2014 Auditor Workshops
A-133 Audit Reviews

Larry Smith
Principal Consultant
Funding and Disbursement Services

Phone: (217) 782-5256
Fax: (217) 782-3910

E-Mail: ismith@isbe.net
Quick Review:

OMB Circular A-133 applies to:

- Non-Federal entities that spend $500,000 or more in Federal aid during their fiscal year
  - Units of local government, Not-for-Profit entities and Colleges/Universities

- Program-specific audits are performed for those entities who receive Federal awards from a single program

- For-profit entities and non-Federal entities spending less than $500,000 in Federal awards are exempt
OMB RULE CHANGES

Title 2 CFR:
Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards

§200.500: Audit Requirements
Affects School District/Joint Agreement audits for FY 2016 (“audits of years beginning after December 31, 2014”)

- Single Audit Threshold increased to $750,000
  - Reduces number of School District audits by about 25%
  - Joint Agreement audit totals remain approximately the same

- Changes in Determination of Major Programs

- Changes in Compliance Requirements

Changes in Minimum Testing Requirements

- Low-risk Auditee: 20% of total Federal spending
- High-risk Auditee: 40% of total Federal spending

- Increased questioned costs materiality amount from $10,000 to $25,000
  - For school district audits, the auditor will still include questioned cost amounts under the threshold; ISBE will determine materiality as far as recovering the questioned cost amounts
# School District/Joint Agreement Audit Counts

<table>
<thead>
<tr>
<th># of Audits</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>School Districts</td>
<td>364</td>
<td>634</td>
<td>672</td>
<td>546</td>
<td>449</td>
<td>446</td>
</tr>
<tr>
<td>Joint Agreements</td>
<td>81</td>
<td>86</td>
<td>83</td>
<td>85</td>
<td>78</td>
<td>79</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th># of Findings</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>School Districts</td>
<td>555</td>
<td>890</td>
<td>1,231</td>
<td>962</td>
<td>742</td>
<td>615</td>
</tr>
<tr>
<td>(# of Audits)</td>
<td>(195)</td>
<td>(349)</td>
<td>(365)</td>
<td>(298)</td>
<td>(242)</td>
<td>(213)</td>
</tr>
<tr>
<td>Joint Agreements</td>
<td>135</td>
<td>106</td>
<td>143</td>
<td>102</td>
<td>74</td>
<td>70</td>
</tr>
<tr>
<td>(# of Audits)</td>
<td>(48)</td>
<td>(50)</td>
<td>(49)</td>
<td>(43)</td>
<td>(37)</td>
<td>(36)</td>
</tr>
</tbody>
</table>
ILLINOIS STATE BOARD OF EDUCATION

ISBE RESPONSIBILITIES

• Verify the necessity for a Single Audit and ensure that, if required, one is performed

• Review Single Audits for quality, content and accuracy
  o Review opinion letter language and content
  o Review various schedules for content
  o Reconcile SEFA to Expenditure Reports
  o Testing of ISBE Type A programs every 3 years

• Follow up on findings related to ISBE programs and issue Management Decisions (recovery of funds, etc.)

• Check auditor qualifications
  • Audit must be performed under GAGAS

• Check for submission to Federal Audit Clearinghouse
Please submit your most current Peer Review report and Acceptance/Completion letter to:

Larry Smith  
Illinois State Board of Education  
Funding and Disbursement Services, E-320  
100 North First Street  
Springfield, Illinois 62777  

Fax: (217) 782-3910  

E-Mail: ismith@isbe.net

Address or name changes for your firm?  
Make sure School Business Services or A-133 Review knows
2014 Audit Cycle
No new Federal grant programs in FY 2014

ARRA will continue to have some impact
  • Some projects continued as 2013 projects (ARRA – Title I – Low Income; ARRA – Education Jobs Fund Program)
  • ARRA – School Improvement Grant (1003(g)) continued through September 2013

Check most recent Compliance Supplement
  • http://www.isbe.net/funding/html/a133.htm

Changes to the A-133 tabs in the AFR Workbook
ILLINOIS STATE BOARD OF EDUCATION

Were there findings?

A-133 Single Audit Status:

- YES  NO Are Federal expenditures greater than $500,000?
- YES  NO Is all A-133 Single Audit Information completed and attached?
- YES  NO Were any financial statement or federal awards findings issued?

Tab Names

Notes to the SEFA

Note 3: Non-Cash Assistance
The following amounts were expended in the form of non-cash assistance by [Entity #XYZ] and are not included in the Schedule of Expenditures of Federal Awards:

NON-CASH COMMODITIES (CFDA 10.555)**: __________
OTHER NON-CASH ASSISTANCE: __________

Note 4: Other Information
Insurance provided by Federal agencies in effect during the fiscal year:

- Property: __________
- Auto: __________
- General Liability: __________
- Workers Compensation: __________

Loans/Loan Guarantees Outstanding at June 30:

- __________

District had Federal grants requiring matching expenditures: (Yes/No) __________

** The amount reported here should match the value reported for non-cash Commodities on the Indirect Cost Rate Computation page.
Finding Numbers

1. FINDING NUMBER: 2014-____

- Formatted for financial statement findings, Federal award findings, Corrective Action Plan information
  - All you have to enter is the number (1, 2, 3...) and it will be formatted (2014-001, 2014-002, 2014-003...)
LOW RISK WAIVER REQUESTS
Interim Procedures – US Department of Education
To Qualify as a Low-Risk Auditee:

1. Single Audits have been performed on an annual basis
2. Auditors have given “Unqualified” opinions on both the Financial Statements and the Schedule of Expenditures of Federal Awards (SEFA)
3. No internal control deficiencies identified as material weaknesses under requirements of Generally Accepted Government Auditing Standards
4. Type A Federal programs had no audit findings where:
   - Internal control deficiencies were identified as material weaknesses;
   - There was noncompliance with provisions that had a material effect on the program; or
   - Known or likely questioned costs exceed 5% of total Federal awards expended for a Type A program during the year

• NOTE: Waivers may be granted only for Items 2 and 3 above.
ILLINOIS STATE BOARD OF EDUCATION

APPLYING FOR LOW-RISK WAIVER

• Determine cognizant or oversight agency (US Department of Education).

• Describe Financial Statement qualification(s) or Internal Control weakness(es) identified in past two (2) Single Audits. Explain why they do not affect entity’s ability to manage Federal grant funds.

• Include written concurrence from each entity supplying $100,000 or more in flow-through grant funds that indicates no objection on their part to the waiver.

• Submit copies of the last two (2) Single Audits for the entity.

On average, US Department of Education takes about 30 days to review, so be sure to allow enough time for this review.
Send Low-Risk Waiver Requests to:

Lihong Guo
Lead Management Analyst, Post Audit Group
US Department of Education
550 12th Street, SW
Washington, DC 20202

For additional information, contact Ms. Guo at:
E-Mail: Lihong.Guo@ed.gov
Phone: (202) 245-8039
Website: http://www2.ed.gov/about/offices/list/ocfo/fipao/waivers.html
MOST COMMON ERRORS (2013)
AUDITOR OPINION LETTERS

- Make sure that all opinion letters are signed

- Audit reports must use updated language
  - Deficiencies in Internal control or material weaknesses; significant deficiencies

- If you have findings and some form of management response included, must include clause that auditor offers no opinion on response because response was not audited (both the GAS and A-133 opinion letters)
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

- Use ISBE-provided template as a guide for format
- Reconcile SEFA revenues to AFR Federal revenues
- Include all ISBE Federal revenues on SEFA (Summary of Payments, FRIS 0053)
- Include all non-cash Commodities on SEFA or detail amounts in Notes to SEFA
- Reconcile district-reported expenditures to expenditure amounts reported on SEFA
- Include and properly identify ARRA-related funds
  - Including name and CFDA number
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

- Include prior-year (2013) and current year (2014) projects

- Report outstanding obligations/encumbrances

- Use separate lines for each project year of program (no commingling)

- Include totals on SEFA (column and grand totals; Final Status)

- Do not include E-rate reimbursements on SEFA

- Do not include Medicaid Fee-for-Service on SEFA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

- Include names of Federal and pass-through entities
- Include impact aid
- Notes to the SEFA must indicate basis of accounting:
  - Modified Cash, Modified Accrual, etc. (not “regulatory basis”)
- Differences between SEFA expenditure amounts and reported final expenditure amounts should be included in findings with difference being questioned costs
<table>
<thead>
<tr>
<th>Federal Grantor/Pass-Through Grantor/Program or Cluster Title and Major Program Designation</th>
<th>CFDA Number (1st 3 digits) or Contract #</th>
<th>Receipts/Revenues Year 7/1/11-6/30/12</th>
<th>Expenditure/Disbursements Year 7/1/12-6/30/13</th>
<th>Obligations/Encumb. Year 7/1/11-6/30/13</th>
<th>Final Status</th>
<th>Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>US DEPARTMENT OF EDUCATION:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Passed Through Illinois State Board of Education</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Title II - Teacher Quality</td>
<td>84.281</td>
<td>12-4932-00</td>
<td>1,589</td>
<td>2,547</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Title II - Teacher Quality</td>
<td>84.281</td>
<td>13-4932-00</td>
<td>3,000</td>
<td>5,179</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Drug Free Schools - Formula</td>
<td>84.186</td>
<td>12-4400-00</td>
<td>256</td>
<td>1,362</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Drug Free Schools - Formula</td>
<td>84.186</td>
<td>13-4400-00</td>
<td>2,223</td>
<td>762</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Federal - Spec. Ed. - IDEA - Room &amp; Board</td>
<td>84.027</td>
<td>12-4625-EC</td>
<td>345</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Title I - Low income (M)</td>
<td>84.010</td>
<td>12-4300-00</td>
<td>15,285</td>
<td>21,779</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Title I - Low income (M)</td>
<td>84.010</td>
<td>13-4300-00</td>
<td>180,686</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>US DEPARTMENT OF AGRICULTURE</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Passed Through Illinois State Board of Education</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commodities (Non-Cash)</td>
<td>10.555</td>
<td>N/A</td>
<td>5,847</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dept. of Defense Fresh Fruits and Vegetables</td>
<td>10.555</td>
<td>N/A</td>
<td>793</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>National School Lunch Program</td>
<td>10.555</td>
<td>12-4210-00</td>
<td>9,509</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>National School Lunch Program</td>
<td>10.555</td>
<td>13-4210-00</td>
<td>48,557</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTAL FEDERAL AWARDS</td>
<td></td>
<td></td>
<td></td>
<td>$268,080</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

FAILED TO FOLLOW ISBE DIRECTIONS FOR SEFA:
- Missing Previous FY
- No Obligations
- No Final Status
- No Budget
## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**Year Ending June 30, 2013**

<table>
<thead>
<tr>
<th>Federal Grantor/Pass-Through Grantor/Program or Cluster Title and Major Program Designation</th>
<th>CFDA Number (A)</th>
<th>ISBE Project # (1st 8 digits or Contract #3) (B)</th>
<th>Receipts/Revenues Year 7/1/11-6/30/12 (C)</th>
<th>Expenditure/Disbursements Year 7/1/11-6/30/12 (D)</th>
<th>Final Status (H)</th>
<th>Budget (I)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Title I - Low Income (M)</td>
<td>84.010</td>
<td>2012-4300</td>
<td>287,282</td>
<td>0</td>
<td>287,282</td>
<td>0</td>
</tr>
<tr>
<td>Title I - Low Income (M)</td>
<td>84.010</td>
<td>2013-4300</td>
<td>0</td>
<td>385,405</td>
<td>0</td>
<td>385,405</td>
</tr>
<tr>
<td>Title IV - Safe and Drug Free Schools - Formulas</td>
<td>84.186</td>
<td>2012-4400</td>
<td>6,636</td>
<td>0</td>
<td>6,636</td>
<td>0</td>
</tr>
<tr>
<td>Title IV - Safe and Drug Free Schools - Formulas</td>
<td>84.186</td>
<td>2013-4400</td>
<td>0</td>
<td>6,775</td>
<td>0</td>
<td>6,775</td>
</tr>
<tr>
<td>IDEA Room and Board</td>
<td>84.027</td>
<td>2012-4025</td>
<td>02,790</td>
<td>0</td>
<td>02,790</td>
<td>0</td>
</tr>
<tr>
<td>IDEA Room and Board</td>
<td>84.027</td>
<td>2013-4625</td>
<td>0</td>
<td>36,319</td>
<td>0</td>
<td>36,319</td>
</tr>
<tr>
<td>IDEA Room and Board</td>
<td>84.027</td>
<td>2013-4625</td>
<td>0</td>
<td>24,199</td>
<td>0</td>
<td>24,199</td>
</tr>
<tr>
<td>ARRA - Title I - Low Income (M)</td>
<td>84.389</td>
<td>2013-4851</td>
<td>0</td>
<td>117,706</td>
<td>0</td>
<td>119,228</td>
</tr>
<tr>
<td>Non-Cash Commodities</td>
<td>10.555</td>
<td></td>
<td></td>
<td>4,857</td>
<td>4,857</td>
<td></td>
</tr>
<tr>
<td>Summer Foods</td>
<td>10.559</td>
<td>2012-4225</td>
<td></td>
<td>13,580</td>
<td></td>
<td>13,580</td>
</tr>
<tr>
<td>National School Lunch Program</td>
<td>10.556</td>
<td>2012-4210</td>
<td></td>
<td>13,457</td>
<td></td>
<td>13,457</td>
</tr>
<tr>
<td>National School Lunch Program</td>
<td>10.556</td>
<td>2013-4210</td>
<td></td>
<td>09,742</td>
<td></td>
<td>09,742</td>
</tr>
</tbody>
</table>

- (M) Program was audited as a major program as defined by OMB Circular A-133.

The accompanying notes are an integral part of this schedule.

1. To meet state or other requirements, auditees may decide to include certain nonfederal awards (for example, state awards) in this schedule. If so, they should be segregated and clearly designated as nonfederal. The title of the schedule should also be modified to indicate that nonfederal awards are included.

2. When the CFDA number is not available, the auditee should indicate that the CFDA number is not available and include in the schedule the program other identifying number.

3. When awards are received as a subrecipient, the identifying number assigned by the pass-through entity should be included in the schedule.

4. Circular A-133 requires that the value of federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the reporting period, and outstanding at year end be included in the schedule. Although it is not required, Circular A-133 states that it is preferable to include the schedule (versus the notes to the schedule). If the auditee presents non-cash assistance in the notes to the schedule, the auditor should be informed in part III of the data collection form.

### NOTE:
**SEFA is missing the following:**

**Names of Federal entities**

**Names of pass-through entities**

**Totals for Final Status**

**Subtotals/Totals for Columns**
QUESTIONED COSTS

- All QC amounts must be reported
  - Do not use $10,000/$25,000 threshold
  - Includes interest earned on excess cash
    - All amounts over $100 must be returned

- QC amounts must be broken down:
  - By program: 4300, 4100, 4620, etc.
  - By subcodes: 4300-01, 4300-02, etc.
  - By project year: 2013, 2014

- Do not suggest that entity revise final expenditure reports
  - If program year isn’t complete, ISBE will address recovery of QC
INCORRECT
There were questioned costs of approximately $1,600 due to undocumented expenses.

CORRECT
Questioned costs due to undocumented expenses on the major programs tested were as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Code</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013-4300</td>
<td>$800</td>
<td></td>
</tr>
<tr>
<td>2013-4851</td>
<td>$350</td>
<td></td>
</tr>
<tr>
<td>2013-4400</td>
<td>$250</td>
<td></td>
</tr>
<tr>
<td>2014-4971</td>
<td>$200</td>
<td></td>
</tr>
</tbody>
</table>
1. FINDING NUMBER: 14  2011-9  2. THIS FINDING IS:   New  X  Repeat from Prior year?  
Year originally reported? 2010

3. Federal Program Name and Year:  
Special Education IDEA Cluster, ARRA IDEA Special Education, Title I - Low Income, Title II Teacher Quality

4. Project No.:  
11-4600, 11-4856, 11-4620, 11-4857, 11-4625, 11-4300, 11-4932  
5. CFDA No.:  84.173A, 84.392A, 84.027A, 84.391A, 84.010A, 84.367A

6. Passed Through:  
Illinois State Board of Education

7. Federal Agency:  
Department of Education

8. Criteria or specific requirement (including statutory, regulatory, or other citation)  
The District is responsible for ensuring costs charged to Federal grant programs conform with the allow ability of costs provisions of A-21, or limitations in the program agreement, program regulations, or program statute.

9. Condition  
Allocated salary expenditures were not supported by time and effort documentation.

10. Questioned Costs  
The questioned costs identified were the amount of salaries charged to the grant, as no time and effort documentation was provided to support the allocation percentage for the year. IDEA - ARRA - $62,214; IDEA - Flow through - $182,607; Title I - $79,165; Title II - $16,878.

11. Context  
We noted employee salaries were allocated between the Federal grant and regular programs and the allocations were not supported by time and effort documentation. A total of 22 employees were tested for all of the grants listed, and 9 employees did not have time and effort documentation.
Other Issues to Note

- Incomplete SUMMARY OF AUDITOR’S RESULTS
- Include non-cash COMMODITIES on Indirect Cost Rate page
- Separate non-cash COMMODITIES and DoD FRUITS & VEGETABLES
  - Use the spreadsheet that references A-133 Audits in title
  - http://www.isbe.net/business.htm
- Use correct ISBE program numbers
- Identify all programs tested for purposes of verifying coverage
- Correct testing threshold amount
- Audit opinion letters
  - Reference to Government Auditing Standards report
  - Opinion on the financial statements
  - Signature format
Nutrition Programs

Food Distribution Program

☐ USDA Foods and Illinois Commodity System Webinar - December 15, 2011

This 2 hour webinar focuses on the Illinois Commodity System, placing the annual commodity order, directives and processes aimed at teaching better management of commodity entitlement.

☐ Total Value of Commodities Received by School

▶ School Year 2013
   ▶ Alphabetical Listing (Rev. 10/10/13)
   ▶ 2013 AFR/A-133 Non-Cash Commodities Values for Auditors (Rev. 10/21/13)

▶ School Year 2012
   ▶ Alphabetical Listing
   ▶ 2012 AFR/A-133 Non-Cash Commodities Values for Auditors (3/13)

▶ School Year 2011
   ▶ Alphabetical Listing (Print on legal paper)
   ▶ RCDT Code Listing (Print on legal paper)
   ▶ Commodities Details – AFR/A-133 Audit Information
SUBMITTING CORRECTIONS TO ISBE

- A complete revised AFR must be submitted if corrections are made:
  - To the Schedule of Expenditures of Federal Awards (SEFA)
  - To the Summary of Auditor’s Results
  - To the Schedule of Findings and Questioned Costs
  - Revising or including Financial Statement or Federal Awards Findings
  - Revising or including Corrective Action Plans
  - Revising or including Summary Schedule of Prior Year Audit Findings
  - Including/revising non-cash Commodities on the Indirect Costs page

- Submit revised AFR via Attachment Manager on ISBE web site to “Annual Financial Reports” as if a new submission
  - Subject to include District/Joint Agreement Name and Number
  - Message to include “A-133 Revisions”
PRE-PAYMENT AND CARRYOVER

Reporting on the SEFA
When funds are recovered (findings, unspent, etc.):

- **PREPAYMENT**
  - Occurs when funds have been distributed already to the district/JA
  - District has findings with questioned costs that are to be recovered
  - Cash disbursed is greater than final approved/adjusted expenditure

- **CARRYOVER**
  - Occurs when funds have not been distributed to the district/JA
  - District spends less than the approved budget amount, but not all funds have been disbursed

- **PREPAYMENTS will typically be seen on the SEFA**
  - Affect revenues/receipts, not expenditures
<table>
<thead>
<tr>
<th></th>
<th>2012 Revenues</th>
<th>2013 Revenues</th>
<th>2012 Spending</th>
<th>2013 Spending</th>
<th>Obligated</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2012</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Title I</td>
<td>10,000</td>
<td>10,000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>2013</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Title I</td>
<td>10,000</td>
<td>9,000</td>
<td>1,000</td>
<td></td>
<td>1,000</td>
</tr>
<tr>
<td><strong>2014</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Title I</td>
<td>9,500</td>
<td>9,000</td>
<td>500</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Title I</td>
<td>500</td>
<td>10,000</td>
<td></td>
<td>10,500</td>
<td></td>
</tr>
</tbody>
</table>
ILLINOIS STATE BOARD OF EDUCATION

One Final Thing...
SO LONG
&
THANKS FOR ALL THE FISH
Illinois State Board of Education

- Lilia Espinosa-Speta
  (217) 782-5256 Phone
  (217) 782-3910 Fax
  lespinos@isbe.net

- Larry Wilson
  lwilson@isbe.net

- Leslie Clay
  lclay@isbe.net

Illinois State Board of Education
Funding & Disbursements, E-320
100 North First Street
Springfield, Illinois 62777
QUESTIONS?