

**OFFICE OF EDUCATIONAL ACCOUNTABILITY**  
**Summary of State Board of Education Agenda Items**  
**Consent Agenda**  
**May 9, 2019**

**OFFICE OF EDUCATIONAL ACCOUNTABILITY**

- G. Approval to revise Miss. Admin. Code 7-3:10.1, State Board Policy, Chapter 10, Rule 10.1 – Audit, State Department of Education Resolution Process (Has cleared the Administrative Procedures Act process without public comments)

Background Information: This policy is to ensure that subrecipients of federal funds that pass through the Mississippi Department of Education account for and expend funds in compliance with federal requirements. The Mississippi Department of Education is responsible for enforcing this policy and establishing procedures to ensure that federal grants are used for authorized purposes, in compliance with federal statutes, regulations, and the terms and conditions of federal awards, as defined in 2 C.F.R. § 200.331.

The proposed revisions will align this policy with federal requirements.

Recommendation: Approval

Back-up material attached

## **Part 3 Chapter 10: Subrecipient Single Audit Resolution**

### *Rule 10.1 Subrecipient Single Audit Resolution.*

#### **Oversight of Subrecipient Single Audit Resolution**

The Subrecipient Single Audit Resolution procedure is in effect for audits of subrecipients of federal funds from the Mississippi Department of Education (MDE). For the purpose of this policy, subrecipients are public school districts, charter schools, community colleges, Institutions of Higher Learning (IHL), and other public/non-public entities. Each subrecipient shall obtain an audit that meets the requirements of the Education Department General Administrative Regulations, Cost Principles and Audit Requirements for Federal Awards. The Subrecipient Single Audit Resolution process is designed to ensure that federal grants are used for authorized purposes, in compliance with federal statutes, regulations, and the terms and conditions of federal awards, a requirement given to the MDE in 2 C.F.R. § 200.331.

#### **Single Audit Report Collection**

In accordance with federal regulations, the Bureau of Internal Audit receives and reviews Single Audit Reports from entities that receive grants from the Mississippi Department of Education (MDE). Subrecipient entities that receive federal funds directly from MDE shall submit a Single Audit Report if the entity expends at least \$750,000 of federal funds in a year.

The Office of the State Auditor requires CPA firms that conduct annual audits of public school districts and community colleges to submit a copy of the audit reports to the Bureau of Internal Audit no later than nine months after the end of their fiscal year. In addition, the Bureau of Internal Audit is responsible for informing charter schools and the IHL to submit their annual audit reports no later than nine months after the end of their fiscal year.

Other public/non-public entities that receive federal funds directly from MDE are notified of the Single Audit requirements by the federal program offices that administer the grants. The federal program offices shall provide a listing of other public/non-public entities meeting the threshold to the Bureau of Internal Audit by January 15. The federal program offices instruct the other public/non-public entities to submit a copy of the annual audit report to the Bureau of Internal Audit no later than nine months after the end of their fiscal year.

#### **Resolution and Corrective Action Plan**

Upon receipt of the Single Audit Report, the Bureau of Internal Audit shall determine if there is an audit finding related to a federal program. The Bureau of Internal Audit shall work collaboratively with the federal programs office(s) and the Office of Grants Management to determine if findings are valid. The Corrective Action Plan (CAP) that is included in the audit report, shall include the name(s) of the contact person(s) responsible for the CAP, an anticipated completion date for the corrective action(s), the corrective action steps necessary to resolve the audit finding(s) and specific reasons that support the entity's disagreement with the audit finding(s), if applicable. When the CAP is received, the Bureau of Internal Audit shall review the

CAP to ensure the corrective measures appear reasonable. Unless a finding can be resolved solely by the Bureau of Internal Audit, the Bureau shall forward the CAP along with supporting documentation to the appropriate federal program or fiscal office for review and written approval prior to signing off on the CAP and issuing a Management Decision letter.

If an entity receiving USDE funds has been notified by the Bureau of Internal Audit of the need for further information on a finding and/or a corrective action plan in the audit report, and the entity does not respond within 60 days, the Bureau of Internal Audit may request the State Superintendent place in escrow, up to 60 days, all or a portion of federal funds payable to the entity until an appropriate response is received. The entity shall initiate and proceed with corrective action as soon as possible, and corrective action shall begin no later than upon receipt of the audit report.

For USDA recipients whose audit is not received timely, or recipients unwilling or unable to correct a finding, the Bureau of Internal Audit shall notify the Office of Child Nutrition to initiate the Seriously Deficient Process. *See* 2 C.F.R § 200.338 “Remedies for Noncompliance.”

If an audit finding results in questioned cost(s), the Bureau of Internal Audit shall work collaboratively with the appropriate federal program and the Office of Grants Management to determine if return of the funds is warranted and, if so, the Bureau shall initiate a collection process. The entity shall submit the repayment of funds from State/Local funds. The Bureau of Internal Audit shall follow the procedures for cash receipts in compliance with the MDE Employee Policies and Procedures Manual (MEPPM). The repayment shall be received into the appropriate fund and noted in the subrecipient’s audit report folder.

### **Management Decision Letter**

The Bureau of Internal Audit shall issue timely Management Decision Letters no more than six months from the date the audit report is received. When the Management Decision Letter is issued it shall include whether the MDE concurred with (sustained) the auditor’s finding and whether the Department agrees that the entity’s CAP(s) are sufficient to resolve the issues that resulted in the finding.

A copy of the issued Management Decision Letter shall be saved in the subrecipient’s audit report folder. The Bureau of Internal Audit shall follow-up on the status of CAP implementation for repeated audit findings in subsequent audit reports.

The entity has the right to request a hearing on the decision of the Bureau of Internal Audit concerning the findings of the audit. A written request for a hearing shall be submitted to the State Superintendent within 30 calendar days of notification that the Bureau of Internal Audit has sustained the audit finding and seeks to recover questioned costs. If the appeal request provides evidence that suggests the decision was contrary to Federal law, or the rules, regulations, and guidelines governing the applicable program, a hearing officer shall be appointed, and a hearing shall be scheduled within 30 calendar days. The entity shall be notified in writing concerning the hearing’s time and location, and the procedures of the hearing. Upon completion of the hearing, the hearing officer shall make a report to the State Superintendent. No later than 10 days after

the hearing, the State Superintendent shall issue a written ruling, including reasons therefor. If the State Superintendent determines such final action was contrary to Federal or State law, or the rules, regulations, and guidelines governing such applicable program, the State Superintendent shall rescind such final action.

The Bureau of Internal Audit shall be responsible for record retention related to these procedures in accordance with Uniform Grant Guidance.

Source: *2 C.F.R. § 200.331, Miss. Code Ann. § 37-1-3 (Revised 3/2019)*

### **Part 3 Chapter 10: Audit, State Department of Education Subrecipient Single Audit Resolution Process**

#### *Rule 10.1 Audit, State Department of Education Resolution Subrecipient Single Audit Resolution Process.*

This audit resolution policy is in effect for audits of subrecipients of federal funds from the Department. For the purpose of this policy, subrecipients are state or local governments, institutions of higher learning and other nonprofit organizations. Each subrecipient shall obtain an audit that meets the requirements of the appropriate OMB circular, forward a copy of the report to the Office of Internal Accountability, provided the Mississippi Office of the State Auditor does not transmit a copy of the audit to the Department.

Upon receipt of the audit report, the Office of Internal Accountability will review the audit and findings in the audit to determine if there are any areas that require attention. For those findings that require attention, the Office of Internal Accountability will determine if the response by the subrecipient is adequate for acceptance as a Corrective Action Plan. Should there not be any areas that require attention and/or should the responses be adequate for Corrective Action Plans, the Office of Internal Accountability will notify the subrecipient, thereby closing the file on the audit at the desk review level.

Should there be areas that require attention or should the Office of Internal Accountability need further information on a finding and/or a Corrective Action Plan, the subrecipient will be requested to submit the necessary information within thirty working days. If the subrecipient does not respond within the thirty working days, a follow up letter will be sent requesting the information to be submitted within fifteen working days. Should no response be forthcoming within the fifteen working days, the Office of Internal Accountability may request the State Superintendent to place in escrow all or a portion of federal funds payable to the subrecipient until an appropriate response has been received. The Corrective Action Plan must be implemented by the subrecipient within six months from the receipt of the audit report.

If the findings identify questioned costs that are subsequently disallowed during the audit resolution process, the Office of Internal Accountability shall require the subrecipient to repay the disallowed cost within sixty days of receipt of the notice of disallowance. If the subrecipient does not agree to repay the disallowed costs in a lump sum payment by the date specified or begin and continue repayment under an installment plan approved by the Office of Internal Accountability, appropriate action will be taken to recover the disallowed costs.

The subrecipient has the right under this policy to request a hearing on the decision of the Office of Internal Accountability concerning the findings of the audit. A written request for a hearing must be submitted to the State Superintendent of Education within thirty calendar days of notification that the Office of Internal Accountability has sustained the audit finding. If the appeal request is found to be proper, a hearing official will be appointed and the time and location of the hearing established. The subrecipient will be notified in writing concerning the hearing, time and location, and the procedures of the hearing. Upon completion of the hearing,

~~the hearing official will make a report to the State Superintendent of Education, who will then notify the subrecipient of the final decision.~~

~~At the end of the six months from the receipt of the audit report by the subrecipient, a follow-up visit may be made to certify that the Corrective Action Plan has been implemented. If the subrecipient has not implemented the Corrective Action Plan, the Office of Internal Accountability will recommend that appropriate action be taken.~~

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Other public/non-public entities that receive federal funds directly from MDE are notified of the Single Audit requirements by the federal program offices that administer the grants. The federal program offices shall provide a listing of other public/non-public entities meeting the threshold to the Bureau of Internal Audit by January 15. The federal program offices instruct the other public/non-public entities to submit a copy of the annual audit report to the Bureau of Internal Audit no later than nine months after the end of their fiscal year.

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report, shall include the name(s) of the contact person(s) responsible for the CAP, an anticipated completion date for the corrective action(s), the corrective action steps necessary to resolve the audit finding(s) and specific reasons that support the entity's disagreement with the audit finding(s), if applicable. When the CAP is received, the Bureau of Internal Audit shall review the CAP to ensure the corrective measures appear reasonable. Unless a finding can be resolved solely by the Bureau of Internal Audit, the Bureau shall forward the CAP along with supporting documentation to the appropriate federal program or fiscal office for review and written approval prior to signing off on the CAP and issuing a Management Decision letter.

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guidelines governing the applicable program, a hearing officer shall be appointed, and a hearing shall be scheduled within 30 calendar days. The entity shall be notified in writing concerning the hearing's time and location, and the procedures of the hearing. Upon completion of the hearing, the hearing officer shall make a report to the State Superintendent. No later than 10 days after the hearing, the State Superintendent shall issue a written ruling, including reasons therefor. If the State Superintendent determines such final action was contrary to Federal or State law, or the rules, regulations, and guidelines governing such applicable program, the State Superintendent shall rescind such final action.

The Bureau of Internal Audit shall be responsible for record retention related to these procedures in accordance with Uniform Grant Guidance.

Source: 2 C.F.R. § 200.331, *Miss. Code Ann. § 37-1-3 (Revised 4/20113/2019)*