

SINGLE AUDIT – MOST COMMON FEDERAL AWARD FINDINGS

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What is a Single Audit?

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- **First established by the Single Audit Act of 1984**
 - Standardized audit requirements and established an organization wide audit process for state and local governments.
- **Single Audit Act Amendments of 1996**
 - Extended the audit requirements to non-profit organizations
 - United States Office of Management and Budget (OMB) issued Circular A-133.

When is a federal single audit required under OMB Circular A-133?

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- When a non-Federal entity expends \$500,000 or more of all Federal awards combined (including awards passed through other agencies) in a fiscal year
- The determination of when an award is expended should be based on when the activity related to the award occurs
- When a school is not subject to a single audit, they are still required to comply with the federal award
- DPI is required to monitor all subrecipients

OMB Circular A-133 Compliance Supplement

OMB CIRCULAR A-133

COMPLIANCE SUPPLEMENT



MARCH 2013
EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET

OMB Circular A-133 Compliance Supplement

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- Describes the non-Federal entity's responsibilities for managing Federal programs
- Describes the auditor's responsibilities and is required to be used when performing Single Audits
- Identifies the important compliance requirements that the Federal agency expects to be included in the audit
- Provides specific compliance requirements, audit objectives, and suggested audit procedures
- Updated annually, typically in March-April

http://www.whitehouse.gov/omb/circulars/a133_compliance_supplement_2013

OMB Circular A-133 Compliance Supplement

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- Part 2 matrix of compliance requirements identifies which compliance requirements apply to which programs
- Part 3 includes the general compliance requirements, audit objectives, and suggested audit procedures that apply to all Federal programs in the supplement
- Part 4 is organized by Federal agency and includes program objectives, procedures, and compliance requirements specific to each Federal program
- Part 6 is intended to assist non-Federal entities and their auditors regarding internal controls over compliance

Audit Findings



Audit Findings Required to be Reported

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- Significant deficiencies in internal control over major programs
- Material noncompliance with laws, regulations, contracts, or grant agreements related to a major program
- Known questioned costs > \$10,000 for a type of compliance requirement for a major program
- Likely questioned costs > \$10,000 for a type of compliance requirement for a major program

Audit Findings Required to be Reported

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- Known questioned costs > \$10,000 for a Federal program not audited as a major program
- Circumstances for an unqualified opinion report
- Known fraud affecting a Federal award
- Instances where the district materially misrepresents the status of any prior audit finding

Example Finding Detail

Finding #2012-3 – IDEA Grant Claim Support (CFDA #84.027, #84.173)

Condition: The District's year-end project detail for the IDEA grants do not support its final grant claims. The District claimed more than the general ledger details supported.

Criteria: A reconciliation of the District's grant project detail to the grant claims should be performed. Supporting documentation should be maintained with grant claims.

Cause: District did not reconcile its grant claims to expense project detail.

Effect: The expenses claimed on the District's grant claims may not be correct.

Questioned Cost: \$21,600.

Recommendation: The District should reconcile grant claims with the general ledger.

Response: First, the District will reconcile grant claims with the general ledger as recommended by the auditor. Next, the District will now keep more accurate and detailed information related to IDEA grant claims. Invoices and transaction receipts will be kept in a file with the IDEA grant claims so direct connections can be made to each to avoid discrepancies.

Required Finding Follow Up

- OMB Circular A-133 requires the State (DPI) as the pass-through agency to issue a management decision on audit findings within six months after receipt of the audit report
- The management decision shall clearly state whether or not the audit finding is sustained, the reasons for the decision, and the expectation to repay disallowed costs, make financial adjustments or take other corrective action.
- Prior to issuing the management decision, the State may request additional information or documentation
- The management decision should describe any appeal process available
- The pass-through agency must ensure that the subrecipient takes appropriate and timely corrective action.

OMB Uniform Guidance 2 CFR 200



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Part III

Office of Management and Budget

2 CFR Chapter I, Chapter II, Part 200, et al.
Uniform Administrative Requirements, Cost Principles, and Audit
Requirements for Federal Awards; Final Rule

OMB Uniform Guidance 2 CFR 200

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- Combines the previous OMB grant circulars into one document - 2 CFR 200
 - Administrative Requirements
 - ✦ A-89 – Catalog of Federal Domestic Assistance
 - ✦ **A-102 – States and Local Governments**
 - ✦ A-110 – IHE, Hospitals, and Other Non-profit
 - Cost Principles
 - ✦ A-21 – Institutes of Higher Education
 - ✦ **A-87 – States, Local, and Indian Tribal Governments**
 - ✦ A-122 – Non-profit Organizations
 - Audit Requirements
 - ✦ A-50 – Audit Follow Up
 - ✦ A-133 – Audits of States and Local Governments and Non-profits

OMB Uniform Guidance 2 CFR 200

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- Published to the Federal Register Dec 26, 2013
- Federal agencies are now required to implement this guidance into their regulations or requirements
- Changes to administrative requirements and cost principles will apply to new awards and to additional funding increments to existing awards made on or after December 26, 2014
- Changes to audit requirements will apply to audits of FYs beginning on or after December 26, 2014
- Most changes would apply to the 15-16 school year

OMB Uniform Guidance 2 CFR 200

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- **Changes to Audit Requirements**
 - Increases threshold for required Single Audits from \$500,000 to \$750,000 Federal awards expended
 - Adjustments to Major Program Determination (Type A vs. B and high vs. low risk)
 - Increases threshold for reporting known and likely questioned costs from \$10,000 to \$25,000
 - Decreases required percentage of audit coverage
 - Increases the use of the Federal Audit Clearinghouse (FAC)
 - No changes to the Compliance Supplement in the Final Uniform Guidance. Changes will be made in future Compliance Supplement releases

OMB Uniform Guidance 2 CFR 200

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Electronic Code of Federal Regulations for 2 CFR 200:

<http://www.ecfr.gov/cgi-bin/text-idx?SID=2b00c21e38ab705ca9156fa12a480650&node=2:1.1.2.1.1&rgn=div5>

Council on Financial Assistance Reform (COFAR)

<https://cfo.gov/cofar/>

- 1/27/14 training PowerPoint slides and video of presentations
- 2/12/14 FAQ

COMMON AUDIT FINDINGS 2012-13



Audit Procedures that Identify Federal Grant Findings

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- OMB Circular A-133 requires auditors:
 - Obtain an understanding of the internal controls in place over federal grants
 - Test the internal controls
 - ✦ How does an auditor test controls?

Internal Control Deficiencies

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- **Common Control Deficiencies**
 - Segregation of Duties
 - Preparation of financial statements and schedule of financial assistance
 - Material Adjustments
 - Reconciliation of accounts

Segregation of Duties

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- Statements on Auditing Standards, *Communicating Internal Control Related Matters Identified in an Audit*, require the auditor to report on whether the District has appropriate segregation of duties relating to all aspects of its bookkeeping and accounting procedures.
- Good internal control requires a complete separation of duties with respect to handling and recording transactions
- No one person should have access to both physical assets and the related accounting records or to all phases of a transaction

Segregation of Duties

Condition

- **Limited number of District staff:**
 1. Prevents separation of functions necessary to assure adequate internal control structure
 2. Limited number of personnel responsible for and **performing substantially all of the bookkeeping and accounting functions**
 3. Limitations in the internal accounting controls, **specifically controls surrounding cash receipts, cash disbursements, payroll, and journal entry review.**
 4. Many of the accounting functions are performed by a few individuals, including:
 - Opening the mail,
 - Recording receipts
 - Recording vendor invoices
 - Transporting the bank deposit
 - Preparing checks
 - Mailing the check

These same individuals have the ability to record journal entries and reconcile accounts.

Cause

1. **Limited staff** available
2. **Size of the District** operations
3. The District does not have the **resources** to employ sufficient numbers of individuals to provide adequate segregation of these functions.
4. Costs of hiring additional support staff to achieve complete segregation of duties would **outweigh the derived benefits**
 - ✦ Don't let this be an excuse
 - ✦ Implement compensating controls

Effect

1. **Significant deficiency** in internal controls
2. **Increased possibility** of undetected errors or irregularities
3. Less likely that errors or irregularities would be **discovered internally**
4. Individuals could **mishandle** receipts and disbursements
5. **Errors or intentional fraud** could occur and not be detected timely by other employees in the normal course of their responsibilities
 - ✦ **Go unnoticed for an extended time**
6. **Financial statement misstatement** caused by error or fraud that would not be detected or prevented by District staff

Recommendation

1. Continue to **evaluate the cost/benefit** of hiring additional support staff to achieve complete segregation of duties.
2. Management should **monitor the accounting internal controls or hire additional personnel** to be able to properly separate accounting duties
3. Most of the **key controls lacking for disbursements, payroll, and financial reporting** are not possible to cure without adding a significant number of staff. The district should continue to make a reasonable effort to be **knowledgeable about its key transaction cycles**.
4. Board of Education should **rely on their direct knowledge** of the District's operations and **thoroughly review financial reports** to control and safeguard assets and insure accurate financial reporting.
5. Board of Education remain **involved with review of and oversight** regarding the District's **financial statements and budgets**
6. **School Board** should continue to make a reasonable effort to be **knowledgeable about its key transactions cycles**
7. **Duties should be separated as much as possible** and **compensating controls** should be used to compensate for the lack of separation of duties.
8. Encourage **review of district processes** to determine whether some improvements in internal control are possible with your existing staff
9. District should **segregate the functions** between more employees, and **put controls in place** so that the accounting functions can be reviewed by someone other than the person recording them.
10. Monthly financial activity such as **journal entries, detail of significant asset and liability balances, bank statements and canceled check images** should be reviewed by **another member of management** for reasonableness
11. District should continue to **review all monthly disbursements for reasonableness and consistency**. **Management** should also review such items as **bank reconciliations and detailed revenue and expense reports**, making **comparisons to budget and prior year amounts** to further enhance internal controls.

Management Response:

1. **The finding does not warrant further action. The costs outweigh the benefits. No longer an option**
2. **We will continue to accept the risk associated with this condition because of cost**
What is the risk?
3. Because of our size, we do not feel it is cost effective to hire the number of employees needed to cure these internal control deficiencies **What other options?**
4. The costs of hiring additional staff to accomplish adequate segregation of duties is a **burden** the District is not currently willing to bear. Management has put in place what it believes are **good internal controls under the circumstances**, and maintains a **close involvement** in the budgeting and reporting process to help prevent and detect material financial misstatements in a timely manner
5. This weakness is impractical to entirely correct due to the **limited resources and personnel available** to our District. We will continue to use **other controls**, where practical, to compensate for this limitation

6. Additional office staff would be needed to properly segregate the functions noted to assure adequate internal control. Administration has been aware of this finding and it is taken into consideration with **review processes** in the office and **Board approval** of vouchers
7. District will **continue to accept the risk because of cost. However, District Clerk** reviews all journal entries, cancelled checks, and bank reconciliations on a monthly basis. The **financial committee** also reviews and approves the list of checks written on a monthly basis.
8. District has **restructured duties in the business office** and can now be reasonably assured that there is adequate segregation of duties in the accounting and bookkeeping functions. As part of the restructuring, an **additional staff member** has been employed to provide oversight and supervision in the handling and recording of transactions.
9. We will **continue to review our processes** to determine where improvements can be made with our existing staff. The **School Board plays an active role** in oversight of the District's activities. The monthly board packets include check registers, payroll registers, receipt registers, ACH registers, budget to actual and prior four years reports, cash flow reports and bank statements.
10. Limited staff does make it difficult to implement a complete segregation of cash and transaction recording responsibilities. As a result, District office personnel work hard to **"cross-train"** wherever possible in an effort to **ensure that at least two different individuals employed in the District office have an understanding of and have reviewed all transactions** which flow through the books. Management agrees that the **Board should have access to review or question any transaction which flows through the District office, and detailed cash receipts and disbursements reports are provided to the Board monthly** to assist in that capacity. As for the **day-to-day operations** of the District office, it would be **difficult for board members to engage in a "hands-on" manner** due to the technical accounting knowledge required for financial statement reporting and the need to stay informed regarding reporting guidelines and requirements as issued by local, state and federal authorities. By employing **individuals who are capable of maintaining the integrity of the books and safeguarding district assets**, the Board can be confident that the financial affairs of the District are being handled properly.
11. Following **additional procedures were implemented** during 2010:
 - ✦ Bank reconciliations are reviewed monthly by the Finance Committee
 - ✦ Detailed receipt registers are reviewed monthly by the Finance Committee, and
 - ✦ Any receipts received in cash that do not have an attached deposit detail form are verified by the District Office Secretary.
 - ✦ Detailed check registers are part of the monthly review process for the Finance Committee

Preparation of Financial Statements

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- Auditing Standards are making it **harder for auditors to justify creating the financial statements**
- Standards are influenced by large accounting firms that don't have little 3 people offices
- Yellow Book Independence Documentation
 - Auditor **must document** reasoning that preparing the financial statement does not impair their independence

Preparation of Financial Statements

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- District personnel review the financial statements and approve them
- District personnel who prepare the schedule of federal and state assistance
 - Needs to have the **knowledge , skills, and experience** to be able to discern whether the non-audit service was done correctly

Preparation of Financial Statements

Condition

1. Auditor is required to report on whether the District is able to prepare financial statements in accordance with GAAP.
 - a. The preparation of financial statements in accordance with GAAP requires internal controls over both
 - 1) recording, processing, and summarizing accounting data, and
 - 2) the presentation of the district's financial statements, disclosures, supplementary information, schedule of federal and state financial assistance in conformity with generally accepted accounting principles (GAAP) of the United States.
2. **Internal control system** does not include a process for preparing the annual financial statements and related disclosures in accordance with GAAP
3. **District's ability to prepare financial statements** in accordance with GAAP is based, in part, on its reliance on its external auditors, who cannot by definition be considered part of the District's internal controls.
4. **Auditor requested to prepare** financial statements and footnote disclosures
 - Condition
 - Personnel have adequate knowledge and experience in governmental accounting and interim reporting requirements, however, their **limited knowledge and lack of training limits their ability** to prepare GAAP basis financial statements
 - Although auditors prepare the financial statements, **management thoroughly reviews** them and accepts responsibility for their completeness and accuracy
 - District has designated individuals responsible for reviewing and accepting the financial statements and related notes
 - Because the District relies on the auditor to provide the necessary understanding of current accounting and disclosure principles in the preparation of the financial statements, a **significant deficiency exists in the District's internal controls**

Effect:

1. Condition could result in **possibility of undetected errors and irregularities**
2. Completeness of the financial statement disclosures and accuracy of the overall financial presentation are negatively impacted as **outside auditors do not have the same comprehensive understanding** of the District as its internal financial staff

Recommendation:

1. District continue **reviewing the annual financial report** prepared by the auditor. While it may not be cost beneficial to train additional staff to completely prepare the report, a **thorough review of this information by appropriate staff of the District is necessary** to obtain a complete and adequate understanding of the District's annual financial report.
2. Consider and implement additional **internal control procedures** to ensure the accuracy or preparation of financial records and annual financial statements.

Management Response:

1. ~~District will continue to rely on expertise of an accounting firm to prepare the financial statements~~
2. ~~Management will continue to base its decision on a cost/benefit basis~~
3. Management and the Board will continue to **designate competent staff to oversee and review the financial reports and approve them** before issuance. However, it is not feasible or cost effective to add staff with the competence to prepare these reports
4. Auditors prepare the financial statements but we review them and accept the statements prior to them being issued. **We prepare financial reports that are reviewed by management and the Board on a monthly basis. Any concerns or questions are addressed throughout the year. GAAP?**
5. Management has carefully reviewed the financial statements, disclosures, supplementary information, and schedule of financial assistance prior to approving them, and has **accepted responsibility for their content and presentation**

Material Adjustments

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- **Criteria:**

- **Management responsible** for reconciling the accounts at the end of the year
- Generally Accepted Accounting Principles (**GAAP**)

- **Condition:**

- **Insufficient internal controls** over financial reporting
- **Material audit adjustments** were required to prevent the District's financial statements from being materially misstated

Material Adjustments

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- Cause:
 - District office staff **relied on auditors** to propose entries after audit procedures and has not recorded all entries needed at the time of the audit

Material Adjustments

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- Effect:
 - Could result in **undetected errors and irregularities and misstated interim financial reports**
 - Some audit adjustments were **oversights due to insufficient internal controls over financial reporting, or a lack of knowledge with GAAP** to properly make the required adjustment(s). The risk with this condition is that necessary adjustments to the financial statements to record **material misstatements** may be missed and there is **no control in place to detect and correct this condition**

Material Adjustments

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- Recommendation:
 - **Improve internal controls** to prevent these types of adjustments
 - **Document which accounting procedures are needed to be completed on a recurring basis to detect material adjustments**
 - The auditor will work with the District to make personnel more knowledgeable about its responsibility for the financial statements
- Management's Response:
 - District will **incorporate financial reporting internal controls** to detect material adjustments, prevent materially misstated financial statements and increase the accuracy of the interim financial reports used by management

Reconciliations

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- Condition and Criteria:
 - District not preparing **monthly cash reconciliations**
- Effect:
 - District's **financial statements could be materially misstated**
- Cause:
 - Monthly **reconciliations** were not being compared to the **general ledger**

Reconciliations

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- Recommendation:
 - **Monthly reconciliations** of bank statements to the general ledger must be performed to keep the two in balance and identify the reasons for any differences. Recommend that these reconciliation become a **monthly routine**
- Management Response:
 - District will implement a system of reconciliation on a monthly basis

OMB's Recently Reformed Guidance on Audit Requirements

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- Effective for FY 2015-16
- Major programs
 - Poor internal controls and past audit findings

Types of Compliance Requirements	IDEA Grants	Title I Grants	Child Nutrition
Activities Allowed or Unallowed	Yes	Yes	Yes
Allowable Costs/Cost Principles	Yes	Yes	Yes
Cash Management	Yes	Yes	Yes
Davis-Bacon Act	Yes	No	No
Eligibility	No	Yes	Yes
Equipment and Real Property Management	Yes	Yes	Yes
Matching, Level of Effort, Earmarking	Yes	Yes	Yes
Period of Availability of Federal Funds	Yes	Yes	Yes
Procurement and Suspension and Debarment	Yes	Yes	Yes
Program Income	No	No	Yes
Reporting	Yes	Yes	Yes
Subrecipient Monitoring	Yes	Yes	Yes
Special Tests and Provisions	Yes	Yes	Yes

Most Common Compliance Findings 2012-13

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- **Time and Effort Reporting**
 - Applied to all federal programs
 - Condition
 - ✦ Not aware of requirement
 - Overall
 - Certain Staff
 - ✦ Not including all staff in the process of time and effort reporting
 - ✦ Have a process but not completely following it or monitoring that it is performed
 - ✦ One or two instances of an individual (weakness in system)

Most Common Compliance Findings 2012-13

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- Eligibility for Free and Reduced Lunch
 - Proper eligibility documentation not on file
 - Verification report prepared and submitted by the same person that performs the verification procedures (**segregation of duties**)
 - Verification Report was submitted and **supporting documentation was not retained.**
 - Applications tested as part of the verification were not retained.
 - **Unable to provide evidence** that a sample of incomes had been verified

Staff Turnover

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- ✦ **Common theme – Staff turnover**
- ✦ **Important:**
 - **Written Policies and Procedures**
 - **More than one individual performing a duty**
 - **Appropriate review**

Compliance Findings

Allowable Costs/Cost Principles (Time and Effort Reporting)

Special Education Cluster and Medical Assistance Program

- Condition:
 - Time and effort documentation for **certain employees** were not prepared
- Cause:
 - District **did not realize that all employees** charged to the Federal Award **needed to have a time certification or personal activity report** completed
- Effect:
 - District's payroll expenditures charged to the Federal Award were not adequately supported by time reporting documentation
- Recommendation:
 - District should **implement a control process to ensure the district is in compliance** with Federal Award time and effort reporting requirements

Title IIA

- Condition
 - Documentation of time and effort did not always agree to actual expenditures charged to the program. Specifically, wages and benefit amounts **claimed for a teacher that were more than the monthly PAR's documented.**
- Question Cost
 - Approximately \$21,000 in wages and benefits
- Cause
 - **Established controls and procedures did not ensure** that time and effort documentation requirements were completed
- Auditor Recommendation
 - District officials **should review controls and procedures** related to time and effort documentation to ensure that actual expenditures charged to federal programs are based on personnel activity reports and that

those reports are based on actual time worked in a program

Title I

- Condition
 - District unable to provide sufficient time and effort reporting for employees who were funded by a federal program
- Question Cost
 - **Entire sum of the amounts tested** are a questioned cost. \$148,067
- Cause
 - District did not complete all required time and effort forms for employees funded by federal grants
- Auditor Recommendation
 - District **implement a control process requiring employees to track their time and effort worked on federal programs**

Title I

- Condition
 - During testing time and effort documentation, **one employee** was not prepared to support their payroll charges to the program
- Question Cost
 - None
- Cause
 - District believes the **report was completed; however, with upgrades to the software system** where the signed reports are stored, it was **lost and could not be recovered**
- Auditor Recommendation
 - Implement a control process to ensure compliance with the Federal Award time and effort reporting requirements

Eligibility

Child Nutrition Cluster

- Condition
 - Eligibility for free and reduced meals is determined based on either a direct certification from the state or an application showing household size and annual income which is used to determine eligibility by the district
 - Tested 40 students receiving free or reduced meal prices and **three students did not have the proper eligibility documentation** on file
- Effect
 - District's aid received from students receiving free or reduced meals may not be correct
- Questioned Cost
 - Unknown
- Auditor Recommendation
 - District implement **policies and procedures** to ensure that each student receiving free or reduced meals have either an application on file documenting proper eligibility or have a direct certification notification from the state
- Corrective Action Plan:
 - Starting with 2013-14 school year, the food service director will **print out a listing of all students receiving free or reduced meals and verify that the students have eligibility documentation** on file

Child Nutrition Cluster

- Condition
 - District did not verify all free and reduced lunch program applicants were properly coded
- Cause
 - District **did not change the lunch code within their software once an applicant was denied application after previously being approved as free**
- Effect
 - One student **continued to receive free lunch when they were no longer eligible**

- Recommendation
 - Establish **procedures to ensure that when a change in application status occurs, lunch code within their software is changed** in conjunction with this change
- Management's Response
 - District will work to insure that all free and reduced applicants have proper lunch code within their software

Child Nutrition Cluster

- Condition
 - **Income was not verified** on one application
- Questioned Costs:
 - Unknown
- Effect
 - District failed to meet verification requirements of this program which may result in disallowance of costs submitted for reimbursement, or already reimbursed
- Recommendation
 - District should implement **procedures that ensure income verification is done on all applications** selected from the sample
- Management's Response
 - District reviewed this matter and determined that it occurred as a result of a **staffing change**. They will **update procedures to assure proper training of new staff** is completed with emphasis on regulations related to processing applications for free and reduced priced lunches. The **Fiscal Services** office will be charged with **conducting an internal audit of applications on an annual basis**.

Child Nutrition Cluster

- Condition
 - District was **unable to provide evidence that a sample of income verifications had been verified** for students eligible for free or reduced lunches

- Criteria
 - By November 15th for the school year, the District must verify “the current free and reduced price eligibility of households from a sample of applications it has received”. The sample size should be “the lesser of 3 percent or 3,000 of the approved application on file as of October 1
- Questioned Costs:
 - Could not be determined
- Effect
 - District could be **inaccurately providing free or reduced lunches** to students
- Recommendation
 - District develop and implement **procedures to ensure that the verification process is completed properly and documentation** regarding the verification provided to personnel within the district

Eligibility and Allowable Activities

Title I

- Condition:
 - District **did not identify Title I classrooms for the targeted assistance program** and used targeted assistance Title I funds for expenditures on non-Title I classrooms
- Criteria:
 - Title I, Part A funds are to be used to provide services and benefits to eligible children residing or enrolled in eligible school attendance areas. Once funds are allocated to eligible school attendance areas, a school operating a targeted assistance program must use Title I, Part A funds only for programs that are designed to meet the needs of children identified by the school as failing, or most at risk of failing, to meet the State's challenging student academic achievement standards
- Questioned Cost:
 - \$86,249 – Salaries
 - \$43,855 - Benefits
- Cause:
 - District had **several key administrative positions turnover** during the year; therefore, procedures were not performed in identifying Title I classrooms under the targeted assistance program.
- Effect:
 - If condition remains unresolved, the District may inadvertently be out of compliance with targeted assistance program requirements
- Recommendation:
 - District's new **Title I coordinator to continue working with the DPI** to ensure Title I compliance

Allowable Costs (Teacher Licensing)

Special Education Cluster

- Condition
 - District claimed salary and benefits for two aides who were **not properly licensed**
- Cause
 - District did not follow DPI's instructions regarding special education licensing requirements and allowable costs
- Questioned Costs
 - \$40,437 in salaries and benefits
- Auditor Recommendation
 - Review DPI's report "Allowable Costs for IDEA Entitlement Grants". Also **review personnel files regularly**, to ensure that employees are properly licensed
- District Response
 - Plans to review personnel files regularly to enable the District to identify special education licensing and allowable costs

Matching, Level of Effort and Earmarking Maintenance of Effort

Special Education

- Condition
 - District **failed to pass all four compliance tests for MOE**. Requirement is to pass a minimum of one out of four possible compliance tests that the DPI has established in order to be in compliance
- Effect
 - District may be receiving grant funds for which it may not qualify
- Questioned Cost
 - District failed the four tests by varying dollar amounts
- Cause
 - **Decreases in student enrollment, increases in alternate sources of revenue and a significant number of staff changes** greatly affected the actual expenditures of the program
- Auditor Recommendation
 - **Periodic reviews of actual expenditures compared to budget** as well as **analysis of staff and enrollment projections** to the program should be performed to ensure that MOE tests will be met
- Management's Response:
 - District will perform **periodic reviews comparing budget versus actual expenditures**. District will also perform an **analysis of staff and student participation** to be certain that conditions are met to comply with MOE requirements

Special Education

- Finding
 - District failed all four eligibility tests for MOE
- Effect
 - District may be receiving grant funds for which it may not qualify
- Questioned Cost
 - Failed MOE Test #1 by \$110,851

- Cause
 - Decrease in the Districts special education staff and decrease in District paid insurance have greatly affected the actual expenditures of the program
- Auditor Recommendation
 - Periodic reviews of actual expenditures compared to budget as well as analysis of staff and enrollment projections to the program should be performed to ensure that MOE tests will be met
- Management's Response:
 - District will repay the questioned cost during the 2013-14 school year

Allowable/Reporting

Impact Aid

- Condition
 - District **did not include Medical Assistance reimbursements** from the School Based Services program in the amount reported as other sources of aid received for children with disabilities on the Impact Aid application
- Criteria
 - In order to receive Impact Aid funding, the District is required to submit an application for Impact Aid which provides the following information;
 - counts of federally connected children in various categories
 - Membership and average daily attendance data,
 - Information on expenditures for children with disabilities
- Cause
 - District **did not realize the revenues from the School Based Services program were Medical Assistance reimbursements for services provided to children with disabilities**
- Effect
 - The district could **report inaccurate data** on the application and as a result, **receive more or less funding** than it is due
- Recommendation
 - District personnel create and implement a process to ensure the proper revenue and expenditure amounts be reported on the applications that are filed. We recommend that this process include a review of the entire application by someone other than the preparer prior to submitting the application

Special Tests

Child Nutrition Cluster

- Condition
 - The NSLP Local Education Agency Verification Report was submitted and **supporting documentation was not retained** by the District. In addition, the **applications tested as part of the verification were not retained.**
- Cause
 - **High turnover of personnel** so the original report and supporting documentation **could not be located**
- Criteria
 - Management is to retain documentation to support the submitted report, so information can be verified for accuracy and ensure the verification was actually performed.
- Effect
 - Because of lack of supporting documentation, the report was unable to be verified resulting in the **incorrect number of applications tested.** In addition, the lack of documentation **may suggest that the verification was not actually performed**
- Recommendation
 - Management **retain necessary documentation** to support the report submitted and verification for the applications tested
- Management's Response
 - District accepts the finding and will implement the necessary steps to ensure compliance in the 2013-14 school year

Title I, Part A – Comparability

- Criteria:
 - Each LEA must develop procedures for complying with the comparability requirements and implement the procedures annually. The LEA must maintain records

that are updated biennially documenting compliance with the comparability requirements

- Condition:
 - During our testing we noted that the **District was not preparing comparability reports as required** during the current fiscal year
- Cause and Effect:
 - DPI discontinued its policy of requiring Districts submit comparability reports on an annual basis. The effect of this change was to cause confusion regarding federal compliance requirements
- Recommendation:
 - **District reviews compliance requirements** for each federal grant received to ensure compliance with federal requirements

Child Nutrition Cluster - Segregation of Duties over the Filing of the Verification Report for Free and Reduced Lunch Program

- Criteria
 - The A-102 Common Rule require that non-Federal entities receiving Federal awards establish and **maintain internal control designed to reasonably ensure compliance with federal laws, regulations, and program compliance requirements.** Adequate segregation of duties provided between performance, review, and recordkeeping of a task is a control activity which will reasonably ensure compliance with Federal laws, regulations and program requirements.
- Condition
 - The verification report for free and reduced lunch is **prepared and submitted by the Food Service Supervisor who also perform the verification procedures**
- Cause
 - Current processes **do not have a supervisory review of the work completed** under the program
- Effect
 - District **may not be able to prevent, detect and correct a potential error in a student's eligibility;** Therefore,

the District **may be inadvertently charging the student the incorrect price for meals** as well as being **incorrectly reimbursed** under the Federal free and reduced lunch program

- Recommendation

- District's verification report filed with DPI should be **reviewed, initialed and dated by the Business Office** before submission of the report.



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