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AUDITOR GENERAL

To: Government Operations and Audit Committee (GOAC)

From: Tim Flannery, State Government Audit Manager

Date: June 6, 2017

Re: Risk assessment of federal grants received by the South Dakota Department of Education

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At the request of the Government Operations and Audit Committee (GOAC), Legislative Audit has completed a risk assessment of federal grants received by the South Dakota Department of Education (SDDOE) over the last five years (five years is the SDDOE records retention period).

Page 1 is an analysis of risk related to six federal programs identified by the Committee at the April 25, 2017 GOAC meeting.

Page 2 identifies all of the federal grants expended by the SDDOE over the last five years from the Schedule of Expenditures of Federal Awards in South Dakota Single Audit Reports. From there, following the Single Audit Act and guidance provided by the U.S. Office of Management and Budget, we separated out federal programs where risk assessments were completed and programs that were audited by Legislative Audit. Of the total federal expenditures reported by SDDOE, 80% are large programs (or Type A programs) that have been audited every third year by Legislative Audit.

Page 3 identifies six federal programs, representing 4% of federal expenditures over the last five years that we view as high risk. Factors that contributed to our determination of high risk included such things as:

- Compliance requirements that included matching amounts or eligibility
- Project grants as opposed to formula grants
- Grants that had not had risk assessments completed by Legislative Audit in all of the last five years
- Grants that made significant subawards to subrecipients
- Grants that had not been audited by Legislative Audit in the last five years

Page 4 is a list of payments made to subrecipients, that in total were greater than \$100,000 in fiscal year 2016. A column was added to identify which of these subrecipients had an audit completed by an independent public accounting firm and of the 40 entities listed 39 have been audited.

In summary, there is a small percentage of federal grant dollars that we view as high risk that have not been subject to an audit.

**USDOE Grants identified during the 4/25/17 GOAC Meeting:**

**Federal Programs of  
Interest Identified by GOAC**

**Legislative Audit Assessment of the Program**

***GEAR Up***

Problems have been identified and corrective actions are in progress. Mid Central Educational Cooperative no longer a partner with the SDDOE. Board of Regents (BOR) is administering the GEAR Up summer program - is lower risk because BOR has a stronger control environment.

***College Access***

Significant subawards. Qualified opinion at MCEC level in FY15 (Mgmt Override of I/Cs), no federal compliance findings. Program is considered of higher risk and included in the Legislative Audit "Assessment Summary" tab.

***Teacher Quality (TQ)***

The SDDOE had no expenditures to TQ (CFDA # 84.336). Direct award to MCEC. Adverse opinion and federal compliance findings at MCEC in FY15. No risk concerns at the State level.

***Jump Start***

Administered by the BOR. In FY16, 7% of the dollars were passed through to subrecipients (or \$60,575). The BOR has a stronger internal control environment.

***TRIO***

Administered by the BOR. In FY16, there were no pass-through dollars to subrecipients. The BOR has a stronger internal control environment.

***Upward Bound***

Part of TRIO and administered by the BOR. In FY16, there were no pass-through dollars to subrecipients. The BOR has a stronger internal control environment.

Federal grants to SDDOE FY12 - FY16

Source: South Dakota Single Audit - SEFA

CFDA #	Program Name	FY2012	FY2013	FY2014	FY2015	FY2016
10.553	School Breakfast Program	6,592,227.34	6,612,754.28	7,399,117.07	7,782,203.26	8,017,261.00
10.555	National School Lunch Program	28,146,924.73	28,726,709.52	31,361,452.76	32,133,980.66	35,088,902.00
10.556	Special Milk Program for Children	64,431.07	39,769.42	26,193.04	34,905.23	30,072.00
10.558	Child and Adult Care Food Program	9,387,888.50	9,417,065.88	9,007,220.60	9,140,553.02	9,486,367.00
10.559	Summer Food Service Program for Children	992,083.71	1,224,624.92	1,309,321.26	1,254,380.75	1,454,304.00
10.560	State Administrative Expenses for Child Nutrition	776,975.98	1,003,866.10	1,036,723.66	1,485,599.51	650,946.00
10.560	State Administrative Expenses for Child Nutrition - Child Nutrition Meal Pattern TA	-	182,107.98	14,427.14	18,951.29	39,392.00
10.565	Commodity Supplemental Food Program	267,903.88	212,107.63	382,011.54	270,153.99	339,480.00
10.568	Emergency Food Assistance Program (Administrative Costs)	536,062.68	636,879.22	952,432.46	1,039,990.72	761,884.00
10.574	Team Nutrition Grants	227,793.10	130,861.99	93,965.18	1,326.56	131,826.00
10.579	Child Nutrition Discretionary Grants Limited Availability	-	-	-	85,265.00	20,673.00
10.582	Fresh Fruit and Vegetable Program	1,653,242.52	1,625,540.18	1,680,727.73	1,780,681.12	1,847,949.00
10.582	Fresh Fruit and Vegetable Program - Administrative Review and Training Method II	-	41,977.34	163,748.22	314,856.44	-
15.130	Smarter Balanced Assessment Consortium Assessments	-	-	-	-	81,143.00
15.227	Distribution of Receipts to State and Local Governments - Mineral Leasing and Taylor Grazing	1,328,788.00	1,688,609.00	1,331,502.00	1,870,294.00	323,681.00
15.904	Historic Preservation Fund Grants-In-Aid	-	-	-	-	683,574.00
45.149	Promotion of the Humanities - Division of Preservation and Access - National Digital Newspaper Program	-	-	-	-	136,940.00
45.310	Grants to States	900,834.43	1,091,691.29	1,083,514.66	1,026,492.29	1,028,525.00
84.010	Title I Grants to Local Educational Agencies (inc. FY12 ARRA #84.389)	47,329,973.98	48,291,254.84	41,690,114.10	42,874,069.37	42,225,600.00
84.011	Migrant Education - State Grant Program	925,392.32	1,050,690.65	1,060,181.10	776,975.00	731,548.00
84.013	Title I Program for Neglected and Delinquent Children	124,682.03	141,682.10	140,668.58	134,135.79	93,699.00
84.027	Special Education - Grants to States (inc. FY12 ARRA #84.391)	31,547,819.11	31,582,230.52	32,890,044.80	31,972,404.70	34,885,719.00
84.048	Career and Technical Education -- Basic Grants to States	3,994,032.49	3,974,678.19	4,368,532.45	4,815,228.83	4,120,109.00
84.144	Migrant Education - Coordination Program	151,416.51	167,951.85	207,149.48	115,049.25	37,206.00
84.173	Special Education - Preschool Grants (inc. FY12 ARRA #84.392)	1,427,278.12	1,463,848.39	1,477,857.89	1,358,778.07	1,357,081.00
84.181	Special Education - Grants for Infants and Families (inc. FY12 ARRA #84.393)	2,254,617.91	2,167,982.10	2,202,176.69	2,885,241.90	2,364,559.00
84.185	Byrd Honors Scholarships	1,437.50	-	-	-	-
84.186	Safe and Drug-Free Schools and Communities - State Grants	12,059.00	-	-	-	-
84.196	Education for Homeless Children and Youth (inc. FY12 ARRA #84.387)	230,172.04	202,040.31	184,310.43	220,998.27	186,301.00
84.213	Even Start - State Educational Agencies	159,980.55	35.87	-	-	-
84.243	Tech-Prep Education	206,233.61	71,210.84	-	-	-
84.287	Twenty-First Century Community Learning Centers	5,313,152.33	6,148,865.97	6,423,946.16	5,754,499.43	5,785,779.00
84.318	Education Technology State Grants (inc. FY12 ARRA #84.386)	1,060,411.43	105,414.63	-	-	-
84.325	CEDAR - Collaboration for Effective Educator Development Accountability and Reform	-	-	-	3,654.09	122,985.00
84.330	Advanced Placement Test Fee Program	13,741.00	13,416.00	14,781.00	-	22,775.00
84.334	Gaining Early Awareness and Readiness for Undergraduate Programs	1,614,269.79	2,636,993.85	3,375,364.31	2,850,278.34	1,000,382.00
84.358	Rural Education	108,772.00	98,402.00	147,614.00	77,979.00	133,268.00
84.365	English Language Acquisition Grants	413,626.06	584,612.16	717,533.89	809,475.95	926,534.00
84.366	Mathematics and Science Partnerships	880,187.29	720,765.84	731,798.80	634,527.57	768,285.00
84.367	Improving Teacher Quality State Grants	12,098,617.38	11,857,578.64	11,008,245.26	10,508,125.06	10,108,543.47
84.369	Grants for State Assessments and Related Activities	1,987,731.93	3,129,090.55	3,770,154.83	5,047,004.82	2,465,433.00
84.372	Statewide Data System	-	444,408.24	570,229.83	1,048,974.30	813,051.00
84.373	Special Education - Technical Assistance on State Data Collection	212,805.56	104,330.76	-	-	-
84.374	Teacher Incentive Fund	3,549,827.91	2,797,968.60	-	-	-
84.377	School Improvement Grants (inc. FY12, FY13, FY14, FY15 ARRA #84.388)	4,828,532.20	4,665,535.95	3,545,549.37	1,063,743.99	719,486.00
84.378	College Access Challenge Grant Program	904,356.07	1,342,669.32	1,037,213.36	593,861.30	172,874.33
84.395	ARRA - Race to the Top	-	56,232.02	2,966.08	-	-
84.902	National Assessment of Educational Progress	117,398.97	101,817.47	68,214.08	123,246.18	145,926.00
89.003	National Historical Publications and Records Grants	-	-	-	-	27,903.00
93.600	Head Start	110,914.36	99,751.80	101,048.54	146,096.99	127,550.03
93.938	Coop. Agr. to Support Comp. School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	657,663.20	436,009.24	143,125.35	-	-
84.U	Grants and Contract Services	4,994.78	71,914.69	62,877.50	7,064.20	13,276.00
12.U	Cultural Resources Management	-	-	-	-	111,603.00
		173,117,253.37	177,163,948.14	171,784,055.20	172,061,046.24	169,590,394.83
	Type A Threshold	7,400,000.00	7,000,000.00	7,000,000.00	6,995,000.00	6,900,000.00
	Risk Assessment Threshold for Type B Programs	740,000.00	700,000.00	700,000.00	699,500.00	1,725,000.00
	Number of programs below the risk assessment threshold for Type B programs	18	17	12	10	33
	Expenditures relating to these programs below the risk assessment threshold for Type B programs	3,557,656.83	2,936,784.97	1,548,731.76	914,815.33	21,150,766.36
	Percentage of total SDDOE expenditures for the year relating to programs below the Type B risk assessment threshold	2.1%	1.7%	0.9%	0.5%	12.5%

Legend:

- =Program received a Single Audit as part of the Statewide Single Audit of South Dakota.
- =Risk Assessment was performed per OMB Guidance.
- =According to FY16 SEFA data, over 70% of funds are passed through to subrecipients.

Notes:

The SDDOE has expended federal funds relating to 53 different federal programs in the last 5 years totaling \$863,716,698. The DLA has performed risk assessments on grants applicable to those expenditures totaling \$833,607,943 (96.5%). Of the total federal expenditures reported by SDDOE, \$692,685,896 (80%) are Type A programs audited every 3 years by DLA. The larger federal programs are formula grants to LEA's (low risk).

**Legislative Audit Assessment of High Risk Grants**

Source: SDAS Account 5206\* - Grants

CFDA #	Program Name	Federal Program Expenditures					Criteria, see details below					High or Low Risk, given these criteria?
		FY2012	FY2013	FY2014	FY2015	FY2016	A	B	C	D	E	
84.366	Mathematics and Science Partnerships	880,187.29	720,765.84	731,798.80	634,527.57	768,285.00	No	Yes	No	No	No	High
84.011	Migrant Education - State Grant Program	925,392.32	1,050,690.65	1,060,181.10	776,975.00	731,548.00	No	Yes	No	No	No	High
84.377	School Improvement Grants (includes FY12-FY15 ARRA under #84.388)	4,828,532.20	4,665,535.95	3,545,549.37	1,063,743.99	719,486.00	No	Yes	No	No	Yes	High
84.378	College Access Challenge Grant Program	904,356.07	1,342,669.32	1,037,213.36	593,861.30	172,874.33	No	Yes	No	No	No	High
84.144	Migrant Education - Coordination Program	151,416.51	167,951.85	207,149.48	115,049.25	37,206.00	No	No	Yes	Yes	No	High
84.374	Teacher Incentive Fund	3,549,827.91	2,797,968.60	-	-	-	No	No	No	Yes	No	High

**Criteria Descriptions:**

**A:** Is the program considered lower risk because of the type of award or compliance requirements?

*Yes = The program is considered lower risk because the type of award is a formula award or the compliance requirements do not include matching or eligibility.*

*No = The program is considered higher risk because the type of award is project award or the compliance requirements do include matching or eligibility.*

**B:** Were risk assessments performed by DLA in at least 4 of the 5 most recent years?

*Yes = The program is considered lower risk because risk assessments were performed.*

*No = The program is considered higher risk because no formal risk assessment was performed.*

**C:** Was the amount passed through to subrecipients less than 30% of total federal program expenditures, according to the FY16 SEFA data?

*Yes = The program is considered lower risk because of the low amount passed through to subrecipients.*

*No = The program is considered higher risk because of the high amount passed through to subrecipients.*

**D:** Were the program expenditures passed through to a limited number of subrecipients, according to most recent data?

*Yes = The program is considered lower risk because of the low number of subrecipients.*

*No = The program is considered higher risk because of higher number of subrecipients.*

**E:** Was a Single Audit performed by DLA within the last 3 State fiscal years?

*Yes = The program is considered lower risk because a Single Audit occurred within the last 3 State fiscal years.*

*No = The program is considered higher risk because a Single Audit did not occur within the last 3 State fiscal years.*

**Total SDDOE Payments to Non-Profits > \$100,000 in FY16**

**Source: SDAS Account 5206\* - Grants**

Subrecipient	FY16 AMOUNT	Audited by Independent Public Accounting Firm
MID-CENTRAL EDUCATION CO-OP	2,185,339.32	Yes/FY15 DLA
NORTHEAST ED SERV CO-OP 28-201	1,855,692.92	Yes
YOUTH & FAMILY SERVICES INC	1,668,056.15	Yes
SANFORD MEDICAL CENTER	1,280,908.85	Yes
YMCA OF RAPID CITY	1,102,104.91	Yes
BLACK HILLS SPECIAL SERVICES	1,101,841.53	Yes
CORNBELT EDUCATION COOPERATIVE	931,332.89	Yes
SOUTH CENTRAL COOPERATIVE	889,126.81	Yes
SOUTHEAST AREA COOPERATIVE	872,731.62	Yes
SOUTH CENTRAL CHILD DEVELOP IN	802,867.36	Yes
NORTHWEST AREA SCHOOLS	644,756.95	Yes
VOLUNTEERS OF AMERICA DAKOTAS	530,983.87	Yes
NORTH CENTRAL SP ED CO-OP	490,666.29	Yes
BOYS & GIRLS CLUBS SIOUX EMPIRE	398,756.91	Yes
KIDKARE FAMILY DAYCARE ASSN	385,610.59	
LUTHERAN SOCIAL SERVICES OF SD	333,506.00	Yes
THREE RIVERS COOPERATIVE	315,683.85	Yes
BOYS CLUB OF RAPID CITY INC	278,126.20	Yes
CHILDRENS HOME SOCIETY OF SD	258,430.57	Yes
BLACK HILLS WORKS INC	256,770.39	Yes
FEEDING SOUTH DAKOTA	248,783.99	Yes
SOUTH DAKOTA ACHIEVE	234,432.55	Yes
EAST DAKOTA EDUCATIONAL COOP	224,351.81	Yes
WATERTOWN BOYS & GIRLS CLUB	205,623.71	Yes
CHILDRENS CARE HOSP & SCHOOL	178,614.42	Yes
BOYS & GIRLS CLUB OF ROSEBUD	166,146.00	Yes
EMBE	163,835.48	Yes
HURON AREA CTR FR INDEPENDENCE	156,299.10	Yes
INTERLAKES COMMUNITY ACTION PT	154,675.77	Yes
APPLETREE CHILDRENS CTR INC	152,656.21	Yes
OUR HOME INC	149,061.76	Yes
NESD HEAD START PROGRAM INC	145,524.74	Yes
BOYS & GIRLS CLUB OF THE MISSOURI RIVER AREA	144,430.00	Yes
BOYS & GIRLS CLUB OF BROOKINGS	141,506.55	Yes
DAKOTABILITIES	140,787.07	Yes
RURAL AMERICAN INITIATIVES	134,462.59	Yes
SISSETON-WAHPETON OYATE OF THE LAKE TRAVERSE RESERVATION	121,803.17	Yes
STANDING ROCK HEAD START	113,266.92	Yes
BLACK HILLS BOYS & GIRLS CLUB	102,478.00	Yes
WESTERN SOUTH DAKOTA COMMUNITY	101,145.75	Yes
Total FY16 Nonprofits > \$100,000	<u>19,763,179.57</u>	

Note: Some of these entities are not subject to a Single Audit.