - Single audit - \$750,000 or more in federal funds
- All SC School districts meet threshold for single audit
- Single audit combines financial audit with an audit of major federal programs



Major Federal Program Determination - I

- 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 (ESSER)



Major Federal Program Determination - II

- Risk factors also include:
 - Inherent risk of the federal program
 - Nature of the program
 - Phase of program in its lifecycle (New program, etc.)
- 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



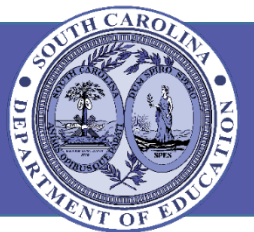
Major Federal Program Determination - III

- ESSER programs have been designated as high risk by OMB
- Funds expended between July 1, 2022 and June 30, 2023 will be subjected to audit for the FY 2022-23 single audits that are due on December 1, 2023



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 2022-23 and subsequent single audits
- Maintain all supporting documentation for expenditures incurred
- Ensure staff involved with expending funds understand all allowable activities



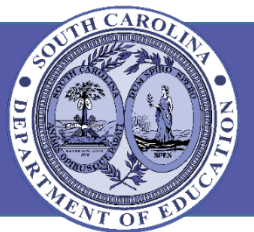
Audit Preparation, cont'd

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



OMB Compliance Requirements - I

- Independent auditors will test the applicable compliance requirements found in the OMB Compliance Supplement for the ESSA programs when conducting the single audit



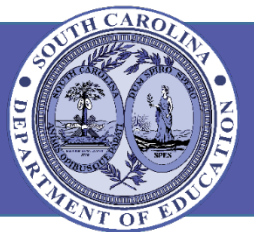
OMB Compliance Requirements - II

- Auditors may test some or all of the following:
 - Activities Allowed or Unallowed
 - Specifies what expenditures are allowable or unallowable under a program
 - Allocable Costs/Costs Principles
 - Specifies expenditures that are allowable and how they are calculated and supported
 - Cash Management
 - Reimbursements are properly supported by documentation and claims are filed at least quarterly



OMB Compliance Requirements - III

- 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

- Review the 2022 OMB Compliance Supplement to determine specific requirements that will be subject to testing under the various ESSA programs
- 2022 OMB Compliance Supplement is posted at:
https://www.whitehouse.gov/wp-content/uploads/2022/05/2022-Compliance-Supplement_PDF_Rev_05.11.22.pdf
- 2023 Compliance Supplement should be posted in the spring



SCDE Audits and Monitoring

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



Adequate Supporting Documentation



Documentation

- SCDE Guidelines for Retaining Documentation to Support Expenditure Claims is embedded within the Assurances, Terms and Conditions of your grant award
 - <https://ed.sc.gov/finance/auditing/manuals-handbooks-and-guidelines/guidelines-for-retaining-documentation-to-support-expenditures/>
- Adherence to this document reduces errors, delays, and repeat requests for submission of documentation to fulfill audit requests



Adequate Supporting Documentation - I

- Claim for payroll and employee benefits
 - Timesheets
 - Appropriate time and effort (Semi-annual certification, PAR)
 - Payroll registers
 - Labor History Reports
 - Salary agreement
 - Job Description
 - Documentation of benefit rate for each type of benefit



Adequate Supporting Documentation - II

- Claim for 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 - III

- Claim for supplies
 - Purchase orders
 - Requisitions
 - Invoices or Receipts
 - Goods receipt
 - Packing slips

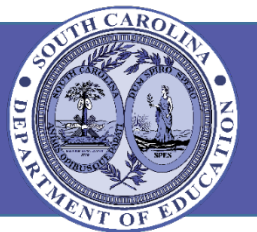


Adequate Supporting Documentation - IV

- Claim for supplies
 - Purchase orders
 - Requisitions
 - Invoices or Receipts
 - Goods receipt
 - Packing slips



Time and Effort



Time and Effort - I

- 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 - II

- 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 (PAR) is required
 - A timesheet can be a PAR if all required elements for both documents are present

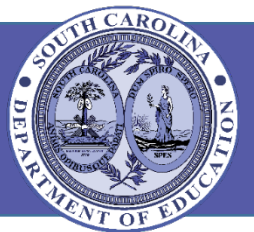


2 CFR Part 200



2 CFR Part 200 - I

- Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards
 - Commonly referred to as the Uniform Grant Guidance (UGG)
 - Nonfederal entities expended \$750,000 or more in federal funds are required to have a single audit for the fiscal year that the threshold was exceeded



2 CFR Part 200 - II

- 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)



2 CFR Part 200 - III

- Must have written standards of conduct covering conflicts of interest and for governing 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.



2 CFR Part 200 - IV

- Conflicts of interest 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 - V

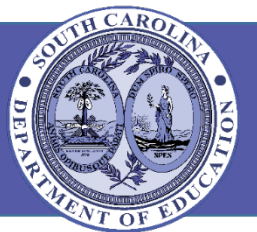
- An official authorized to legally bind the non-federal entity must certify on annual and final fiscal reports or vouchers requesting payment:

“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...”



Common Audit Findings



Common Audit Findings - I

- Lack of required documentation to support personnel salary costs
- Supporting documentation does not adequately support nonpersonnel costs (supplies, purchased services, etc.) submitted for expenditure reimbursement
- Unallowable costs
- Failure to adhere the approved budget



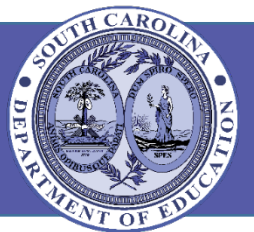
Common Audit Findings - II

- 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 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 USDE Inspector General



ESSER Monitoring



ESSER I Monitoring

- 23 Close-out letters have been issued to districts regarding their use of ESSER I funds
- Three districts are in the process of being monitored for ESSER I
- Priority visits began with medium and high-risk districts, districts on a fiscal practices designation, and districts who had drawn down at least 75% of its allocations
- Low-risk districts are now being monitored for ESSER I



ESSER II Monitoring

- We have distributed requests to 8 LEAs so far for ESSER II monitoring



ESSER I and II Monitoring

- To prepare for ESSER monitoring, ensure 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 terms and conditions of the subaward which may include consideration of such factors as:



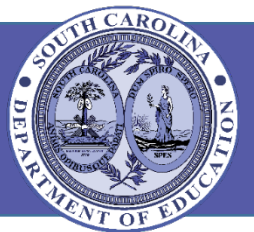
Subrecipient Risk Assessment, cont'd

- (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 Requirement 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 Subrecipient Risk Assessment Process

- Each federal program are 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



Subrecipient Risk Assessment Process - II

- Based on total risk score, LEAs are identified as high, medium, or low risk
 - 9-18 Low risk
 - 19-29 Medium risk
 - 29+ High risk
- Risk scores will also be used to make federal award grant decisions for discretionary awards and to determine if any additional levels of state support would be required through the award period



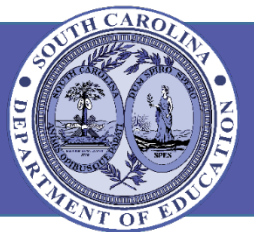
Subrecipient Risk Assessment Process - III

- The Office of Auditing Services will distribute FY 2021-22 risk assessment scores to each district's superintendent, chief school business official, and federal program director notifying them of the district's overall risk score
- Review the SCDE DEIM system to ensure that the correct persons are listed in these roles.



Subrecipient Risk Assessment Process - IV

- 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 Assessment Criteria - I

- 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 Assessment Criteria - II

- Criteria 3 - Programmatic Compliance
 - Instances of programmatic noncompliance
 - Level of deficiencies noted (minimal, significant)
- Criteria 4 - Fiscal Compliance
 - Level of fiscal deficiencies noted during monitoring visits
 - Deficiencies requiring repayment



SCDE's LEA Risk Assessment Criteria - III

- Criteria 5 - Performance
 - Were performance requirements, expectations, and outcomes met?
- Criteria 6 - Technical Assistance
 - Frequency and need for technical support and assistance
- Criteria 7 - Financial Stability
 - The percentage of general fund unreserved fund balance to general fund total expenditures



SCDE's LEA Risk Assessment Criteria - IV

- Criteria 8 - Management Systems
 - Internal control findings or federal award noncompliance findings noted in annual audit report
- 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 - I

- Criteria 8 - Management Systems
 - Internal control findings or federal award noncompliance findings noted in annual audit report
- 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 - II

- High risk LEAs
 - FY 2020-21 - 0
 - FY 2019-20 - 0*
 - FY 2018-19 - 2
 - FY 2017-18 - 3
 - FY 2016-17 - 5
 - FY 2015-16 - 3
 - FY 2014-15 - 1

* One district did not submit its audit report timely and could not be rated since we did not have the report. Once we received the report, the district would have been noted as high risk but the district consolidated and was no longer in existence so no official letter was sent.



SCDE Resources



SCDE Resources - I

- Guidelines for Retaining Documentation to Support Expenditures

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



SCDE Resources - II

- 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 - III

- SCDE Subrecipient Risk Assessments

<https://ed.sc.gov/finance/auditing/information-memos-and-forms/subrecipient-risk-assessments/>



Questions



Contact

Melissa Myers, Director
Office of Auditing Services
(803) 734-8453
mmyers@ed.sc.gov

