

# DPI's FISCAL RISK ASSESSMENT

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ALL SUBRECIPIENTS,  
BEGINNING WITH FISCAL YEAR 2015-16

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## Requirement 2 CFR §200.331(b)

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- DPI must evaluate each subrecipient's risk of noncompliance with Federal statutes and regulations to determine an appropriate level of monitoring
- This must occur prior to awarding any federal funds to a subrecipient

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## Purpose and Intent

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- Ensure that subrecipients use federal funds for the intended purpose
- Provide preventative assistance before mistakes are made and funds have to be returned

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### Background

Office of the Inspector  
General

Association of  
Government  
Accountability

Government  
Accountability Office

- Focus on transparency and accountability
- Increased accountability but with decreasing capacity (people & funds)
- Consistency across states and federal awards

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## Background

Office of the Inspector General

Association of Government Accountability

American Recovery & Reinvestment Act

Government Accountability Office

- Preventive rather than reactive
  - USDE ensures students get services
  - Less time devoted to corrective measures and fund returns
- Narrowing the scope
  - Prior monitoring expectations seemed to be “everything” and “everyone” – impossible, unnecessary and shallow
  - This system applies a focus so that only a few receive better and more individualistic technical assistance

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## Background

### DPI's Current Monitoring Process

- Program Monitoring, which may include fiscal aspects (not coordinated agency-wide)
- Single Audit Finding follow-up (coordinated agency-wide)
- Without specific overarching guidance, a program's level of fiscal monitoring varied significantly

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## ALL

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This risk assessment must be for:

- All federal grants, regardless of agency
- All subrecipients, regardless of type
- Every year

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## DPI's Internal Process

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Determining types of subrecipients

- Any entity that receives federal funds through DPI

School Districts

Independent Charter Schools

CESAs and CCDEBs

Non-Profits

Government Agencies (DOC & DHS)

Public Libraries

Private Schools (Food Service)

Community Based Organizations

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## DPI's Internal Process

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### Determining risk factors

- Does a characteristic commonly lead to issues?
- If a subrecipient has this characteristic, what type of monitoring by DPI would prevent non-compliance?
  - ✦ Targeted technical assistance
  - ✦ Documentation review
  - ✦ Site visit
- Does DPI have access to information for all risk factors?
  - ✦ Turnover of staff (new business manager, directors, etc.)
  - ✦ New fiscal software (transferring financial data)
- Do the same risk factors apply to all sub-recipients?

## Potential Risk Factors

**Total Federal Allocation**

**Known Fraud**

**Significant Audit Findings**

**New DPI Subrecipient of Federal Award**

**No Federal Single Audit in Prior Year**

**Claims Do Not Match Annual Report**

**Newly Consolidated or Split District**

**IDEA, ESEA or FNS Fiscal Compliance Findings**

**Return of Federal Funds**

**Significant Leadership Turnover**

**No Business Manager**

**Financial Concerns**

## What is a significant audit finding?

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It depends! Example: Time and Effort Finding

- Significant finding - People charged to the grant who are not actually working on the grant
- May be a significant finding – Poor supporting documentation
  - ✦ What types of positions is the subrecipient charging to the grant – single work objective or multiple work objective? Easy for DPI to determine by looking at applications
  - ✦ If sub-recipient charges only single work objective positions to grant, the audit finding is considered low risk

## No Federal Single Audit in Prior Year

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Omni Circular raises threshold of single audit requirement to \$750,000

- Reduces the number of LEAs in Wisconsin that will be required to have a single audit from approximately 70% to 50%
- DPI has depended on the single audit to identify subrecipient issues; with fewer audits there will be less “screening”

## Claims Do Not Match Annual Report

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Fund 27 expenditures tracked by project code in special education annual report (PI 1505 SE)

- Final IDEA flow-through and preschool claims for special education costs (project 340, fund 27) must match the totals submitted on the annual report
- Annual report data is used to determine an LEA's compliance with IDEA's maintenance of effort provision
- Differences signify issues with the subrecipient's financial management system, and may be a widespread problem among all of the subrecipient's federal grant accounting

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## Program Fiscal Compliance Findings

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- Each program has its own fiscal rules, above and beyond the Omni Circular that require monitoring. Findings in these programs *may* indicate larger systemic issues. Examples:
  - Unallowed costs
  - IDEA Maintenance of Effort
  - Title I Supplement not Supplant
  - Claimed items not matching approved budget
  - Property management
  - Late applications / infrequent claims
  - Reasons for a return of funds (vendor refund versus cash reconciliation being done at year end)

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## Significant Leadership Turnover

The "Trifecta" – New superintendent, new business manager, new director all within a year or two

- Loss of institutional knowledge
- Learning new systems and procedures
- No resident expert



## DPI's Internal Process

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- Determine "Monitoring" Activities
  - What is most helpful to the subrecipient?
  - Will the monitoring requirement actually alleviate future non-compliance?
  - Avoid unnecessary or overly complicated requirements
- Current thoughts (depending on risk factor results)
  - Directed technical assistance
  - Review and testing of written procedures
  - Supporting documentation submitted with grant claim
  - Site visit to review documentation and procedures

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## DPI's Challenges

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- DPI awards funds to more than just school districts
  - Private schools
  - Libraries
  - Non-profit and community-based organizations
  - CESAs/ CCDEBs
- DPI does not have a system in place to keep track when there is turnover of significant staff or when a subrecipient changes financial software (two risks recommended by the Omni Circular)

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## DPI's Monitoring Process

### Initial Implementation – Step 1

- Determine groupings of subrecipients
  - School Districts and Independent Charter Schools will not be grouped together
  - CESAs and CCDEBs will be grouped together
- Determine risk factors for each group
  - Some risk factors are not applicable (school district versus CESA)

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## DPI's Monitoring Process

### Initial Implementation – Step 2

- Identify subrecipients that will potentially receive federal funds for FY 2015-16
  - One single risk assessment for all federal grants; any required monitoring will apply to all federal grants received by the subrecipient
  - Will rely on current Food and Nutrition team's monitoring process to meet Omni Circular risk assessment requirement for entities receiving only USDA funds (food service)
    - ✦ Most private schools

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## DPI's Monitoring Process

### Initial Implementation – Step 3

- Run groups through assigned risk assessment and based on results, determine which entities and what monitoring activities will be required beginning July 1, 2015
- Notify subrecipients of additional monitoring (late spring)
  - DPI will notify District Administrator and Business Manager
  - Terms and conditions will be recorded on the Grant Award Document

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## Reality

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- “Business as usual” for the majority of LEAs
- Much of the monitoring will be ensuring that identified subrecipients get individualized technical assistance



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## Reality

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- Single or state audit findings will most likely result in additional monitoring under the risk assessment process, but the subrecipient would already be aware of the issue
- The point of the risk assessment / monitoring process is to AVOID payback of federal funds, not to jeopardize receiving federal funds

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## Terms & Conditions

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- Subrecipient-specific monitoring requirements will be identified as a term and condition on the federal subaward document
- The same requirement will be listed on all federal subawards received by the subrecipient –
  - If the subrecipient is required to submit a ledger printout with every claim submission, this will apply to each federal grant – Title I, Title II, IDEA, etc.
- The results of the monitoring will influence the next year’s risk assessment

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## Proactive Monitoring Example

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- Subaward Term & Condition  
*Submit ledger report with every claim; file claim at least quarterly*



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## Proactive Monitoring Example

If the subrecipient submits claims monthly or quarterly, and there are discrepancies, DPI will be able to provide technical assistance to correct early on and get the subrecipient in compliance



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If the subrecipient waits until the end of the year, or after the close of the year, to submit a single and final claim and there are issues, DPI will not have the capacity to help the subrecipient. The claim will be returned and payment will not be made until the ledger and / or claim are corrected

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## Streamline and Avoid Duplication

### • Single Audit Findings

- DPI must issue a management letter sustaining or not sustaining the independent auditor's finding
- If the finding is sustained, corrective action is required
- DPI will determine if the audit finding is "significant" per the risk assessment, and if so, will make the corrective action part of the terms and conditions of the subrecipient's FY 2015-16 grants. This will satisfy both the single audit requirement as well as the Omni Circular's risk assessment requirement with a single process

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# QUESTIONS?

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