

Virtual Spring Forum 2023

Responsibilities of SEAs and Subrecipients For Audit Resolution

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The Four Basic Levels of Oversight

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

- ◆ 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)

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



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



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

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



Step One: Know your responsibilities!!!

2 CFR 200.508

SEA



- ♦ Responsible for oversight

Auditee

LEA/College



- ♦ Responsible for follow-up/ corrective action

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

Step Two: Corrective Action Plan

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

Question:

Who has primary responsibility for the development of the CAP?

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



2 CFR 200.511

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

Auditors are not always right!

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



2 CFR 200.332(f)

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

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



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?

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

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



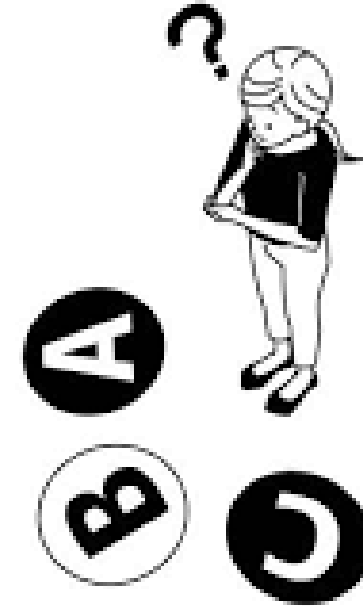
SEA should provide information on
any appeal process available to
auditee

Will the corrective action resolve the audit finding?



3 options for the SEA:

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



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

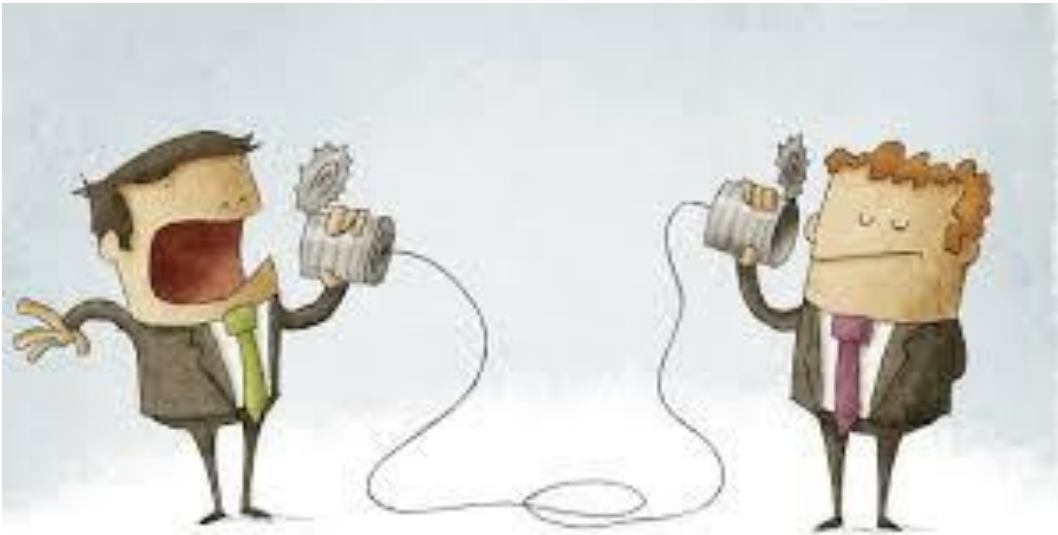
2 CFR 200.511(b)(2)

Question:

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

- a) Yes
- b) No
- c) “It depends”

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



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

Cooperative Audit Resolution fosters collaboration, and promotes trust



Effective SEA internal control over LEA Audit Resolution

- 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



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



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



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)

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



4) Implement a quality assurance process



- ♦ 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.

Question:

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





SAVE THE DATE!

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