

OHIO AUDITOR OF STATE
KEITH FABER

School Single Audit Considerations

Center for Audit Excellence

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ATTENTION!!!

- The information in this slide show may be subject to change.
- Additional COVID guidance is being provided by Federal and State Agencies every day is an attempt to clarify requirements and provide implementation guidance to prime recipients and subrecipients.

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Agenda

- Planning challenges/considerations
- Risk Assessment
- School Programs
- Reporting

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3

Planning Considerations

Funding is coming out quicker than guidance

- Entities could have eligible expenditures prior to receiving funding
- FY20 expenditures could be reimbursed in FY21

Could be receiving new funding, additional funding to existing programs, and programs with waivers/flexibilities

Going to be crucial to have conversations with clients early on

Schools need to make critical decisions

DOCUMENT, DOCUMENT, DOCUMENT

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Planning Considerations

Entities that have not **previously** been single audits now may have an increase in expenditures. Necessitating a single audit

Be alert to new funding streams

- Could be receiving subawards from various entities (i.e. a City may pass funds through to a school)
- Several new grant programs
- Critical to make sure you have a complete SEFA
- Required to separate COVID funds out on the SEFA

Entities could also be serving as a pass-through (i.e. creating subawards with other entities/NFPs/etc) and need to be aware of the associated requirements—2 CFR 200.331

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Planning Considerations

Schools have three new large COVID-19 programs: ESSER (507), GEER (508), and Coronavirus Relief Fund (510)

All three programs allow schools to reimburse expenditures since the beginning of the pandemic (exact dates vary among each program) – federal programs allow these decisions to be made at any time, although ODE may shorten the window due to CARES Act quarterly reporting requirements.

- Schools need to finalize decisions to draw down federal funds from these programs to reimburse expenditures incurred in FY20 ASAP.
- SEFA reporting is based upon when expenditures are incurred.
- These decisions will impact FY20 Single Audit status and major program determinations.

Important to include the topic of funding and expenditures during your entrance conference

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Risk Assessment

Determining what new programs a client has received is critical

- Could change the A/B major program threshold
- New COVID-19 programs will NOT have been audited before= potential High Risk A
- Existing Type A programs could be come higher risk if there is a material change in personnel or systems
- New COVID programs could also be Type B programs
 - Need to evaluate the newness of the programs along with other factors
- There is currently NO requirement to select B programs with COVID-19 funding as major; however, OMB CS guidance is not final yet

Audit Challenges

OMB Compliance is going to be issued in two parts

- First part will be what we are used to seeing and is expected to be out in August
- Then there will be a COVID specific addendum that comes out in the Fall

Identifying and testing controls

- Strong possibility that controls will have changed due to stay at home orders, telework, etc.
- For example, building closures during last quarter of school year

Audit Challenges

Client documentation is going to be key

- How did their processes change?
- What time periods?

Auditors will need to evaluate that documentation

- Can you still rely on first controls?
- Did the key control change?

Adjust attributes in testing for certain periods of time

Audit Challenges

On March 12, 2020, Governor Mike DeWine made an unprecedented announcement ordering all of Ohio's **public, community and private K-12 school buildings** to be closed to students due to the ongoing coronavirus health crisis.

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ODE created FACs to help school and district leaders think through important local-level decisions: <http://education.ohio.gov/Topics/Student-Supports/Coronavirus/Frequently-Asked-Questions-Governor-DeWine's-School-Closures>

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Auditors should refer to this guidance as they evaluate district decisions about various topics related to these closures.

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Audit Challenges

ADM/FTE Testing

- Auditors are **NOT** expected to test attendance for the last quarter of the year when buildings were closed
- Exception would be any e-schools
- Additional information can be found at <http://education.ohio.gov/Topics/Student-Supports/Coronavirus/Additional-Information-on-Instructional-Hours-and>

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Separate Accountability

New Funds must be created for new COVID-19 programs.

AOS and ODE have created new USAS Funds for the larger new programs passing through ODE. Schools should use Fund 599 for any other new COVID-19 Funds.

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COVID-19 funding in an existing federal program must be tracked separately (e.g., SCC).

See AOS guidance at: http://www.ohioauditor.gov/resources/covid19/CARES_guidance_school.pdf

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Traditional School Programs

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Nutrition Cluster

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Community School/STEM School Programs

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Educational Service Centers

ESCs are not directly receiving COVID-19 federal funding (except for possible one-off situations)

- They will not receive the ESSER, GEER, or CRR federal assistance that traditional and community school are receiving
- However, it is possible that schools may find allowable uses to pay for certain ESC costs utilizing these programs

The ESC Association expressed concern to AOS in April about schools not paying ESC contracts because of budget shortfalls

- AOS included the following in our FAQs:
 - Can school districts terminate contracts with Educational Service Centers (ESCs) during the pandemic due to the building closures and an inability by the ESC to provide the contracted services? Presently the law provides that city, exempted village and local school districts with an average daily enrollment of 16,000 or less must enter into an agreement with an ESC under ORC Section 3313.843. In addition to service contracts under ORC Section 3313.843, city, exempted village, local and joint vocational school districts may set up contracts with ESCs for various services based on agreed upon fees beyond those covered by ORC Section 3313.843 contracts. ESC contracts cannot be broken, unless it is within the parameters provided by Ohio law. Because the pandemic declaration is outside the window to cancel an ESC contract, federal funds could be used to subsidize the cost of the contracts so long as it is an allowable expense of the funds. The language in certain Federal COVID programs may make use of the COVID funds allowable for subsidizing the cost of these contracts.

ODE has encouraged schools to work with their local ESCs and Information Technology Centers to find ways to promote/enhance/remote learning, particularly for those that do not have internet service.

ODE is also encouraging schools to utilize ESCs to help provide specialized services in a child's home if that is the safest environment for the child based upon consultation between the school officials, ESC provider, and parent.

AOS is prepared and ready to assist clients in navigating this changing environment. We will be flexible when it comes to our duty to audit and will take into account the guidance that existed at the time schools and ESCs made critical decisions about services and operations. We are asking everyone to do their part to help our audit team by documenting and receiving clear legislative authority for all expenditures.

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16

Reporting

OMB Memo 20-26 changed the extension requirement regarding filing single audits

Now is based upon the DUE date not fiscal year end

As of right now there 6-30-20 entities will need to file on time (March 31, 2021)

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Reporting

Findings related to COVID funding are required to be separately identified

COVID findings may be under higher scrutiny from agencies

Make sure all required elements are being included

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Frequently Asked Questions

What is the allowability of salaries and other project activities charged to Federal Awards during the Pandemic?

- Refer to your Federal Awarding or State Pass-Through Agency for guidance. As of March 19, 2020, OMB issued Memo 20-17 indicating Federal awarding agencies are authorized to take the following actions, as they deem appropriate and to the extent permitted by law, with respect to the administrative provisions that apply to recipients grantees affected by the COVID-19 (for both recipients with COVID-19 related grants and other types of Federal grants).
- Federal Awarding agencies may allow recipients to continue to charge salaries and benefits to currently active Federal awards consistent with the recipients' policy of paying salaries (under unexpected or extraordinary circumstances) from all funding sources, Federal and non-Federal. Federal Awarding agencies may allow other costs to be charged to Federal awards necessary to resume activities supported by the award, consistent with applicable Federal cost principles and the benefit to the project.
- On June 18, 2020, OMB issued Memo 20-26 which rescinded Memo 20-17, however, Appendix A Memo 20-26 permits salaries to continue to be charged using the guidance listed above. Under this flexibility, payroll costs paid with the Payroll Protection Program loans or other Federal CARES Act programs must not be charged to current Federal awards. Federal Awarding agencies must inform recipients to exhaust other available funding sources to sustain its workforce and implement necessary steps to save overall operational costs and document those efforts. The flexibility provided by OMB's Memo 20-26 will expire on September 30, 2020.

Frequently Asked Questions

Will the federal funding to be distributed by the Ohio Department of Education (ODE) to Kindergarten to 12th grade need to be accounted for in a special revenue fund?

- Yes, if you receive COVID-19 related funding through other Federal programs under the CARES Act or other Families First Coronavirus Relief Funding Act, these amounts can be accounted for through a separate special cost center of an existing Federal Fund (if the COVID-19 funding is related to a pre-existing program) or through a separate special cost center in fund 599 (if the COVID-19 funding is related to a new Federal program). While these COVID-19 funds must be separately accounted for, schools do not need to seek Auditor of State approval to establish the new funds/SCCs.

Resources

- **Auditor of State COVID Page--**
http://www.ohioauditor.gov/resources/COVID19_assistance.html
- **Ohio Department of Education COVID Page –**
<http://education.ohio.gov/Topics/Student-Supports/Coronavirus>
- **AICPA Government Audit Quality Center--**
<https://www.aicpa.org/interestareas/governmentauditquality.html>

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