



Federal Single Audit Update

SAO School Workshop 2007



WASHINGTON
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Topics

- General Procurement Rules
- Procurement of Special Ed Professional Services
- Title I – Professional Development Earmarks and Highly Qualified Teachers
- Title I Supplanting
- Schoolwide Plan Funding and Auditing Schoolwide Costs
- Time and Effort - Medicaid, Title II, and “Substitute Methods”



Procuring With Federal Funds

- If the type of item being procured is covered under a state RCW (e.g., equipment, supplies, construction, etc.), you should follow the state law (**even if the federal rules appear to be more strict**).
- If the type of item being procured is **not** covered under state law (e.g., **professional services**), you default to the Circular A-102 Common Rule (34 CFR 80.36).



Circular A-102 Common Rule

Dept of Education: Title 34 CFR 80.36

- A-102 requires quotes from an adequate number of vendors for purchases up to \$100,000.
- Sealed bids or Requests For Proposals are required for procurements over \$100,000.
- Non-Competition: Emergencies and sole-source designation can be declared, but the rationale for this must be documented.



Special Education Procurement

- Professional services paid out of Federal IDEA funds (program 24) are subject to the A-102 Common Rule.
- Special Ed staff should be able to answer these auditor questions for each service being provided by a third party:
 1. Which providers did you consider contracting with to deliver that service?
 2. What was your rationale for selecting the provider?
 3. Before renewing the contract, how did you determine there were no other providers who were better suited or qualified?



Special Education Consortiums

Consortiums with ESD 101, 112, 113

- ESD has agreements with participating district to provide Special Ed services.
- Districts should treat fees paid to the ESD as a disbursement of Special Ed funds and report on the SEFA starting in FY08.
- Remind the district about this for FY07 audits.



Title I (84.010) Overview

- Plan on at least 40 hours for this program! – Typically, you will be auditing 14 compliance areas, including:

- | | |
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| <ul style="list-style-type: none">■ Activities Allowed■ Cost Principles■ Period of Availability■ Cash Management■ Reporting■ Eligibility■ Earmarking■ Supplanting | <ul style="list-style-type: none">■ Procurement■ Comparability■ Schoolwide Plans■ Private School Participation■ Highly Qualified Teachers■ AYP Data Quality |
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Title I – Professional Development Set Asides

This requirement has been waived since the beginning of the school training season.

For staff who are not yet **highly qualified**:

- Districts must spend at least **5%** of Title I funds on professional development each year.
- If the District needs less than 5% to accomplish this earmark, it should indicate the amount needed on its i-grant application.
- The District should have account coding that can capture the amounts spent for this earmark.



Title I – Professional Development Set Asides

School Improvement – Step 1 and beyond

- A district must reserve **10%** of Title I funds for professional development for its staff each year.
- If the district does not spend the whole amount, the balance is carried over and added to the subsequent year's amount – it does not go away!
- The district should have account coding that can capture the amounts spent for this earmark.



Title I – Highly Qualified Teachers

- Teachers and para-professionals must be “highly qualified” by August 31, 2007 (FY07).
- We will likely report as a finding the payroll costs of Title I teachers/para-pro’s that are not highly qualified if the amount is material.
- Schools must notify parents when a child is being instructed by a non-highly qualified teacher for more than 4 weeks.



Title I - Supplanting

Many federal grants require that the grant funds supplement (increase) and not supplant (replace) the existing funding for the activities allowed in the grant.



Title I - Supplanting

The U.S. Dept of Education presumes supplanting has occurred if:

- The district used federal funds to provide services that it was required to make available under other federal, state, or local laws.
- The district used federal funds to provide services that it provided with non-federal funds in the prior year.
- The district used Title I (Parts A or C) funds to provide a service for Title I students that it provided with non-federal funds for non-Title I students.



Supplanting

Example:

In 2004 and 2005, a district used basic education (program 01) funds to help pay for a Title I teacher's salary (program 51). In 2006, the district removed the basic ed funding and charged the teacher's salary 100% to Title I.

Q – Is this supplanting?

A – Yes. The federal grant has replaced (supplanted) the basic education funding that was being used to pay for Title I services.



Supplanting

Example:

A district hired a Director of Literacy, which is an administrative position that oversees literacy for all students in grades K-12. The elementary schools in the district are targeted assistance schools and 30% of the children in these schools receive Title I services.

Q - Can the district charge 30% of the director's salary to Title I?

A – No. The director is providing the same services for Title I children as he/she is providing for non-Title I children. There are no supplemental services unique to Title I.



Supplanting

Example:

In year 1, a district provided half-day Kindergarten to all students. It also offered full-day Kindergarten for Title I students that was paid from Title I funds.

In year 2, the district decided to provide full-day Kindergarten to all students. The cost was split between Title I and Basic Ed funds.

Q – Is this supplanting?

A – Yes. The same services for Title I children are being provided to non-Title I children and paid with non-Title I funds.



Supplanting

Supplanting presumptions are rebuttable if the district can demonstrate that it would not have provided the services in question with non-federal funds had the federal funds not been available.



School-wide plans - Funding

- Each written plan should identify the specific grants and other funding sources that will be used carry out the plan's objectives. (This information is also included in the SEFA footnotes).
- Except for Reading First (84.357), Department of Education grants can be used in a school-wide program.
- Grants that are not from the Dept of Ed (e.g., Head Start, Medicaid, Nutrition) cannot be included in a school-wide plan.
- Basic Ed and Local levy funds are okay to include in the plan.



School-wide Costs - Testing

- Districts have flexibility on how they assign costs to each federal grant program that is incorporated into the school-wide plan.
- If the district charges specific non-payroll costs (e.g., supplies, materials, travel) to a program, you can select some of these expenditures and test them to determine if they were used to carryout the objectives of the school-wide plan.



School-wide Costs - Testing

- As an alternative to charging individual transactions to a specific grant, a district is permitted to allocate its costs to all grants and funding sources included in the school-wide program. For example, total school-wide costs for the year can be allocated to each grant based on revenue (e.g., if Title I contributed 45% of the revenues for the school-wide plan, Title I could be assigned 45% of the total cost).
- In this case, the auditor will evaluate these allocations for reasonableness and equity.



Child Nutrition Cluster

Change to Verification Process

For the FY06 school year and beyond:

- Districts that had a **20% or greater** non-response rate from prior year must use the **3% focused** sampling method.
- The “**non-response rate**” is the percentage of approved household applications for which verification information has not been obtained.



Child Nutrition Cluster

For the FY07 school year:

- There were about 110 districts that had to use the **3% Focused** sampling method.
- Selection of applications must be from **“error-prone”** population – those with a monthly income within \$100 of the UL for free and reduced-price meals.
- Districts with less than 20% non-response rate can use either **random** or **traditional-focused** sampling.
- See OSPI Bulletin 092-06



Medicaid Match Time Studies

- A-87 “time and effort” is met by the 5-day time study done each quarter.
- DSHS requires that time studies must be signed by the employee and the supervisor in order to be valid.
- If not valid, this can result in questioned costs.



Time and Effort

Districts must keep time and effort records for all staff whose salary and benefits are charged to federal grants.

- **Semi-annual certifications** for employees who work 100% on a single cost objective.
- **Monthly Personnel Activity Reports** for employees who work on multiple cost objectives.
- An approved **Substitute System** can be used in lieu of certifications and monthly reports.
- Refer to **Bulletin 006-04** for examples.



Time and Effort

Tricky areas:

- **Title II.** Employees assigned to “class size reduction” need to prepare a semi-annual certification even though the classroom may be basic education instruction.
- Employees whose work is partially funded by a program not included in a **school-wide plan** -- you need monthly time and effort for the time spent outside the plan.



Time and Effort

Substitute Systems

- OSPI has a new standard agreement with many districts that allow for substitute time and effort systems.
- Instead of keeping monthly time and effort, the district performs a time study for 3 months during the year (Oct, Jan, May). The amount charged to federal awards is based on the time study.
- Districts must reconcile any estimated charges to the actual results from the time study.



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