



# North Central Special Ed Roundtable

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LEBANON, IN

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# Background Information for Special Education Programs involving Co-Ops

- ▶ SBOA was auditing Special Ed grants maintained at a Special Ed Co-OP as their own. Co-Ops were receiving federal audits.
- ▶ Fall of 2015 – SBOA received information from IDOE that Special Education grants were awarded to individual schools with Special Ed Co-Ops acting as fiscal agents.
- ▶ Our Board decided that we had to correct all FY 2013-2014 audits that had already been issued and ensure that the remainder were audited correctly.
- ▶ Resulted in some reports being reissued and additional audit work for many schools.

# Special Ed grant reporting and audits going forward

- ▶ Special Ed grants running through a Special Ed Co-Op should be included on each individual schools' Gateway Annual Financial Report and subsequent Schedule of Federal Expenditures.
- ▶ Co-Op will have to provide an allocation of each members' Special Ed grant expenditures prior to August 29<sup>th</sup> so that they can be included in the appropriate Gateway AFRs.
- ▶ It should be possible for grants to be audited at the Co-Op and resulting work to be shared for all member schools.
  - ▶ If member schools are not on the same audit cycle, it may be possible SBOA will have to be at the co-op each year.
- ▶ Member schools will still have responsibility to oversee that the Co-Op is meeting all requirements applicable to the Special Ed grants.

# Special Education Allocations

- ▶ If each member school spends money and sends in a request to the fiscal agent (cooperative) for reimbursement, then those reimbursement amounts should appear on the school's grant schedule within the Gateway AFR.
- ▶ If the fiscal agent spends all the money on behalf of the member schools, then the fiscal agent needs to allocate, in any reasonable way, the amounts that need to be reported on the member school's grant schedule within the Gateway AFR.
- ▶ If the fiscal agent disburses the reimbursements to the member schools but keeps a portion for administrative costs, then the amounts on the member school's grant schedule should be the reimbursement amounts plus an allocated portion of the administrative costs.

# Uniform Guidance

- ▶ Effective for federal grants received after December 26, 2014.
- ▶ IDOE has indicated that no funding was provided that falls under Uniform Guidance requirements prior to July 1, 2015.
- ▶ Report changes
  - ▶ For Special Ed Grants the Schedule of Federal Expenditures will contain the same information but will be have a different appearance.
  - ▶ Notes to SEFA – must include if the school used the 10% de minimis indirect cost rate.
  - ▶ Section III findings will include a statement of cause and will indicate a related finding number if repeated from prior audit.
  - ▶ Views of responsible official will be included in each finding.
  - ▶ Summary Schedule of Prior Audit Findings will include both section II and section III findings noted in prior report.
  - ▶ Subrecipients will no longer be required to submit the audit report to a pass-through or notify the pass-through an audit was completed with no findings.
  - ▶ The Data Collection Form and reporting package will be a public document.



# Uniform Guidance (cont.)

- ▶ Audit changes
  - ▶ Amount of federal expenditures required for a Single Audit (federal) will be \$750,000.
  - ▶ If Co-Op was established under IC 20-35-5-13(b) and doesn't meet the threshold for a Single Audit, then they will receive an Examination.
    - ▶ IC 20-35-5-13(b) the Co-Op maintains its own records (ledger) separate from any member schools.
  - ▶ Percentage of coverage for selecting major programs to audit was decreased.

# Compliance Requirements

- ▶ Activities Allowed or Unallowed:
  - ▶ IDEA, Part B – Excess costs of providing special education and related services to children with disabilities
  - ▶ IDEA Preschool – Excess costs of providing special education and related services to children with disabilities ages three through five
- ▶ Allowable Costs / Cost Principles:
  - ▶ 10 basic considerations
  - ▶ Select Items of cost
    - ▶ Compensation – personal services (2 CFR 200.430)
    - ▶ Indirect Costs – to charge indirect costs a rate must be negotiated with IDOE's Division of Finance
- ▶ Cash Management:
  - ▶ Grants are based on reimbursement so expenditures must be incurred and paid for prior to requesting reimbursement.



# Compliance Requirements (cont.)

- ▶ Equipment and Real Property Management:
  - ▶ The school must maintain control over any equipment or property in use at private schools purchased with IDEA funds
- ▶ Level of Effort – Maintenance of Effort:
  - ▶ Eligibility Standard – The SEA must determine that the LEA budgets, for the education of children with disabilities, at least the same amount, from at least one of the following sources (local, State and local, local per capita, State and local per capita), as the LEA spent for that purpose from the same source for the most recent fiscal year for which information is available.
  - ▶ Compliance Standard – Funds provided to the LEA under Part B must not be used to reduce the level of expenditures for the education of children with disabilities made by the LEA from State and/or local funds below the level of those expenditures for the preceding fiscal year.

# Compliance Requirements (cont.)

- ▶ Earmarking:

- ▶ Schoolwide Programs – The amount of IDEA, Part B funds used in a schoolwide program, may not exceed the amount received by the LEA under IDEA, Part B for that fiscal year divided by the number of children with disabilities in the jurisdiction of the LEA multiplied by the number of children with disabilities participating in the schoolwide program.
- ▶ Early Intervening Services – An LEA can use not more than 15 percent of the amount of Federal funds (less any amount by which it reduces State and local expenditures under the Maintenance of Effort), in combination with other funds for early intervening services for children in kindergarten through grade 12 who have not been identified under IDEA but need additional academic and behavioral support to succeed in the general education environment.

# Compliance Requirements (cont.)

- ▶ Period of Performance:
  - ▶ July 1 of the fiscal year through September 30 of the second following fiscal year. (07/01/15 – 09/30/17; 07/01/16 – 09/30/18)
- ▶ Procurement:
  - ▶ Must have written procurement standards (2 CFR 200.318-200.326)
- ▶ Suspension and Debarment:
  - ▶ School must verify that a vendor or contractor that is expected to provide goods or services over \$25,000 is not suspended or debarred.
    - ▶ Checking the *Excluded Parties List System* on SAM Website (<https://www.sam.gov/index.html>);
    - ▶ Collecting a certification from the entity; or
    - ▶ Adding a clause or condition to the covered transaction with the entity

# Compliance Requirements (cont.)

- ▶ Reporting:
  - ▶ Annual Report of Children Served as described in 511 IAC 7-46-1 to 46-3
  - ▶ Data Collection Report as described in 511 IAC 7-46-4
  - ▶ Request for Reimbursement
  - ▶ Any other reports required by IDOE
- ▶ Special Tests and Provisions – Schoolwide Programs:
  - ▶ Amount used in any schoolwide program may not exceed:
    - ▶ The amount received by the LEA under Part B for that fiscal year; divided by
    - ▶ The number of children with disabilities in the jurisdiction of the LEA; and multiplied by
    - ▶ The number of children with disabilities participating in the schoolwide program.

# Common Federal Findings

▶ Internal Controls

▶ Internal Controls

▶ Internal Controls

# Internal Controls

- ▶ A conceptual process that is applied to a wide range of situations in a wide range of environments
- ▶ **A process executed by officials and employees that is designed to provide reasonable assurance that the objectives of the political subdivision will be achieved;**
- ▶ Includes the reduction of risk associated with fraud as well as a safeguard of resources against loss due to waste, abuse, mismanagement, or errors;
- ▶ It is a basic element fundamental to the organization, rather than a list of added on tasks;
- ▶ It is a check and balance system over operations, promoting operational effectiveness and efficiency;
- ▶ It is focused on the achievement of objectives; and
- ▶ It is dependent on officials and employees for effective implementation
- ▶ A system that produces reliable financial and management data; ensures accuracy and timeliness in reporting; **and promotes compliance with laws and regulations.**



# Internal Controls (continued)

- ▶ Auditing process:
  - ▶ Develop an understanding of your internal control structure and procedures
  - ▶ Test those procedures
  - ▶ Based on the results of the testing of controls, determine the type and volume of compliance testing
- ▶ Documentation is key
  - ▶ If one of your procedures is Person X reviewed this report, we need to be able to verify in some way that they have reviewed it

# Internal Controls (continued)

- ▶ Control Deficiency

- ▶ Exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance on a timely basis.
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- ▶ Material Weakness

- ▶ A deficiency, or combination of deficiencies such that there is a reasonable possibility that material noncompliance with the rules and regulations of the grant program will not be prevented, or detected and corrected on a timely basis.

- ▶ Significant Deficiency

- ▶ A deficiency, or combination of deficiencies that is less severe than a material weakness, yet important enough to merit attention to those charged with governance.

# Internal Controls (continued)

- ▶ So what can you do?
  - ▶ Know the compliance requirements
  - ▶ Development controls over those compliance requirements
  - ▶ Document the controls
  - ▶ Follow those controls

# Internal Controls (continued)

- ▶ Segregation of Duties
  - ▶ Integral part of a proper set of controls
  - ▶ 4 General Categories
    - ▶ Authorization
    - ▶ Recordkeeping
    - ▶ Custody
    - ▶ Reconciliation
  - ▶ Ideally, no one person should have control of 2 or more of the above categories
  - ▶ If one person does control 2 or more of the above categories, then some type of mitigating control should be implemented (i.e. a detailed review process)