

PROCESS/PROCEDURAL ISSUES:

- APPLICATIONS & AMENDMENTS
 - AUDITS & MONITORING
 - THE K-12 RISK-BASED MONITORING PROCESS
-

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LEARNING OBJECTIVES

- What are the rules governing the approval process for grant applications/amendments?
- What are the best practices for preparing for an audit/monitoring visit?
- What are common audit defenses?
- What is OSSE's Risk-Based Monitoring?

APPROVING APPLICATION & AMENDMENTS

CONTROLLING REGULATIONS

- 34 CFR Part 76 – State-Administered Programs
 - Subpart D – How to Apply to the State for a Subgrant
 - Subpart E – How a Subgrant is Made to an Applicant
 - Subpart G – What are the Administrative Responsibilities of the State and its Subgrantees
- 2 CFR Part 200 – Uniform Grant Guidance
 - 2 CFR 200.331 – Requirements for Pass-Through Entities

APPLYING FOR A SUBGRANT

- 34 CFR 76.300 – contact OSSE for instructions
- 34 CFR 76.301 – LEA must have a general application on file with OSSE that includes assurances:
 - Will administer federal programs in accordance with applicable statutes, regs, program plans, and application;
 - Maintain appropriate control of funds & property;
 - Use of fiscal control and fund accounting procedures for proper disbursement and accounting of funds;
 - Reporting; and more

AWARDING A SUBGRANT

- 34 CFR 76.400 – Reviewing of application
 - Formula grant applications shall be approved if
 - Subrecipient is eligible under the program; and
 - App meets federal requirements.
 - Discretionary grant applications may be approved if:
 - Subrecipient is eligible under the program;
 - App meets federal requirements; and
 - State determines project should be funded under the authorizing statute and regs.

SUBAWARD AGREEMENT

- 2 CFR 200.331(a): Subaward must contain, among other items:
 - Subrecipient's name & unique entity identifier;
 - Federal Award Identification Number (FAIN);
 - Federal award date & the period of performance;
 - Total amount obligated by this action, total amount including prior installments, and the total amount of the project.
 - FFATA project description;
 - Name of federal awarding agency; and
 - Name and contact info for pass-through entity.

BUDGETS

- Once budgets are approved, all non-federal entities must compare actual expenditures with budgeted amounts (2 CFR 200.302(b)(5))

AMENDMENTS

- “Recipients are required to report deviations from budget or project scope or objective, and request prior approvals from the [pass-through entity] for budget and program plan revisions.” – 2 CFR 200.308(b)

AMENDMENTS – PRIOR APPROVAL REQUIRED

2 CFR 200.308(c)(1)

- Change in the scope or the objective of the project or program;
 - Any budget changes must be approved by OSSE through EGMS
- Change in a key person specified in the application or the federal award;
- Disengagement from the project for more than three months, or a 25% reduction in time devoted to the project, by the approved project director or principal investigator;
- The inclusion of costs requiring prior approval under the UGG;

AMENDMENTS – PRIOR APPROVAL REQUIRED (CONT.)

- Transfer of funds budgeted for participant support costs to other categories of expense;
- Unless described in the application, transferring or contracting out of any work under a federal award, not including the acquisition of supplies, material, equipment or general support services.
- Changes in the approved cost-sharing or matching fund.
- The need arises for additional federal funds to complete the project.

AUDIT & MONITORING VISITS

WHO MUST/MAY BE AUDITED OR MONITORED?

- Any non-federal entity that expends \$750,000 or more in federal funds in a year must have a “single audit.”
 - Governed by Subpart F of Part 200
 - Non-federal entity's responsibility to select an independent auditor and make sure the audit is completed
- Federal awarding agencies, OIG, or GAO may conduct additional audits at their discretion.
- Federal programs can also initiate monitoring visits
- Pass-through entity must monitor subrecipients

AUDITEE RESPONSIBILITIES

- Arrange single audit
 - Must follow procurement standards
- Prepare financial statements
- Follow up and corrective action on findings
- Provide access (2 C.F.R. 200.508)



CORRECTIVE ACTION PLAN

2 C.F.R. 200.511(C)

- ***Corrective action plan:***

- At the completion of the audit,
- Must address each audit finding included in the current year auditor's reports.
- Must provide the name(s) of the contact person(s) responsible for corrective action, the corrective action planned, and the anticipated completion date.
- Must include an explanation and specific reasons if auditee disagrees with finding.

FEDERAL AGENCY RESPONSIBILITY

2 C.F.R. 200.513

- Cognizant agency for audit provides predominant amount-funds
- Responsibilities
 - Technical Assistance to auditees
 - Quality control
 - Advice to auditors; Notice of audit deficiencies
 - Coordinate management decisions
 - Monitor corrective actions
 - Use of cooperative audit resolutions

MAJOR PROGRAM DETERMINATION

- Audit review is a risk-based multi-step process
- Step 1 – Determine Type A or Type B programs:
 - Depends on amount of funding (see 200.518)
 - Type A is largest programs
- Step 2 – Identify Type A programs at Low Risk

MAJOR PROGRAM DETERMINATION (CONT.)

- Step 3 – Identify Type B at High Risk
- Step 4 – Must audit high-risk A and B programs (major programs)
- Reporting
 - Questioned costs above \$25K - major program
 - Questioned costs above \$25K in non-major program if auditor becomes aware
 - Material weakness in internal controls

BEFORE THE VISIT



KNOW POTENTIAL TROUBLE SPOTS

- Self assessment – critical
 - **Required – 200.328(a)**
- Look at Available Information
 - Review significant violations from other processes
 - Review prior findings
 - Review performance data/outcomes

“Significant Violations” from USDE (though OSSE may look at additional issues)

1. Time Distribution
2. MOE
3. Supplement Not Supplant
4. Unallowable Expenses
5. Procurement Irregularity
6. Ineligible Students
7. Lack of Accountability for Equipment/Materials
8. Lack of Appropriate Record Keeping
9. Record Retention Problems
10. Late or No Submission of Required Reports, Inaccuracies, Inconsistence
11. Audits of Subrecipient Unresolved
12. Lack of Subrecipient Monitoring
13. Drawdown before funds are needed or more than 90 days after the end of funding period
14. Large Carryover Balances
15. Lack of valid, reliable, or complete performance data

AREAS TO EVALUATE FOR AUDIT/MONITORING

1. OIG Audit

- Notice of Audit: Correspondence

2. Single Audit

- Prior Audits
- Compliance Supplement

3. Monitoring

- Monitoring instrument

REQUEST FOR DOCUMENTATION

- “Audit/Monitoring Binder”
- Central location for all requested documents
- Does not have to be hard copy

CORRECTIVE ACTION PLAN

Critical – have in place at time of visit, even if implementation will be in the **future**

- Specific Measurable Objectives
- Timelines
- Clear Lines of Responsibility

REMEDY PROBLEM AREAS OR DEVELOP CORRECTIVE ACTION PLAN

E.g., Los Angeles Unified School District Internal Controls over Nonpayroll Purchases – Erroneous Charges of \$84,000

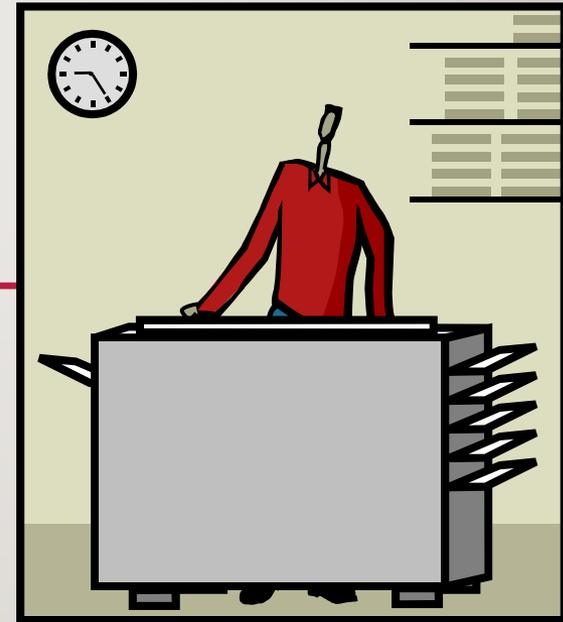
- **No findings!!!**
 - CAP in place
 - Auditor agreed



THE VISIT



LOGISTICS



- Secure Space
- Audit/Monitoring Binder
- Copy Machine
 - Keep extra copy of all documents supplied!!!
- Professional Demeanor

REQUESTED RECORDS

- Can the auditee refuse to provide the auditors with requested documents?
 - 2 C.F.R. 200.336 provides audit access to records without qualifiers
 - If requested records are not provided, likely receive an audit limitation or finding
- Applies to Monitoring as well!

IDENTIFY KEY STAFF (AUDIT COMMITTEE)



- **Audit/Monitoring Liaison:**

Key contact for all questions, interview arrangements, documents requests, logistical arrangements

- **Agency Leadership:**

- Entrance, exit conference

IDENTIFY KEY STAFF

- **Relevant Staff (Audit/Monitoring Committee):**
 - Assure staff are prepared for interview
 - Subject matter awareness
 - Terminology/Definitions
 - Time and Effort
 - Necessary and Reasonable
 - Inventory
 - Familiarity with job description
 - Familiarity with prior problem areas
 - Familiarity with likely areas of inquiry

ENTRANCE CONFERENCE



- Leadership
 - Set positive but professional tone
- Audit/Monitoring Liaison
 - Review process/logistics
 - Request all interview requests go through manager
 - Request periodic updates (especially problem areas)
 - Do not wait for exit conference

IMMEDIATE STAFF DEBRIEF!

- Debrief staff after interviews
- Clear up misunderstandings



EXIT CONFERENCE

- Ask for specifics with auditors/monitors
 - For audits, what issues were identified?
 - Documents requested?
 - List and send
- Potential noncompliance findings (for audits)
 - Review carefully
 - If confirmed, develop corrective actions
proactively

AFTER THE VISIT



NEXT STEPS

- **OIG Audit, Single Audit**
 - Draft Audit Report
 - Final Audit Report
 - Final determination (Feds, State Agency)
- **Monitoring**
 - Monitoring Report – Includes “Determination”
 - May receive draft findings, but it is up to the monitoring team

ALWAYS BE READY TO RESPOND!

- Respond carefully at each level
 - Problems always easier to resolve at earliest level
 - Set the table for possible appeal

NEXT STEPS FOR AUDITS

- Federal Awarding Agency/Pass-Through can:
 - Accept finding as is, including recovery of funds
 - Accept finding but reduce or eliminate liability
 - Reject finding
- Letter of final audit determination
 - Establishes prima facie case

REVIEW BY FEDS

- Any \$\$ liability: Appeal to Administrative Law Judges (ALJs)
 - (ALJs) are independent
- **Caution** –
 - Time limits
 - Other Rules of Procedure for Appeals

REVIEW BY FEDS

- ALJ Decision



- Appeal to Secretary



EXAMPLE: ST. LOUIS SCHOOL DISTRICT

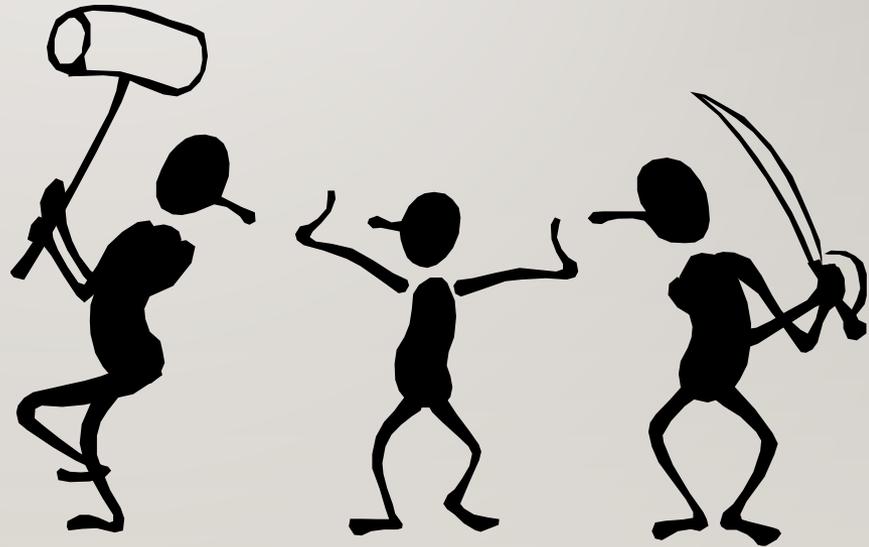
- **OIG Audit Finding:**
 - Purchased 700 laptops, used 300, district could not account for 125
 - Required refund and corrective actions
- **District's Response:**
 - Disputed missing number, offered to pay for replacement from non-federal funds, otherwise agreed to corrective actions.
- **ED Determination:**
 - Sustained finding, but did not seek recovery of funds

DEFENSE AND RESOLUTION



RESOLUTION STRATEGIES

- CAROI
- Compromise
- Settlement
- Litigation



COOPERATIVE AUDIT RESOLUTION (CAROI)

- 200.513: The Federal awarding agency must use cooperative audit resolution to improve federal program outcomes
 - Cooperative Audit Resolution means the use of audit follow-up techniques which promote prompt corrective action by improving communication, fostering collaboration, promoting trust and developing an understanding between the Federal agency and non-Federal entity (200.25).

QUESTIONS?



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