

## **Department of Education Fiscal Monitoring Policy**

### **Grant Monitoring**

The DOE has implemented an electronic Grants Management System (GMS) that includes grant applications and a payment process based on approved program budgets. The DOE also does a risk based post award review process. These processes are used to monitor and verify that LEAs and other subrecipients receiving funds are spending their grant awards in compliance with the rules and regulations governing the programs.

### **Application Review Process**

LEA subrecipients must provide program information and program budgets annually in their applications to the DOE. Electronic grant applications have been designed with business rules that ensure many basic program and fiscal requirements are met and followed prior to allowing the submission of the application by the subrecipients.

The applications are reviewed by both program and fiscal staff to ensure the program and fiscal requirements will be met. The proposed activities and budgets are reviewed to ensure compliance with applicable statutes and regulations; and to ensure the costs are reasonable, necessary, allocable and allowable under the program.

Program applications are reviewed in the following order:

1. Program Office Specialist
2. Program Office Administrator.
3. Grants Management Office Program Specialist
4. Grants Management Office Administrator

At each level if it is determined that the applicant meets the program and fiscal requirements the application will be forwarded to the next level with a recommendation for approval. The Grants Management Office Administrator will provide final approval of the applications.

If at any level during the review process it is determined that the application does not meet the program or fiscal requirements:

- additional information may be requested from the district or prior SEA reviewer levels or,
- the application will be returned to the district with written notification of the specific parts of the application that fail to meet the federal requirements. The district must address the specific issues and resubmit the application.

Once it is determined the application meets the program and fiscal requirements it is forwarded on to the next level of the approval process.

Approval Entitlement Programs (EDGAR 76.400) – The State Education Agency (SEA) must approve the application if the applicant is entitled to receive a sub grant under the program, and the SEA determines that the applicant meets the requirements of the Federal statutes and regulations that apply to the program.

Approval Discretionary Programs (EDGAR 76.400) – The SEA may approve an application if the SEA determines the applicant is eligible under the program, the applicant meets the requirements of the Federal statute and regulations that apply to the program, and the SEA determines that the project should be funded under the authorizing statute and implementing regulation for the program.

Disapproval – Entitlement and Discretionary Programs (EDGAR 76.400) If the SEA determines that an application does not meet the requirements of the Federal statutes and regulations that apply to a program, the application must not be approved.

The applicant may be entitled to an opportunity for hearing before disapproval of an application as described in EDGAR 76.401.

### **Risk Analysis**

The DOE will evaluate each subrecipients risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward as described in 2 CFR 200.331, and may in appropriate circumstances apply specific conditions under 2 CFR 3474.10.

**US Department of Education Programs** – Under 2 CFR 3474.10 the SEA may, in appropriate circumstances, designate a sub-recipient as a “high risk grantee” and impose the specific conditions established under 2 CFR 200.207(b) and (c) as “high-risk conditions”.

### **Federal Education Grant Program Payments**

Approved subrecipients may submit requests for reimbursement based on the approved program budgets using the GMS. An authorized fiscal representative of the subrecipient must log into the GMS using their own unique user name and password. Once in the GMS the user goes to the appropriate application and program section and creates a reimbursement request in the GMS. This reimbursement requests pull in the approved program budget line items by activity code and sub object. The GMS limits reimbursements requests to no more than 10 percent above the approved budget sub object and activity code amounts while staying within the total approved budget amount. The LEA is also required to submit a closeout request on the GMS at the end of the grant period. The authorized user must electronically sign the required certification statement in 2 CFR 200.415 before submitted the reimbursement requests or close out reports.

The submitted reimbursement requests go into a batch payment file that is pulled by SD DOE accounting staff once a month after the 10<sup>th</sup> day of the month. The batch file lists

the payments by subrecipient and program. The SD DOE accounting office process the batch file for payment.

The LEA may submit budget amendment requests to the SD DOE to change budget line item, or to budget additional available program funds. The SDDOE reviews budget amendment requests to ensure they are appropriate and within program requirements before approving.

### **Fiscal Desk Reviews**

Desk reviews are used to monitor that the district's expenditures are consistent with the approved application budget and the district year-end closeout reports. A sampling of supporting documentation is reviewed to ensure costs are adequately documented, and to ensure the costs are reasonable, necessary, allocable and allowable under the program.

The SD DOE will conduct desk reviews of a selected portion of districts each year based on an ongoing risk analysis. The number of districts chosen is based on the resources (staff time) available, and the size, complexity or high risk nature of the districts to be reviewed. The districts will be selected based on a risk assessment and at the discretion of the SD DOE. The SD DOE will select districts for review periodically throughout the year based on the resources available to initiate and conduct timely monitoring reports.

The SD DOE considers the following risk assessment criteria when selecting the sub-recipients for a monitoring review.

- The size of the grant awards
- Length of time since last monitoring review
- Recent (last 3 years) turnover of key administrative staff (superintendents, federal program directors, business managers)
- Single audit eligibility status
- Noncompliance identified in audit or prior monitoring findings
- LEAs required to provide equitable private school services
  
- Other factors that may be considered in the selection process at the discretion of the Program Specialist and Office Administrator
  - Failure to submit timely reimbursement requests
  - District identified for Improvement
  - Late application submission
  - Lack of alignment between actual expenditures and approved budgets
  - Failure to adhere to the terms and conditions of the awards
  - Excess carryover
  - Other risk factors that may become apparent.

The SEA goal is to complete these review within 18 months after the close of the LEA's fiscal year to ensure timely correction of identified areas of possible noncompliance.

Note: Federal program grant periods may extend beyond the end of the LEA's and State's fiscal year. In some instances the end of the grant period will coincide with the end of the Federal fiscal year (September 30).

The selected LEAs will be asked to submit ledger accounting reports to the SEA to verify the expenditures reflected on their Project Completion Report for the grant period. The SEA will randomly select and request support documentation for entries in these accounting reports. Requested documentation may include items such as: employee time distribution records, employment contracts, copies of vouchers with invoices attached, property records, etc. The SEA will check this documentation to verify that it is an appropriate and the allowable charge to the program. If irregularities are discovered on the sample audited, the SEA may request additional information or conduct an on-site audit.

The SEA will provide a written response to the LEA concerning the results of the desk audit. Any findings of non-compliance will be included on the written response to the LEA. The LEA will have 30 days after receiving the SEA's response to either:

- Submit to the SEA their plan to correct the areas of non-compliance: or
- Challenge the SEA's findings by submitting material that demonstrates the inaccuracy of the finding.

**US Department of Education Programs** – Under 2 CFR 3474.10 the SD DOE may designate the sub-recipient as a “high risk grantee” and impose the specific conditions established under 2 CFR 200.207(b) and (c) as “high-risk conditions”.

### **Remedies for noncompliance**

If the subrecipient fails to correct the findings of non-compliance the SD DOE will impose one of the remedies for noncompliance described in 2 CRR 200.338.

## **21<sup>st</sup> Century Community Learning Center (CCLC) Monitoring Procedures**

### **Overview**

The purpose of monitoring is to ensure the project is carried out according to the application, and to assure that 21<sup>st</sup> CCLC sub-grantees are in compliance with the fiscal and programmatic requirements of that federal grant program.

Risk assessments will be used to determine the sub-grantees potential risk of not complying with the 21<sup>st</sup> CCLC's programmatic and fiscal requirements. The risk assessment will be used to evaluate specific areas of risks and to focus technical assistance or monitoring activities to mitigate the risk. The assignment of a score on a scoring rubric indicates potential risk, but it is not a determination of noncompliance or poor performance.

### **Pre Award Risk Assessment**

A pre award risk assessment will be conducted to evaluate if the entity has the capacity to operate the proposed project. Potential first time sub-grantees may receive a site visit prior to the award to observe the facility and evaluate the sub-grantees capacity to implement the program as detailed in their application. Based on the determined level of risk, entities may have special conditions imposed to the project award. Technical assistance may be provided to the sub recipient concerning the fiscal and program requirements based on the results of the risk assessment.

### **New sub-grantees operating a 21<sup>st</sup> CCLC project in the first year.**

Sub-grantees receiving an award for a first time project will receive a teleconference or site visit mid-year to monitor and evaluate if the project is being implemented according to the grant application and meeting the grant requirements. Fiscal and program documentation will be reviewed and technical assistance will be provided as needed concerning any noted fiscal and program concerns that may need to be addressed.

### **Continuation awards and new projects for sub-grantees with 21<sup>st</sup> CCLC projects in the prior year.**

The South Dakota Department of Education (SD DOE) will conduct ongoing risk assessments to determine the level of monitoring required for ongoing sub grantees and projects. Monitoring activities may include technical assistance, a desk review, or an onsite review, or a combination of these activities. The SD DOE will use the results of the risk assessment to determine the appropriate monitoring activity.

The number of sub-grantees monitored will be determined annually and depend on the level of risks identified and the amount of SD DOE resources available to complete the monitoring. The specific 21<sup>st</sup> CCLC projects or the number of projects monitored may need to be adjusted mid-year as conditions and risk factors change. The amount of SD DOE monitoring activities may vary as a result of high risk factors identified in other grant programs that require the attention of SD DOE resources.

Sub-grantees that receive more than one grant award to operate separate projects may have all programs reviewed in a single monitoring cycle at the discretion of the SD DOE.

### **Risk Assessments Areas**

The SD DOE will use the State Internal Control Board's Pre-Award Risk Assessment document as the initial starting point. Other risk factors that may be evaluated include: amount of time elapsed since the last technical assistance or monitoring review; cohort year of the grant; key staff turnover; audit reports; results of programmatic assessments; timely submission of required program reports; unresolved issues; attendance at SD DOE technical assistance workshops; and other areas the SD DOE may deem as a concern or risk factor.

The risk assessment process permits the SD DOE to differentiate oversight based on local needs. This has the potential to reduce burden for both the SD DOE and its sub-recipients, and also ensures the sub-recipients get the specific support they need to run effective and compliant programs.

Federal law gives the SD DOE discretion to pick which monitoring activities make the most sense given an individual sub-recipient's compliance risks. Some ways to monitor and mitigate risks include:

- Providing sub-recipients with training and technical assistance on program or fiscal related matters.
- Performing desk or on-site program and/or fiscal reviews of the sub-recipient.

**Examples of Identified Subgrantee Risks and SD DOE Actions**

<b>RISK</b>	<b>SD DOE ACTIONS</b>
Grant had start-up difficulties, such as the delayed hiring of the project director or other key personnel.	Provide necessary technical assistance. Maintain regular contact with the grantee to monitor progress.
An audit or other required report is late, or grantee has failed to submit previous reports.	Ask grantee about report. Establish a date for grantee to submit report. Inform grantee that failure to submit reports is considered a risk factor in continuation and new award decisions.
The proposed budget contained many or large unallowable or unreasonable costs.	Provide grantee with the 2 CFR 200 Cost Principles and or other cost guidance
Grantee has submitted few or no reimbursement requests.	Contact grantee to confirm work is taking place under the grant. Provide technical assistance and explain reimbursement request process. Monitor performance progress in meeting grant goals.
Frequent turnover in key personnel working on the grant.	Ensure key personnel are qualified. Contact grantee to discuss why turnover is taking place and any management concerns related to personnel. Ensure new personnel are familiar with program rules.

**Monitoring Activities**

The SD DOE fiscal and program staff will work together to determine the appropriate monitoring activities based on a sub-recipient’s level of risk. Staff should use the State Internal Control Board approved Sub-recipient Monitoring Guide as a reference guide when planning and conducting monitoring activities.

Sub-grantees will be notified that they have been selected for program monitoring in writing by mail or email. The notification will specify the type of monitoring, and if it will be conducted onsite or remotely. The notification will also include requests for preliminary documentation that may be needed for the review.

**Technical Assistance**

Technical assistance visits will be provided annually to as many sites as possible, except for those sites selected for an in-depth review. Risk factors will be considered when choosing sites if staff time does not permit visiting all sites. SD DOE staff will observe how the programs are run and visit with the program director, other staff, and students. SD DOE staff may review what equipment has been purchased and if the employees are completing their time and effort records. Technical assistance will be provided in an attempt to correct any observed deficiencies. The results of the technical assistance visits may be used to provide information for use in the sub-recipient’s ongoing risk assessment.

## **Fiscal**

Fiscal staff will conduct fiscal reviews based on the requirements contained in the 21<sup>st</sup> CCLC Fiscal Monitoring protocol document. The goal is to conduct a fiscal monitoring of each program by the end of the 3<sup>rd</sup> project year. The fiscal monitoring may take place more frequently depending on the results of the risk analysis.

Accounting reports and expenditures will be reviewed to determine if costs are allowable, consistent with the reimbursement request or closeout report, and consistent with the approved program budget. Support documentation should be sampled as part of the review to verify that the expenditures are an appropriate and allowable charge to the program. Sampled documentation may include items such as: employee time distribution records, employment contracts, copies of vouchers with invoices attached, property records, etc. If irregularities are discovered on the sample reviewed, the SD DOE may request additional information, provide technical assistance, or if appropriate conduct an on-site review.

## **Programmatic**

Program staff will conduct an in-depth monitoring review based on the requirements contained in the 21<sup>st</sup> CCLC Program Monitoring Protocol document and the project expectations detailed in the grant application. The goal is to conduct an in-depth monitoring of each program by the end of the 3<sup>rd</sup> project year. In-depth monitoring may take place more frequently depending on the result of the risk analysis.

## **Post Review**

As part of its review process the SD DOE may choose to send a preliminary findings letter to the sub-grantee giving it 30 days to provide additional supporting documentation to address areas of concern. The SD DOE will review any additional data submitted in response to the preliminary findings letter to determine whether the data submitted demonstrates compliance or mitigates the concerns before proceeding with the final letter. If no response is received to the preliminary findings the SD DOE will proceed with a finalized letter that may include enforcement actions, as necessary.

The SD DOE will provide a written response to the sub-grantee concerning the results of the monitoring review. Any findings of non-compliance will be included on the written response to the sub-grantee. The sub-grantee will have 30 days after receiving the SD DOE's response to either:

- Submit a plan to correct the areas of non-compliance: or
- Challenge the findings by submitting material that demonstrates the inaccuracy of the finding.

The SD DOE will review the sub-grantees response and decide to either accept it or require further actions. If the SD DOE accepts the sub-grantees response a letter will be sent to close out the monitoring review. If the sub-recipients response is not acceptable the SD DOE will request additional information or actions. If the sub-recipient does not provide an acceptable response the SD DOE may decide to take an enforcement action to remedy areas of noncompliance.

## **Remedies for noncompliance**

The SD DOE is responsible for taking enforcement action against sub-grantees that do not comply with federal requirements. The SD DOE may attempt to resolve non-compliance by designating the sub-grantee as a "high risk grantee" and impose the specific conditions established under 2 CFR 200.207(b) and (c) as "high-risk conditions".

If noncompliance cannot be remedied by imposing additional "high risk conditions", the SD DOE may take one or more of the following actions under 2 CFR 200.338 as appropriate in the circumstances:

- Temporarily withhold grant payments pending correction of the deficiency,
- Disallow all or part of the cost of the activity not in compliance,
- Wholly or partly suspend or terminate the grant award,
- Initiate suspension or debarment proceedings,
- Withhold further Federal awards for the project or program, or
- Take other remedies that are legally available.

Depending on the enforcement action taken, a sub-grantee may be entitled to a hearing if requested under EDGAR § 76.783.

# **Federal and State Audit Requirements and SD DOE Monitoring**

## **Subrecipients Single Audit Requirement**

Non-Federal entities (including school districts) that expend \$750,000 or more during the non-Federal entity's fiscal year must have a single or program specific audit conducted by an independent auditor for the year in accordance with 2 CFR Part 200.501. The amount of expenditures includes the value of federally donated USDA foods under the National School Lunch Programs.

### **Subrecipients Responsibilities**

Entities subject to the single audit requirements must procure or otherwise arrange for an independent audit. Subrecipients of federal grant funds must comply with all of the single audit requirements for auditees given in 2 CFR 200.508 through 512. Audits are due within nine months after the end of the entity's fiscal year.

Subrecipients subject to the single audit requirements must also display the completed audit report on the subrecipient's website under South Dakota state law. (SDCL 1-56-1)

Local Education Agencies (LEAs), Local Governments, and South Dakota based nonprofit organizations receiving federal funds through the State must submit a copy of the engagement letter from their independent auditor to the South Dakota Department of Legislative Audit (DLA) for approval before the audit is commenced. This engagement letter must include the scope of the audit and the programs to be reviewed. A copy of the final audit report must also be submitted to DLA for their review.

The engagement letter and the final audit must be sent to:

South Dakota Department of Legislative Audit  
Attn: Single Audit Coordinator  
500 East Capitol  
Pierre SD 57501

Organizations (excluding SD public LEAs) that receive federal grants funds from SD DOE must indicate on the GMS or the iCAN based grant application that the single-audit requirement applies to the organization, or certify that the requirement does not apply to the organization because it did not expend more than the \$750,000 threshold amount in the fiscal year. If the question was not included on a web based electronic grant application, the organization will receive written request for this information.

Tribal schools, Tribal governments, and out-of-state based nonprofit organizations receiving funds through the SD DOE, which do not submit their audits to SD Department of Legislative Audit, must provide a copy of their audit report to the SD DOE. Schools that are Tribally-operated under BIE contracts or grants are subject to the single audit requirements.

A copy of the audit should be sent to:

South Dakota Department of Education  
Office of Grants Management  
800 Governors Drive  
Pierre, SD 57501-2294

SD DOE will accept reports submitted in electronic copy.

## **State Audit Requirement for School Districts**

South Dakota school districts that did not expend \$750,000 during the district's fiscal year are required by state law (SDCL 4-11-7.1) to have financial and compliance audits performed at least every two years; however, annual audits are encouraged. The audits must be performed in accordance with generally accepted government auditing standards. The audits may be done by the Department of Legislative Audit or by a private auditing firm authorized by law to audit the financial records of school districts.

## **Monitoring of Single Audits**

The SD DOE Office of Grants Management monitors the single audit reports of subrecipients to verify that the required audits are performed. The single audit reports are reviewed as part of the subrecipient monitoring process to ensure that federal grants are used for authorized purposes, in compliance with federal statutes, regulations, and the terms and conditions of the subaward.

## **SD DOE Management Decision and Corrective Actions**

SD DOE is required by 2 CFR 200.331(d)(3) and 200.521(a) and (c) to issue a management decision for findings in a subrecipient's single audit report that involve federal grants awarded by SD DOE. Grants Management office staff will review each single audit report for any findings identified by an independent auditor related to federal grants administered by SD DOE.

The subrecipient must provide a corrective action plan for each relevant audit finding contained in the audit report. The corrective action taken must correct the identified deficiencies, implement recommended improvements, or demonstrate that the audit findings do not warrant auditee action. The auditee's corrective action response to each finding will be evaluated. Findings will generally be sustained unless it is determined that at least one of the following is true:

1. The independent auditor misinterpreted federal statute.
2. There is new information or federal guidance that was not available to the auditor at the time he or she conducted the single audit.

For program specific findings the Grants Management staff will notify and consult with the appropriate SD DOE Program Office to evaluate the auditee's corrective action. The SD DOE

may request additional information or documentation from the auditee as a way to mitigate disallowed costs prior to the issuance of the management decision letter.

The SD DOE will issue a management decision letter after it has decided to sustain or not sustain the audit findings. The management decision will include if the auditee's corrective action included in the audit is accepted, or if additional corrective actions are required, and the required completion date. The management decision will also include any enforcement actions. The purpose of the corrective action is to ensure that the organization corrects the noncompliant activity.

The auditee must provide sufficient documentation to the SD DOE to demonstrate that it has corrected or is implementing an action to correct the audit finding. The SD DOE will follow up with the auditee to ensure that the corrective actions are implemented.

## **Findings Resulting in Questioned Costs**

If a single audit finding includes questioned costs, or the SD DOE questions costs that are not identified in the single audit report that it believes should be associated with a certain finding, the SD DOE will not issue a management decision until the auditee indicates whether it agrees or disagrees with the findings. SD DOE will notify the auditee of the questioned costs and the auditee must indicate in writing if it agrees or disagrees with the finding's questioned costs. If the auditee disagrees with the findings, it must explain why it disagrees and submit supporting documentation. The SD DOE may decide to allow the auditee to mitigate the questioned costs by using at least the same amount of nonfederal funds to support the affected federal program.

If SD DOE decides to disallow the questioned costs and require the sub recipient to return the disallowed costs to SD DOE, the management decision will include the refund amount, the deadline for submitting the refund, and any other enforcement actions. The sub recipient may also have to complete corrective actions for findings with questioned costs.

## **Enforcement Actions**

SD DOE may impose an enforcement action as a remedy for noncompliance under 2 CFR 200.338 and 2 CFR 3474.10. Enforcement actions may include the following:

- Temporarily withhold cash payments pending correction of the deficiency or more severe enforcement action.
- Disallow all or part of the cost of the activity or action not in compliance.
- Wholly or partly suspend or terminate the federal award.
- Initiate suspension or debarment proceedings.
- Withhold further federal awards for the project or program.
- Take other remedies that may be legally available.

An enforcement action may also take the form of disapproval of a federal grant application.

**US ED Programs** – Under 2 CFR 3474.10 the SD DOE may designate the sub-recipient as a “high risk grantee” and impose the specific conditions established under 2 CFR 200.207(b) and (c) as “high-risk conditions”.

## **Right to a Hearing**

**US ED Programs** - The sub grantee may request a hearing under 34 CFR §76.783 if it alleges that any of the following actions by the State education agency violated a State, or Federal statute or regulation: (1) ordering, in accordance with a final State audit resolution determination, the repayment of misspent or misapplied Federal funds, or (2) terminating further assistance for an approved project. Applicants for federal grant funds that have their applications disapproved by SD DOE are entitled to request a hearing as described in 34 CFR §76.401.

**USDA Programs** – The sub grantee may appeal a finding based on the appeal procedures specific to the affected program. A copy of the affected program’s appeal procedures will be provided with the notice of an enforcement action.



UNITED STATES DEPARTMENT OF EDUCATION  
OFFICE OF FINANCE AND OPERATIONS

APR 12 2019

Dear Chief State School Officer:

The purpose of this letter is to inform U.S. Department of Education (ED) grantees, particularly State Educational Agencies (SEAs) of their responsibilities for administering Federal grants, as set forth in *2 CFR Part 200, the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Specifically, this letter addresses SEA oversight responsibilities associated with the local educational agency (LEA) single audit resolution process. In addition to the requirements set forth in the Uniform Guidance, we are sharing examples of how certain provisions are being implemented by several States that assisted us in developing this letter.

ED relies on SEAs to distribute Federal education grant funds to subrecipients and to oversee their use. Your oversight and internal controls should provide reasonable assurance that Federal grants are awarded properly, recipients are eligible, funds are used as intended, and corrective measures are taken when necessary.

As you know, a key source of information on grantees' use of funds comes from organization-wide audits, required under the *Single Audit Act of 1984*, and performed by independent auditors. These audits enable accountability and transparency over government programs through an objective analysis of the recipient's management, control, and use of Federal funds, and selected elements of a program's statutory and regulatory requirements.

### **AUDITEE ROLES AND RESPONSIBILITIES**

According to the Uniform Guidance, while the SEA is responsible for oversight of the LEA single audit process in its State, the auditee is responsible for follow-up and corrective action on all audit findings identified in its single audit report. Including –

- (a) **General.** The auditee must prepare a summary schedule of prior audit findings and a corrective action plan for current year audit findings. The summary schedule of prior audit findings and the corrective action plan must include the reference numbers the auditor assigns to audit findings under §200.516 *Audit findings*, paragraph (c). Since the summary schedule may include audit findings from multiple years, it must include the fiscal year in which the finding initially occurred. The corrective action plan and summary schedule of prior audit findings must include findings relating to the financial statements which are required to be reported in accordance with Generally Accepted Government Auditing Standards (GAGAS).

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- (b) **Summary schedule of prior audit findings.** The summary schedule of prior audit findings must report the status of all audit findings included in the prior audit's schedule of findings and questioned costs. The summary schedule must also include audit findings reported in the prior audit's summary schedule of prior audit findings except audit findings listed as corrected in accordance with §200.511 (b)(1), or no longer valid or not warranting further action in accordance with paragraph §200.511 (b)(3).
- (c) **Corrective action plan.** At the completion of the audit, the auditee must prepare, in a document separate from the auditor's findings described in §200.516 *Audit findings*, a corrective action plan to address each audit finding included in the current year auditor's report. The corrective action plan must provide the name(s) of the contact person(s) responsible for corrective action, the corrective action(s) planned, and the anticipated completion date. If the auditee does not agree with the audit findings or believes corrective action is not required, then the corrective action plan must include an explanation and specific reasons.

### **KEY FEATURES TO SEA OVERSIGHT OF LEA AUDIT RESOLUTION**

A recent report by ED's Office of the Inspector General (OIG)<sup>1</sup> identified a wide variance in the quality and consistency of oversight from SEAs in different aspects of single audit resolution. This includes issuing timely management decisions, tracking and enforcing LEA corrective actions, and providing appropriate guidance and support. Lack of effective oversight and technical assistance can have a serious adverse impact on safeguarding Federal education funds and ensuring that education programs comply with Federal requirements. Once an audit has been received and compliance issues have been identified, the SEA is responsible for monitoring the resolution of LEA audit findings. ED's OIG identified some key recommendations, drawn from the Uniform Guidance that can greatly improve the quality and consistency of SEA oversight. They are as follows:

**1) *Ensure all Recipients Expending \$750,000 or More in Federal Funds Have a Single Audit Conducted***

A non-Federal entity that expends \$750,000 or more in Federal awards during the non-Federal entity's fiscal year must have a single audit conducted. A non-Federal entity that expends less than \$750,000 in Federal awards during the non-Federal entity's fiscal year is exempt from Federal audit requirements for that year, except as noted in Uniform Guidance §200.503 *Relation* to other audit requirements. Appropriate records must be available for review or audit by appropriate officials of the Federal agency, pass-through entity, and the Government Accountability Office (GAO) even if a single audit is not required. Since the Uniform Guidance does not apply to for-profit subrecipients, the pass-through entity is responsible for establishing requirements, as necessary, to ensure compliance by for-profit subrecipients.

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<sup>1</sup> The OIG report can be found at: <https://www2.ed.gov/about/offices/list/oig/auditreports/fy2017/x09q0006.pdf>

To illustrate effective implementation in this area, we offer some examples from several SEAs that have successfully complied with this requirement:

- South Carolina—Instructions (Attachment 1)
- South Dakota – Instructions (Attachment 2)
- South Dakota – Late Audit Letter & Follow-up letter (Attachments 3 and 4)

South Carolina sends a letter annually to all subrecipients (including entities that are not school districts) receiving Federal funds. South Carolina requests that subrecipients send the State their single audit by December 1<sup>st</sup> or provide financial information to demonstrate that the entity expended less than \$750,000 in Federal funds in the most recently completed fiscal year. The letter explains that any entity expending less than \$750,000 is not required to have an annual single audit conducted for that year.

South Dakota provides instructions to all entities in the State describing the audit requirements for subrecipients receiving Federal funds through the State. Entities receiving Federal funds must submit an Audit Requirement Form notifying the State of important audit information, such as the amount of Federal funds expended, the beginning and end dates for the entity’s fiscal year, and the type of audit that was or will be performed. Additionally, a letter is sent from the State to any subrecipient that did not submit its audit timely, along with a follow-up letter.

## 2) Issue Management Decisions That Meet Federal Requirements

The Uniform Guidance states that the SEA must issue a written management decision for each finding relating to Federal awards passed through to subrecipients. [§200.331(d)(3)] The decision should be issued within six months of acceptance of the audit report by the Federal Audit Clearinghouse, and must include specific actionable content, as described below. [§200.521(d)]

The Uniform Guidance sets forth the key elements the decision should include. The management decision must: reference the number the auditor assigned to each finding; state whether the SEA has sustained the finding and the reasons for doing so, or not; and state whether the SEA concurs with the corrective actions the LEA has planned or identified in addition to any actions the SEA determines should be implemented. In the event the LEA has not implemented corrective actions, the SEA decision should include a timetable for follow-up on the LEAs’ implementation. Finally, the SEA should provide information on any appeal process available to the LEA for disputing the SEA’s management decision and/or required corrective actions. [§200.521]

- South Carolina – Management Decision Letter (Attachment 5)
- South Dakota – Management Decision Letter (Attachment 6)

In the attached letter from South Carolina, an entity is notified whether the findings are sustained or not, and whether the State accepts the entity's corrective actions. Additionally, the entity is notified of the requirement to maintain working papers and reports for three years as the Federal cognizant agency may conduct a Quality Control Review.

The Management Decision Letter from the South Dakota Department of Education is in response to an LEA's repeat finding. The letter states that the SEA sustained the finding and requested further corrective action on the LEAs part with a timetable for follow-up.

3) **Ensure LEAs Take Timely and Appropriate Corrective Actions When Resolving Audit Findings.**

Once a single audit has been accepted for resolution, the SEA should evaluate the LEA's corrective action plan, along with details regarding the audit finding(s) and recommendation(s), and other pertinent monitoring information on the LEA. In assessing these corrective action plans, the SEA should determine whether they are clear, specific, and could be reasonably expected to correct the underlying cause of the finding. Ultimately, the SEA may conclude either that the LEA should implement the corrective action plan described in the audit report, carry it out with revisions, or set it aside altogether and develop a new one. The importance of the SEA's assessment is underscored by a provision in the Uniform Guidance regarding repeat findings. In the event of a recurrence of a prior year finding, the LEA must describe in the Single Audit's summary schedule of the prior year's finding(s), the reasons for not fully correcting the finding. [§200.511 (b)(2)]. The OIG report states that:

Prompt action is essential and LEAs must not be allowed to propose the same corrective measures year after year without taking steps to implement them to effectively resolve outstanding compliance issues that have been identified through the audit process." In cases of repeat findings, the SEA should determine why the finding has repeated, identify the corrective actions that are appropriate to the circumstances, and hold the LEA accountable for timely implementing the corrective actions.

- Ohio letter – SA Final Report Example with Repeat Findings (Attachment 7)

The letter from the Ohio SEA is a response to one of its subrecipients regarding two repeat findings. In the letter, the State makes its determination as to whether it is in agreement with the auditor's finding, including an explanation for their decision. The State also explains whether it accepts the subrecipient's corrective action plans, and if any further corrective actions are required.

#### **4) Engage with LEAs Throughout the Resolution Process.**

When resolving audit findings, the SEA needs to communicate with the LEA officials that are involved in the development and implementation of required corrective action plans. Based on this dialogue with the stakeholders, the SEA can assess what corrective measures are appropriate, ensure that an LEA has timely implemented corrective actions, and/or understand the obstacles accounting for the recurrence of particular findings. Given the complexity of managing intergovernmental grants and the various stakeholder groups involved, it is even more important for continuous and effective communication to take place between the SEA and LEAs when auditors report repeat findings.

Effective communication is also essential for the timely and proper resolution of all findings set forth in the Uniform Guidance [§200.331(d)(2)]. This is key to preventing inappropriate use of Federal funds and noncompliance with Federal fiscal or program requirements. Recurrence of findings may involve either significant Federal funds that are due back to the Treasury, programmatic concerns, or significant control weaknesses. Findings that continue to be unresolved from one year to the next indicate a weak control environment that could lead to waste, fraud, or abuse.

Auditors often write single audit findings at a very high level. Sometimes the audit report will not contain enough information to enable the SEA to identify the root cause of the finding or determine the appropriate corrective action(s). In these cases, the SEA must contact the LEA to obtain more information before issuing the management decision.

ED's OIG observed that many audit findings had the same "condition" and "cause" during its audit work. For example, "management did not follow program requirements" would be listed as both condition and cause. This would not provide the SEA enough information to understand why management didn't follow the requirements and what was needed to be done to fix the issue, and the SEA should follow up with the LEA to obtain additional information.

The Uniform Guidance requires that the SEA use audit follow-up techniques which promote prompt corrective action on audit findings. The Uniform Guidance recommends the use of cooperative audit resolution techniques in following up on significant or repeat findings involving complex and systemic issues. These innovative techniques, which ED has pioneered, "promote prompt corrective action by improving communication, fostering collaboration, promoting trust, and developing an understanding between the Federal agency and the non-Federal entity." [§200.25] SEAs can readily apply these techniques while resolving LEA single audits.

The Cooperative Audit Resolution and Oversight Initiative (CAROI) concentrates on two facets for program improvement: cooperative audit resolution and oversight activities. In 1999, ED developed a guide to provide direction on the first facet of cooperative audit resolution for program improvement. The guide provided guidance for resolving audit findings, and guidance on how to use CAROI to prevent potential audit findings.

In the summer of 2009, the Association of Government Accountants (AGA) established a work group comprised of Federal and State officials with responsibility for audits and monitoring. The

work group expanded the original CAROI guide developed by ED to include specific actions that SEAs may undertake to work with LEAs to resolve longstanding audit issues. The guide is titled: Guide to Improving Program Performance and Accountability Through Cooperative Audit Resolution and Oversight. The Guide can be found at: <https://www.agacgfm.org/Tools-Resources/intergov/More-Tools/Cooperative-Audit-Resolution-and-Oversight-Initiat.aspx>

**5) Establish Effective SEA Internal Control Over LEA Audit Resolution.**

The OIG’s report identifies four key practices the SEA should adopt to ensure an effective LEA resolution process that promotes compliance with all applicable requirements. These practices align with the internal control criteria set forth in the Uniform Guidance and those described in the Government Accountability Office’s Green Book.<sup>2</sup> [§200.303(a)]

**1. Assign overall audit resolution oversight responsibility to a specific unit within the SEA.**

The resolution of audits involves several subrecipient monitoring functions that may be assigned to separate units across an SEA. These include the analysis of audits, the resolution of financial management issues, programmatic compliance findings, and the use of grant management systems to track findings and their resolution. These diverse activities must be coordinated for audit follow-up to succeed. Responsibility for coordinating these activities should be assigned to a specific unit within the SEA, and that unit should have ultimate responsibility for ensuring that the SEA’s audit resolution oversight activities are completed timely and in accordance with all requirements. According to GAO’s Green Book, sound internal control must rest on an organizational structure where responsibility is assigned, and authority delegated to manage, and oversee all aspects of the oversight function.

In South Carolina, the unit with the ultimate responsibility over audits is the Office of Auditing Services. Auditing Services coordinates the audit intake, assigns and tracks audit findings and closes audits. The Office of Federal and State Accountability, along with other offices that administer Federal grants, follows up on LEA findings and corrective action plans to ensure all findings have been resolved and corrective action plans implemented before reporting back to Auditing Services. Auditing Services reviews the Office of Federal and State Accountability’s responses to the LEA corrective actions plans and if acceptable, then sends a letter informing the LEA that its findings have been resolved and its audit is closed.

- Michigan – (Attachment 8)

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<sup>2</sup> Specifically, “Standards for Internal Control in the Federal Government” (The Green Book”), issued by the Comptroller General of the United States (Government Accountability Office) and the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

The attached is the internal form that the Michigan Single Audit Coordinator uses when assigning single audit findings to various offices in the Michigan Department of Education. For example, a Title I, Part A finding would be sent to the Director of Field Services, whose staff works on the audit resolution. Then the Director of Field Services would return the completed form to the Single Audit Coordinator.

The overall responsibility for the oversight of subrecipient single audits lies with the Single Audit Coordinator; however, responsibility for the resolution of program specific audit findings is assigned to the offices that administer the program(s) cited in the audit finding.

## **2. Design and implement comprehensive policies and procedures**

The policies and procedures for monitoring the LEA audit resolution process must be current, complete, and sufficiently detailed to enable SEA staff to implement with limited training. These policies should address all aspects of the SEA's oversight of audit resolution: identifying appropriate corrective actions, issuing management decisions, tracking the resolution of findings, communicating and following up with LEAs, and escalating resolution actions for significant or repeat findings. The SEA personnel responsible for specific activities should be identified, instructions on how to perform required tasks included (giving the order in which activities should be performed), and templates of forms used during the resolution process provided. There should also be a requirement for periodic review of the policies and procedures and updates to reflect changes in the process.

The States of South Carolina, Georgia, South Dakota, and Michigan have developed policies and procedures outlining the subrecipient audit process in their respective States. Michigan's audit manual, the Michigan School Auditing Manual, can be located at: [https://www.michigan.gov/documents/mde/2015-2016\\_Michigan\\_School\\_Auditing\\_Manual\\_524210\\_7.pdf](https://www.michigan.gov/documents/mde/2015-2016_Michigan_School_Auditing_Manual_524210_7.pdf)

## **3. Track the resolution of LEA audit findings.**

While the Uniform Guidance does not require tracking of LEA audit resolution, SEAs need an effective tracking system in order to effectively carry out their regulatory oversight responsibilities. This includes following up on unresolved LEA findings and taking appropriate steps to ensure that all findings are corrected timely and appropriately. [§200.331(d)(2)] Finally, tracking the status of findings is key to the SEA's internal control responsibilities as a pass-through entity, as it relates to assessing risks in making awards to subrecipients, control activities, and monitoring.

A comprehensive, multi-year tracking system allows the SEA to easily identify specific findings reported in individual LEAs across the State, determine the frequency of finding

recurrence, and effectively monitor LEAs to ensure they take timely corrective actions. Specifically, the system should track individual findings at each LEA, including the finding number, the year originally reported, a description of the finding, how many years a finding may have repeated, and the status of all corrective actions. To enable effective oversight, it should be an integrated system that includes information on compliance findings for all LEAs in current and prior years. The advantage of database software over spreadsheets includes improved data integrity, ease of entering and querying data, generating reports, and simultaneous access by multiple users. Finally, the system should identify an LEA finding as closed only when the LEA has fully implemented all necessary corrective actions.

- Georgia – Audit System Screen Shots, Attachment 9

Georgia purchased a web-based database system from a company that had a database already developed for use by a commercial business. The company tailored its system to fit the needs of the Georgia Department of Education for its subrecipient audit process. The system enables the SEA to assign audit findings, track resolution status, and determine the number of years a finding has repeated, among other capabilities.

#### 4. Implement a quality assurance process

Evaluation of performance over time by internal or external sources is a key aspect of monitoring, because it provides the SEA with feedback on the effectiveness of its internal controls as well as historical data about grantee performance. Quality assurance provides States with a mechanism to systematically detect and correct errors, control weaknesses, and address noncompliance with regulatory requirements.

### POSITIVE PRACTICES THAT SEAs COULD IMPLEMENT TO ENHANCE OVERSIGHT EFFECTIVENESS

During ED OIG’s State audits, it identified one SEA that had implemented several positive practices that other SEAs could implement to ensure more timely and effective resolution of LEA single audit findings. The practices cited below are not required under current Federal regulations, but rather, are examples cited as promising practices it discovered during the course of the audits.<sup>3</sup>

*Strengthen or enhance management decisions for repeat findings.* When findings recur, it is essential that LEAs be required to provide more information and support regarding corrective actions taken. Prompt action is essential and LEAs must not be allowed to propose the same corrective measures year after year without taking steps to implement them to effectively resolve outstanding compliance issues that have been identified through the audit process. One SEA

<sup>3</sup> ED’s OIG did not specifically identify the States that were implementing the identified promising practices in its report.

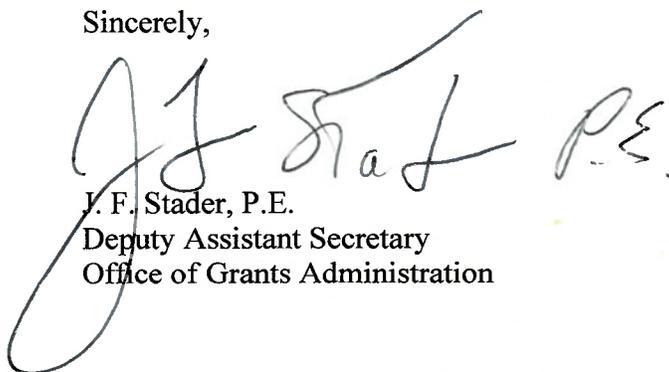
reports that it informs its LEAs that its failure to adopt an effective corrective action regarding a recurrent finding will affect the risk score assigned to its grants. The enhanced management decisions required LEAs to provide additional information and evidence about corrective actions taken for all repeat findings and required certification from the local school board's chairperson or designee.

1. *Issue management decisions for financial statement findings and track their resolution.* Single audits provide useful insights into LEA financial management. Steps to protect Federal program funds from misuse or fraud can be addressed by issuing management decisions for LEAs' financial statement findings. This can help ensure that these findings are corrected timely and appropriately. Although not required by the Uniform Guidance, resolution of such findings can help ensure proper and timely resolution of internal control weaknesses (such as segregation of duties) that could adversely affect grant administration. Some states have taken advantage of existing databases to undertake comprehensive analysis of all single audit findings, both those involving financial statement issues and programmatic compliance.
2. *Target audit resolution communications to LEA action officials responsible for implementing corrective action.* ED's OIG found that some SEAs issued their management decisions only to LEA superintendents without copying other LEA officials. Due to poor communication within the LEAs, the LEA officials who were responsible for actually implementing corrective actions never received a copy of the management decisions and did not even know what a "management decision" was. Thus, SEAs should send a copy of the management decision directly to LEA action officials in addition to the superintendent.

The guidance in this document does not impose any requirements beyond those set forth in the Uniform Guidance. If you have any questions regarding this letter or your State's responsibilities under the Uniform Guidance, please contact us at: [AuditResolutionDivision@ed.gov](mailto:AuditResolutionDivision@ed.gov).

We'd like to acknowledge the assistance we received from the SEAs highlighted in this document that provided us with a better understanding of how States are implementing their LEA audit resolution oversight responsibilities. We sincerely appreciate the time that these SEAs spent describing their respective audit resolution systems and sharing effective practices with us!

Sincerely,



J. F. Stader, P.E.  
Deputy Assistant Secretary  
Office of Grants Administration



**STATE OF SOUTH CAROLINA  
DEPARTMENT OF EDUCATION**

**MOLLY M. SPEARMAN**  
*STATE SUPERINTENDENT OF EDUCATION*

**MEMORANDUM**

**TO:** Federal Program Administrators

**FROM:** Melissa A. Myers, Director *MAA*  
Office of Auditing Services

**DATE:** February 12, 2018

**RE:** **FISCAL YEAR 2016-17 FEDERAL PROGRAM QUESTIONNAIRE/  
AUDIT REPORT**

Our records indicate that your agency expended funds that it received from the South Carolina Department of Education (SCDE) for either a federal grant award or a food service agreement. These funds were expended during the state fiscal year ended June 30, 2017.

The Office of Management and Budget (OMB) 2 CFR Part 200.501(b) requires non-federal entities that expend \$750,000 or more in a year **for all federal awards** to have a single audit conducted. As the pass-through entity, the SCDE is responsible for ensuring compliance with 2 CFR Part 200.501(b).

If your entity expended **less than \$750,000** in federal awards, you do not have to submit a single audit report. However, if your entity received a financial audit from an independent auditor, submit a copy of the audit report. If audited financial statements are not available, please provide a copy of your entity's year-end basic financial statement. If neither of these are available, please submit one of the following:

- A copy of your entity's IRS Form 990 for FY 2016-17
- A copy of the last three bank statements for FY 2016-17

Please have your financial officer complete the enclosed Federal Program Questionnaire and submit to the address below.

If your agency expended **\$750,000 or more** in federal awards, you must submit the required annual single audit report to the SCDE for FY 2016-17. Please have your financial officer complete the enclosed Federal Program Questionnaire and submit to the address below.

The audit report package must include

1. One copy of the single audit report;
2. Summary Schedule of Prior Audit Findings;
3. Corrective Action Plan (if applicable);
4. The enclosed Federal Program Questionnaire (to be completed by your financial officer).

**Charter schools** must adhere to the same financial audits, audit procedures, and audit requirements as are applied to public schools per Section 59-40-50(B)(3) of the South Carolina Code of Laws. Based on this regulation, a charter school must have an audit performed annually and must submit the audit report to the SCDE by December 1 of each year. There is no exception from this requirement if the school expends less than \$750,000 in federal awards.

The questionnaire and audit report package must be returned by **February 26, 2018** to:

**SCDE – Office of Auditing Services**  
**1429 Senate Street, Suite 403**  
**Columbia, South Carolina 29201**  
**Fax # 803-734-8089**  
**[AuditingServices@ed.sc.gov](mailto:AuditingServices@ed.sc.gov)**

**Please be advised that non-compliance with this request could result in non-payment of federal funds to your entity.**

Should you have questions, contact either [REDACTED]  
or [REDACTED] or  
[REDACTED] or me at [REDACTED] or [REDACTED] to assist you.

Thank you for your cooperation.

## Instructions for Audit Requirements

**21<sup>st</sup> CCLC grant recipients** must complete and submit the audit requirements page each year.

### **Audit Requirement**

Non-Federal entities that expend \$750,000 or more during the non-Federal entity's fiscal year must have a single or program specific audit conducted by an independent auditor for the year in accordance with 2 CFR Part 200.501. The amount of expenditures includes the value of federally donated USDA foods under the National School Lunch Programs.

### **What are the auditee's responsibilities?**

Entities subject to the single audit requirements must procure or otherwise arrange for an audit.

Charitable or private nonprofit organizations receiving federal funds through the State must submit a copy of the engagement letter from their independent auditor to the South Dakota Department of Legislative Audit (DLA) for approval before the audit is commenced. This engagement letter must include the scope of the audit and the programs to be reviewed. A copy of the final audit report must also be submitted to DLA for their review.

The engagement letter and the final audit must be sent to:  
South Dakota Department of Legislative Audit  
Attn: Single Audit Coordinator  
500 East Capitol  
Pierre SD 57501

Tribal schools and other Tribal entities that do not submit their audits to SD Department of Legislative Audit must provide a copy of their audit report to the South Dakota Department of Education. Schools that are Tribally-operated under BIE contracts or grants are subject to the single audit requirements.

A copy of the audit should be sent to:  
South Dakota Department of Education  
Office of Grants Management  
800 Governors Drive  
Pierre, SD 57501-2294

### **When is the audit due?**

Audits are due within nine months after the end of the entity's fiscal year.

### **Definitions**

*Non-Federal entity* means a state, local government, Indian tribe, institution of higher education (IHE), or nonprofit organization that carries out a Federal award as a recipient or sub recipient. (2 CFR 200.69)

*Authorized Official* means business or fiscal official responsible for compliance with audit requirements.

*Expenditures* means charges made to a project or program for which a Federal award was received. See the Uniform Grant Guidance under 2 CFR 200.34 for appropriate accounting basis definitions.

If you have any questions you may contact [REDACTED] in the SD Department of Education's Office of Grants Management at [REDACTED] or [REDACTED]

## Audit Requirement Form

Name of Local Agency (Entity): \_\_\_\_\_

Local Agency Number for Child & Adult Nutrition Services \_\_\_\_\_

**1) What type of entity? (Choose one)**

- South Dakota Public School District. Continue to complete this form.
- Non-federal entity other than public district and is required to submit audit and financial information. Continue to complete this form.
- Federal entity and as such is exempt from submitting an audit report. Skip to signature section and submit this form.

**2) What level of federal funds did your entity expend? (Choose one)**

- Expended less than \$750,000 in federal financial assistance in the most recently completed fiscal year. Entity is not subject to the Single Audit Requirements of 2 CFR Part 200. Records will be kept on file. Skip to signature section and submit this form.
- Expended more than \$750,000 in federal financial assistance in the recent fiscal year. Continue completing this form, please go to Question 3.

**3) What are the sources of the federal funds and what type of audit is required? (Choose one)**

- Federal funds are from a variety of sources. We will submit a single audit.
- All federal funds are USDA Food Distribution and/or Child Nutrition Program funds.
- We will submit (check one)       Single audit       Program-specific audit

**4) What are the dates of your entity's fiscal year?**

a) Our fiscal year is \_\_\_\_\_, 20\_\_\_\_\_ to \_\_\_\_\_, 20\_\_\_\_\_

**5) When was the last audit submitted? (Answer "a" or "b")**

a) Our last audit was for the fiscal year ending \_\_\_\_\_ and submitted on \_\_\_\_\_. Audits must be submitted within nine months after the fiscal year end. If the audit was not submitted within the required nine months please provide and attach an explanation with an estimated completion date.

b) We are on a two-year audit cycle. Our last audit was for the fiscal year ending \_\_\_\_\_ and submitted on \_\_\_\_\_ (Date). If the audit was not submitted within the nine months after the end of the fiscal year completing the two year cycle, please provide and attach an explanation with an estimated completion date.

**Name and Title of Authorized Business or Financial Official responsible for audit requirement (print or type):**

\_\_\_\_\_

**Signature of Authorized Business or Financial Official:** \_\_\_\_\_

**Date:** \_\_\_\_\_



**South Dakota  
DEPARTMENT OF EDUCATION**

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800 Governors Drive  
Pierre, SD 57501-2235

T 605.773.3134  
F 605. 773.6139  
[www.doe.sd.gov](http://www.doe.sd.gov)

February 6, 2018

[Redacted]

Dear [Redacted]

The South Dakota Department of Education (SD DOE) is responsible for ensuring our sub recipients are in compliance with the federal audit requirements out lined in the Federal Uniform Grant Guidance described in 2 CFR Part 200 Subpart F. Sub-recipients spending more than \$750,000 of federal funds in a fiscal year are required to have an annual audit performed by an independent auditor. These audits must be completed and submitted to the SD DOE within nine months after the close of the sub-recipient's fiscal year.

The [Redacted] is currently not in compliance with the federal audit requirements. Due to the [Redacted]'s failure to submit timely audits in compliance with federal regulations, the SD DOE is withholding approval of the School Nutrition Programs application until the [Redacted] provides evidence of a corrective action plan to come into compliance with the audit requirements. This evidence should include the name of the audit firm and a copy of their engagement letter or contract with [Redacted] indicating the intention to perform the audits up to the end of the most recent fiscal year. Once the SD DOE receives acceptable evidence that the [Redacted] has implemented actions to ensure compliance, the application will be approved and allowable payment requests can be submitted by [Redacted]

Thank you for your cooperation in ensuring compliance with these audit requirements. If you have any question s concerning this issue please contact me in the Grants Management office at [Redacted]

Sincerely,

[Redacted Signature]

[Redacted] Administrator  
Office of Grants Management

cc: [Redacted] Business Official



**south dakota**  
**DEPARTMENT OF EDUCATION**

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800 Governors Drive  
Pierre, SD 57501-2235

T 605.773.3134  
F 605.773.6139  
www.doe.sd.gov

February 12, 2018

[REDACTED]  
[REDACTED]  
[REDACTED]

Dear [REDACTED]

The purpose of this letter is to acknowledge receipt of copies of the audit engagement letters between the [REDACTED] and the CPA firm, [REDACTED] for the years ending June 30, 2014, 2015 and 2016. The engagement letters demonstrate that [REDACTED] is working to comply with the audit requirements for the years listed above. Therefore, the South Dakota Department of Education (SD DOE) will approve the School Nutrition Programs application for the current year. It is requested that [REDACTED] provide copies of the completed audits to the SD DOE as soon as they are available.

Please note that the annual audits are due within nine months after the close of the sub-recipient's fiscal year. The [REDACTED] would normally be expected to have an audit completed or in progress for the year ending June 30, 2017. We will be reviewing the progress made towards compliance with the audit requirements before considering approval of next year's School Nutrition Programs application.

Thank you for your cooperation in ensuring compliance with these audit requirements. If you have any questions concerning this issue please contact me in the Grants Management office at [REDACTED]

Sincerely,

[REDACTED]

[REDACTED]  
Office of Grants Management

cc: [REDACTED] Business Official



**STATE OF SOUTH CAROLINA**  
**DEPARTMENT OF EDUCATION**

**MOLLY M. SPEARMAN**  
*STATE SUPERINTENDENT OF EDUCATION*

May 30, 2017

[REDACTED]  
Superintendent  
[REDACTED]  
[REDACTED]  
[REDACTED]

Dear [REDACTED]

Thank you for the submission of the FY 2015-16 audit report for [REDACTED] County in accordance with SC Code of Laws Section 59-17-100. We have completed our desk review of the report under the audit process required by the Single Audit Act of 1996 and 2 CFR Part 200, "Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards." Federal award findings 2016-002, 2016-005, 2016-006, and 2016-007 on pages 78-79 of the audit report were referred for review and resolution to the appropriate agency officials. The management decisions received indicate that the audit findings are sustained. All areas of the audit are satisfactorily addressed except the following items:

- The detail of the federal award findings does not include the following items required under 2 CFR Part 200:
  - The federal award identifying number and year and the name of the applicable pass-through entity required per 2 CFR Part 200.516 (b)(1);
  - Identification of whether the finding was a repeat finding in a prior year as required per 2 CFR Part 200.516(b)(8); and
  - Views of the responsible officials of the auditee as required per 2 CFR Part 200.516 (b)(10)
- We note that the district does not intend to implement the recommendation noted for findings 2016-02, 2016-003, and 2016-004. However, since these findings are ongoing issues with the district, the repetitive findings will factor into the District's overall risk score under the risk assessment process developed by the SCDE in accordance with the Uniform Grant Guidance.

2 CFR Part 200 mandates that your district and/or independent auditor retain working papers and reports for a period of three years as they are subject to a Quality Control Review by the cognizant agency (United States Department of Education) or its designee.

If you have any questions regarding the management decisions or want to appeal the management decisions, please write to me at: S.C. Department of Education, 1429 Senate Street, Room 403, Columbia, South Carolina, 29201.

[REDACTED]  
Page 2

May 30, 2017

If you have any questions concerning this letter or the review of your FY 2015-16 report, please contact me at 803-734-8453. We appreciate the District's cooperation with our office.

Sincerely,

*Melissa A. Myers*

Melissa A. Myers, Director  
Office of Auditing Services

MAM/dlw

cc: [REDACTED] CPA, Independent Auditor  
[REDACTED] Finance Director, [REDACTED] County School District Two  
[REDACTED] Director, Office of Federal and State Accountability  
[REDACTED] Education Associate, Office of Federal and State Accountability  
[REDACTED] Director, Office of Health and Nutrition  
[REDACTED] Team Lead, Office of Health and Nutrition  
[REDACTED] Director, Office of Special Education Services  
[REDACTED] Team Lead, Office of Special Education Services  
[REDACTED] Executive Director, [REDACTED] TAP

File Copy



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800 Governors Drive  
Pierre, SD 57501-2235

T 605.773.3134  
F 605 773.6139  
www.doe.sd.gov

September 29, 2017

[REDACTED]  
Board Chairperson

[REDACTED]  
PO Box 260  
[REDACTED]

Dear: [REDACTED]

The Department of Education (DOE) has reviewed the [REDACTED] School District's fiscal year 2016 single audit report. The District' corrective action plan to the audit findings indicate that you are the contact person responsible for the response to the audit findings.

This letter documents our management decision on the audit findings that relate to the Federal awards administered by the DOE. The management decision is the evaluation of the audit findings and the District's proposed corrective action plan.

The following audit finding relates to the DOE administered Title I (CFDA 84.010A):

2016-001: A material weakness was disclosed by our audit of the financial statements for a lack of segregation of duties for the revenues, expenditures and payroll functions.

Analysis: For the revenues, expenditures and payroll functions there is a lack of segregation of duties because one or two persons perform a major portion of the procedures with few checks and balances. This may affect the completeness and existence of transactions. Lack of segregation of duties could adversely affect the School District's ability to record, process, summarize and report financial data consistent with management assertions.

Auditor's Recommendation: We recommend the [REDACTED] School District [REDACTED] officials be cognizant to this lack of segregation of duties for revenues, expenditures, and payroll and attempt to provide compensating internal controls whenever possible and practical.



**GM SINGLE AUDIT FY 2017 ANNUAL SUMMARY REPORT**  
**LOCAL**

<b>ORGANIZATION DETAILS</b>	
Name:	Phone:
IRN:	Fax:
County:	Web Url:
Superintendent / Phone:	
Email Address:	
Treasurer / Phone:	
Email Address:	
Physical Address:	
Mailing Address:	
<b>REPORT INTRODUCTION</b>	
<p>A copy of the Single Audit Report recently completed for your school, county or organization for Fiscal Year ending <b>June 30, 2017</b> has been received in our office.</p> <p><b>Conclusion:</b> Our review of this report indicates there are issues with respect to federal financial assistance programs disbursed by the Ohio Department of Education.</p> <p>The issue(s) and recommendation(s) are identified below in the Issues/Caps Section of this report. Please log into the Grants Management Single Audit Compliance Module to address the corrective actions within 30 days from the date of this notification.</p> <p>If you are required to submit a Corrective Action Plan (CAP) to ODE, please refer to the Issues/CAPS Tab User Manual (Section IV) link located under the "HELP TEXT" BUTTON within the ISSUES/CAPS Tab.</p>	
<b>ISSUES / APS (2)</b>	
Issue ID:	15913
Issue Name:	Finding #2017-003 - Suspension & Debarment - Noncompliance & Material Weakness - 10.553 & 10.555
Source:	
Audit Date:	02/14/2018
Issue Status:	Unresolved
AP Status:	AP Created
Category:	Corrective Action Plan
Reviewer - Phone:	
Refund Requested:	No

**GM SINGLE AUDIT FY 2017 ANNUAL SUMMARY REPORT**

<b>Issue/Condition:</b>	<p>2 CFR §3474.1 gives regulatory effect to the Department of Education for 2 CFR §180.300 which states when a non-Federal entity enters into a covered transaction with an entity at a lower tier, the non-Federal entity must verify that the entity is not suspended or debarred or otherwise excluded.</p> <p style="text-align: center;">Please see further details listed within the audit report.</p> <p><b>As Cited By Your Auditor:</b></p> <p>The District asserted to the auditors that it had contracts within the Nutrition Cluster (Food Service Operations) and Special Education Cluster programs which did not include the collection of a certification or the addition of a clause or condition to the contract indicating the entity was not excluded or disqualified. In addition, there was no documentation maintained showing the System for Award Management (SAM) had been checked prior to entering into the contract. The auditors performed a subsequent search of the SAM for vendors paid from Nutrition Cluster and Special Education Cluster grant monies and determined they were not suspended or debarred or otherwise excluded.</p> <p>This is a repeat Finding from #2016-003.</p>
<b>Recommendation:</b>	<p>Your Auditor has recommended that the District should implement procedures to ensure one of the three aforementioned methods is used to verify the entity is not excluded or disqualified and to avoid potential future opinion modification. In addition, if the District reviews the SAM online at <a href="https://www.sam.gov/portal/public/SAM">https://www.sam.gov/portal/public/SAM</a>, a search print out should be maintained to document the search had been performed for all vendors to whom federal dollars are disbursed.</p> <p><b>Official's Response:</b></p> <p>The District will provide the online link to all the Treasurer's Staff, the Central Office staff and the Director of Instruction for their use. We will review the procedure requiring that the material obtained will be printed and kept for audit purposes.</p> <p><b>ODE Response:</b></p> <p>After consultation with the Office for Child Nutrition it has been determined that the District needs to provide a detailed Corrective Action Plan that would include a policy with instructions on the process of utilizing the System for Award Management (SAM) and assurances that the SAM will be checked for each contract.</p> <p>Documentation should be uploaded in to the Compliance System under the Evidence Tab for this issue.</p>
<b>Action Plan:</b>	
<b>Progress Notes:</b>	
<b>Issue ID:</b>	15893
<b>Issue Name:</b>	GAGAS Finding #2017-002 - Noncompliance - Negative Cash Fund Balance - IDEA-B 84.027
<b>Source:</b>	

**GM SINGLE AUDIT FY 2017 ANNUAL SUMMARY REPORT**

<b>Audit Date:</b>	02/14/2018
<b>Issue Status:</b>	Closed
<b>AP Status:</b>	
<b>Category:</b>	No Action Needed
<b>Reviewer - Phone:</b>	[REDACTED]
<b>Refund Requested:</b>	No
<b>Issue/Condition:</b>	<p>Ohio Rev. Code § 5705.10(I) indicates that money paid into a fund must be used only for the purposes for which such fund has been established. As a result, a negative fund cash balance indicates that money from one fund was used to cover the expenses of another fund. However, Ohio Rev. Code §3315.20 provides an allowable exception for school districts.</p> <p>Please see specific details for exceptions listed within the Audit Report.</p> <p><b>As Cited By Your Auditor:</b></p> <p>Negative fund cash balances were noted, in which the above conditions were not satisfied, within certain funds in the respective month/year listed within the Audit Report.</p> <p>Please see specific funds and time frames and amounts listed within the Audit Report.</p> <p>This is a repeat Finding #2016-002.</p>
<b>Recommendation:</b>	<p>ODE agrees with your Auditor's recommendation that the District should monitor fund balances throughout the year to help avoid negative fund balances. If a deficit spending situation arises, the District should ensure they meet the three above conditions or make the appropriate transfers/advances from the General Fund to help eliminate the negative fund cash balances.</p> <p>Corrective Action Plan listed within the audit report is sufficient to pass on further review. No further action is required by the District.</p> <p><b>Official's Response:</b></p> <p>The Statement of Cash Position Report reflects negative fund balances. The District will monitor this report and make necessary advances. For the Building fund account the District anticipates eliminating this negative balance through a transfer from the Permanent Improvement Fund once funds become available. The District made this commitment previously but a reduction in property valuations has delayed this action.</p>
<b>Action Plan:</b>	
<b>Progress Notes:</b>	



GRETCHEN WHITMER  
GOVERNOR

STATE OF MICHIGAN  
DEPARTMENT OF EDUCATION  
LANSING

SHEILA A. ALLES  
INTERIM STATE SUPERINTENDENT

MEMORANDUM

**DATE:** \_\_\_\_\_

**TO:** \_\_\_\_\_

**FROM:** Gloria Suggitt, Single Audit Coordinator

**SCHOOL DISTRICT:** \_\_\_\_\_

**FINDING NUMBER:** \_\_\_\_\_

**PROGRAM:** \_\_\_\_\_

**QUESTIONED COSTS:** \_\_\_\_\_

Please complete the management decision below within two weeks.

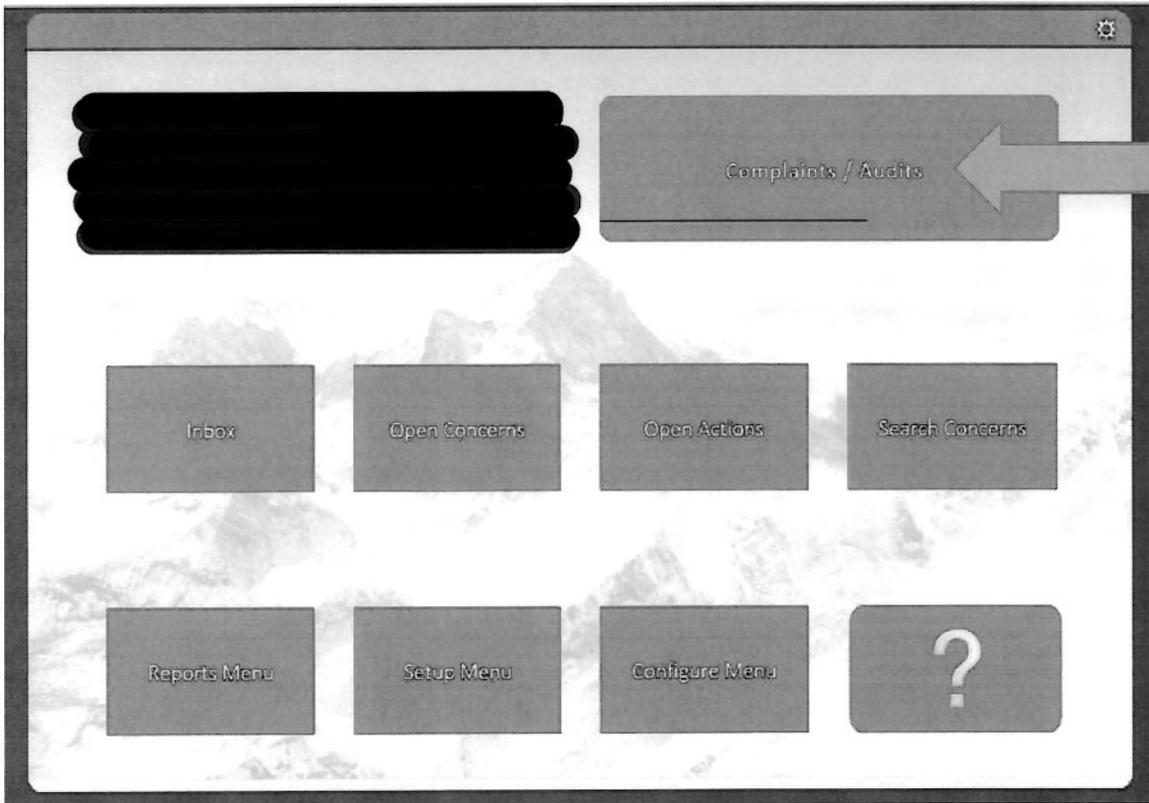
***Management Decision Requirements from Uniform Guidance §200.521***

1. Is the audit finding sustained?      Yes \_\_\_      No \_\_\_
2. The rationale for the decision: \_\_\_\_\_
3. Expected auditee action:
  - Repay disallowed costs of \$ \_\_\_\_\_
  - Make final adjustments \_\_\_\_\_
  - Take other action \_\_\_\_\_
4. Has the auditee completed corrective action? Yes \_\_\_\_\_ No \_\_\_\_\_  
If no, what is the timetable for follow-up? \_\_\_\_\_
5. Is there an appeal process available to the auditee? Yes \_\_\_ No \_\_\_
6. If an appeal process is available, please describe the process.  
\_\_\_\_\_

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Account List

Starting With: Dc  Account Type: All   

Select Account | New Account | Delete Account |  Show Inactive Accounts

Account Name	Account Id	Address	City, Program
			CTAE
			Parental Involvement
			Race To The Top
			School Food Nutrition
			School Improvement 1003(a)
			School Improvement 1003(g)
			Special Education
			Striving Readers
			Title I, Part A
			Title I, Part C
			Title I, Part D
			Title II, Part A
			Title II, Part B
			Title III, Part A
			Title IV, Part B

Account ID: [REDACTED] Account View

**Edit Account** **Close** ?

Account id: [REDACTED] Account Type: District  
 Name: [REDACTED] Program: School Food Nutrition  
 Address: School Food Nutrition Phone: [REDACTED]  
 Alt Phone: [REDACTED]

Case Numbers | **Contacts**

New Case Number	View	Delete	<input checked="" type="radio"/> Show Last Ten <input type="radio"/> Open <input type="radio"/> Closed <input type="radio"/> All		
Control Id	Date Recvd	Due Date	Status	Summary Description	
[REDACTED]	08/04/2017	10/31/2017	Closed	[REDACTED]	2016-003 School Nutrition
[REDACTED]	08/04/2017	10/31/2017	Closed	[REDACTED]	2016-002 School Nutrition

Account ID: [REDACTED] Account View Case Number View

Control Id: [REDACTED] Copy Summary Report Cancel Save ?

Account Name: [REDACTED]

Case Number | **District** | Audit | Actions | Attachments | Resolution

**Summary Description**

[REDACTED] 016-003 School Nutrition

**Detail Description**

Condition: During testing of the paid lunch equity calculations prepared by the School District, we noted the School District did not raise meal prices in the 2015-2016 school year to meet the required minimum weighted average meal price in accordance with the Price Adjustment Calendar. The District did not comply with this requirement through the use of local funds or raising prices for paid lunches. The School District's lack of understanding and familiarity with the Price Adjustment Calculator caused the School District to incorrectly maintain the same meal prices from the previous school year, and therefore caused the School District to be non-compliant.

Type: Audit

Program: Single

Category: Department of Audits and Accounts

Contact: [REDACTED]

Originator: [REDACTED]

Owner: [REDACTED] Notify Owner 08/04/2017

Date Received: 08/04/2017 Time Recvd: 13:53

Date Due: 10/31/2017 Due Days: 60

Date Closed: 08/10/2017 Time Closed: 12:53

Contact Method: Email

Status:  Open  Closed Close Notice

Control id:

[REDACTED]



Copy

Summary Report

Cancel

Save



Account Name:

[REDACTED]

Case Number

District

Audit

Actions

Attachments

Resolution

(new) Attachments

View

Delete

Attached Files	Attach Date	Description
Close Notice.htm	08/23/2017	Close Notice for Control Id [REDACTED]
[REDACTED]	08/23/2017	Corrective Action Plan
New Owner.htm	08/04/2017	New Owner for Control Id [REDACTED]
Federal Award Findings and Questions.pdf	08/04/2017	Federal Award Findings and Questioned Costs