

**THE BRUMAN GROUP**

Virtual Spring Forum 2023  
Responsibilities of SEAs and Subrecipients For Audit Resolution

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New Math: Making It All Add Up After ESSER, GEER, and HEERF

## The Four Basic Levels of Oversight

- 1. Federal Monitoring
- 2. Pass-through Monitoring
- 3. OIG Audit
- 4. Single Audit

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- Key Takeaway: The April 12, 2019 Chief State School Officer Memorandum from ED’s Office of Grants Administration Imposes Very Specific Requirements on both the Auditee and the Pass-Through, after the Submission of the Single Audit

(See Attachment 1)

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### What are the top 20 federal education audit findings?

- 1) Time distribution
- 2) Maintenance of effort
- 3) Supplement not supplant
- 4) Over-allocation
- 5) Unallowable expenses
- 6) Illegal procurement practices
- 7) Serving ineligible students or providing general aid
- 8) Misuse or lack of accountability for equipment and materials



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### What audit findings are significant? (cont.)

- 9) Obligations or expenditures beyond the period of availability
- 10) Matching violations
- 11) Lack of appropriate recordkeeping
- 12) Record retention problems
- 13) Late or no submission of required reports
- 14) Audits of subrecipients missing or unresolved



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### What audit findings are significant? (cont.)

- 15) Lack of subrecipient monitoring
- 16) Drawdowns before they are needed or more than 90 days after the end of the funding period (late liquidation)
- 17) Large carry-over balances
- 18) Discrepancies in reports filed
- 19) Title I comparability
- 20) Lack of valid, reliable, or complete performance data

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Question: Once the auditor issues its findings, what happens?

- a) Forget about it
- b) Request long-term leave
- c) Forward it to my supervisor
- d) None of the above



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Step One: Know your responsibilities!!!

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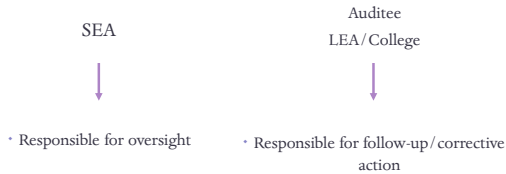
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### 2 CFR 200.508



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## 2 CFR 200.516 – SUMMARY SCHEDULE

- Auditee must prepare a summary schedule of prior audit findings
- Must include reference number assigned by auditor
- Must include fiscal year of the initial funding

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## Step Two: Corrective Action Plan

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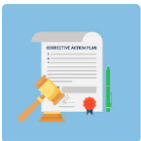
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## 2 CFR 200.511 – CORRECTIVE ACTION PLAN



- Auditee must prepare a corrective action plan to address each audit finding
  - 1) Name of contact person responsible
  - 2) Corrective actions planned
  - 3) Anticipated completion date

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Question:

Who has primary responsibility for the development of the CAP?

- a) Pass-through
- b) Auditee
- c) U.S. Education Department



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2 CFR 200.511

Note: If auditee disagrees with finding, CAP must include an explanation and specific reasons

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Auditors are not always right!

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## ROLE OF SEA OVERSIGHT: 2 CFR 200.521

- 1) Ensuring single audits
- 2) Timely management decisions
- 3) Tracking and enforcing corrective actions
- 4) Providing appropriate guidance and support



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## 2 CFR 200.332(f)

Responsibility of SEA to ensure Single Audit  
for entities expending \$750,000 or more.

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## Written management decision 2 CFR 200.521

- 1) Decision on each finding
- 2) Issued within six months of acceptance of audit clearing house
- 3) Must include specific actionable content



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### Question:

How long does the pass-through have to issue the management letter?

- a) One year from submission of audit
- b) Six months from submission of audit
- c) Who cares?

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### Written management decision

2 CFR 332(d)(4) and 2 CFR 200.521

- 1) Reference the finding number assigned by auditor
- 2) State whether SEA sustains or not the finding and the reasons
- 3) State whether SEA concurs with the corrective action plan
- 4) Any additional actions that should be implemented

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If auditee has not implemented a CAP, SEA should include a timetable for follow-up



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SEA should provide information on any appeal process available to auditee

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Will the corrective action resolve the audit finding?



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3 options for the SEA:

- 1) Agree with the auditee CAP
- 2) Revise the CAP
- 3) Set it aside and develop new CAP



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SEA cannot allow same CAP year  
after year if there are repeat findings

2 CFR 200.511(b)(2)

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Question:

Is the auditee permitted to submit the same CAP for  
repeat findings:

- a) Yes
- b) No
- c) "It depends"

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Communication is key → 2 CFR 200.332(d)(2)



UGG recommends use of  
cooperative audit resolution in  
following up on significant or  
repeat findings.

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## Cooperative Audit Resolution fosters collaboration, and promotes trust



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## Effective SEA internal control over LEA Audit Resolution

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- 1) Assign overall audit resolution oversight responsibility to a single unit within SEA.
  - a) Analysis of audits
  - b) Resolution of financial management issues/program compliance
  - c) Track findings and their resolution



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2) Design and implement comprehensive policies and procedures

- Policies and procedures must be complete, current and sufficiently detailed to allow SEA staff to implement with limited training

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### Design and implement comprehensive policies and procedures (cont.)

- Must cover all aspects of resolution:
  1. Identifying appropriate corrective action
  2. Issuing management decisions
  3. Tracking resolution of findings
  4. Communicating with LEA
  5. Escalating resolution actions for significant or repeat findings



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3) Track the resolution of LEA audit findings

- Tracking the status of findings is key to SEA internal control responsibilities as a pass-through

2 CFR 200.332(d)(2)

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- Tracking system should be comprehensive, and multi-year, to allow SEA to identify specific findings reported in individual LEAs across the State



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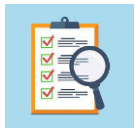
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4) Implement a quality assurance process

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- Evaluation (internal or external) provides SEA with feedback on effectiveness of its internal controls
- Allows states to detect and correct errors, control weaknesses, and address noncompliance.



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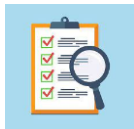
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Question:

- Which internal controls are recommended by ED:
  - Responsibility assigned to one unit?
  - Developing policies and procedures
  - Tracking the resolution
  - Evaluating effectiveness



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