

**SCHEDULE OF FEDERAL AWARD FINDINGS AND
QUESTIONED COSTS**

**Granite Falls School District No. 332
Snohomish County
September 1, 2016 through August 31, 2017**

2017-001 The District did not have adequate internal controls to ensure compliance with time-and-effort requirements and general payroll allocation.

CFDA Number and Title:	84.027 Special Education – Grants to States 84.173 Special Education – Preschool Grants 84.010 Title I Grants to Local Educational Agencies
Federal Grantor Name:	U.S. Department of Education
Federal Award/Contract Number:	N/A
Pass-through Entity Name:	Office of Superintendent of Public Instruction
Pass-through Award/Contract Number:	305073, 337731, 363072, and 201674
Questioned Cost Amount:	\$ 0

Background

Special Education Cluster (IDEA)

The Special Education program’s objective is to help education agencies provide special education and related services to all children with disabilities. During fiscal year 2017, the District spent \$434,436 in Special Education program funds.

Title I Grants to Local Educational Agencies

The Title I program’s objective is to help local education agencies improve teaching and learning in high-poverty schools in particular for children who are failing, or most at-risk of failing, to meet State academic standards. During fiscal year 2017, the District spent \$195,782 in Title I program funds.

Federal regulations require federal-money recipients to establish and follow internal controls to ensure compliance with program requirements. These controls include knowledge of grant requirements and monitoring of program compliance.

Description of Condition

We reviewed payroll transactions to determine whether salaries and benefits charged to the grant were supported by time-and-effort documentation as the grantor required. Depending on the number and types of activities an employee performs, time-and-effort documentation can be a semi-annual certification or a monthly personnel activity report, such as a detailed timesheet.

Our audit found the District did not design an effective process to ensure it obtained adequate support for all payroll costs charged to the programs in compliance with federal regulations.

In addition, the District inadequately designed controls to ensure it had the personnel action forms to support its allocation of payroll charges between federal and non-federal activities.

We consider these control deficiencies to be material weaknesses.

The District received a finding in the prior audit (reference finding 2016-001) regarding inadequate controls in the Special Education program to ensure compliance with time-and-effort requirements.

Cause of Condition

Special Education Cluster (IDEA)

During fiscal year 2016, District management assigned responsibility for collecting, reviewing and monitoring time-and-effort documentation to its Student Services Department. Department staff did not have experience with, nor did District management adequately inform them of, the federal regulations the District had to follow.

After we issued our finding for fiscal year 2016, the District experienced turnover in the positions for Director of Business and Operations and Director of Special Programs. When the new directors were hired, the District did not inform them of our finding from the previous audit. As a result, the same condition existed during fiscal year 2017.

Title I Grants to Local Educational Agencies

During fiscal year 2017, the District did not have an adequate method of reviewing payroll charges made to the Title I program and ensuring they were all supported by time-and-effort documentation. In addition, one employee who worked on program activities was not informed of the requirement to complete a semi-annual certification or monthly personnel activity report.

Effect of Condition and Questioned Costs

Without adequate time-and-effort documentation, the District cannot assure federal grantors that salaries and benefits charged to their programs are accurate and valid.

Special Education Cluster (IDEA)

Our audit found the District did not obtain time-and-effort documentation for four employees whose positions were paid, in part, with program funds. Salary and benefit charges to the grant for these employees totaled \$167,221.

Title I Grants to Local Educational Agencies

Our audit found the District did not obtain time-and-effort documentation for one employee whose position was paid with program funds. Salary and benefits charged to the grant for this employee totaled \$12,489.

However, the District provided adequate alternative forms of documentation that demonstrated the costs it charged to the programs were allowable. As a result, we are not questioning costs.

Recommendation

We recommend the District adequately train those responsible for administering its federal programs to ensure time-and-effort certifications are collected, reviewed and monitored for all staff salaries and benefits charged to its federal programs.

District's Response

In response to the audit finding, the District acknowledges that turnover in crucial positions resulted in several time and effort certifications not being completed. The District did ensure that all payroll costs charged to the federal programs were approved, accurate, reasonable, and allocable. Furthermore, the District acknowledges that PAF forms were not complete for all employees to demonstrate adequate support for all payroll costs charged to programs in compliance with federal regulations.

While 100% of the employees' time and effort were appropriately charged and worked, the District does acknowledge that it did not adequately verify and document all employees. The district also acknowledges that although it used various means to document support for all payroll costs charged to programs such as email and Talent Ed postings and notifications, it would be more appropriate to have these notifications and approvals on one consistent form.

In order to correct these deficiencies, the District will reinstate the PAF form for payroll cost verification and work towards creating a paperless version of the form and approval process. The District will also ensure that all time and effort certifications will be complete and verified by providing each program director with a semi-annual list of employees that require time and effort certifications. The Business Manager will be responsible with following up with the program directors to verify compliance.

Auditor's Remarks

We appreciate the steps the District is taking to resolve this issue. We will review the status of this finding during our next regularly scheduled audit.

Applicable Laws and Regulations

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its *Codification of Statements on Auditing Standards*, section 935, Compliance Audits, paragraph 11.

Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), section 516, Audit findings, establishes reporting requirements for audit findings.

Title 2 CFR Part 200, Uniform Guidance, Subpart E, Cost Principles, establishes requirements for determining allowable costs and supporting costs allocated to federal programs.

Office of Superintendent of Public Instruction Bulletin 048-17, Attachment A, Standards for Charging Employee Compensation to Federal Grants, establishes requirements for documenting time and effort.

**SCHEDULE OF FEDERAL AWARD FINDINGS AND
QUESTIONED COSTS**

**Granite Falls School District No. 332
Snohomish County
September 1, 2016 through August 31, 2017**

2017-002 The District did not have adequate internal controls to ensure compliance with federal requirements regarding Special Education procurement and suspension and debarment.

CFDA Number and Title:	84.027 Special Education – Grants to States 84.173 Special Education – Preschool Grants
Federal Grantor Name:	U.S. Department of Education
Federal Award/Contract Number:	N/A
Pass-through Entity Name:	Office of Superintendent of Public Instruction
Pass-through Award/Contract Number:	305073, 337731, and 363072
Questioned Cost Amount:	N/A

Background

The objective of the Special Education program is to assist educational agencies with providing special education and related services to all children with disabilities. During fiscal year 2017, the District spent \$434,436 in Special Education program funds.

Federal regulations require federal-money recipients to establish and follow internal controls to ensure compliance with program requirements. These controls include knowledge of grant requirements and monitoring of program controls.

Procurement

The District must ensure it follows the most restrictive procurement requirements when procuring goods and services. For school districts, state law thresholds (RCW 28A.335.190) are more restrictive than federal thresholds and require purchases, individually or in the aggregate, of \$75,000 or more to use formal

bidding. The District procured professional special education services from one contractor totaling \$80,465.

Suspension and debarment

Federal grant regulations prohibit recipients from contracting with or making subawards to parties suspended or debarred from doing business with the federal government. For vendor contracts of \$25,000 or more and all subawards, the District must ensure the vendor or subrecipient is not suspended or debarred. To do this, the District can obtain a written certification from the vendor or insert a clause into the contract where the vendor states it is not suspended or debarred. Alternatively, the District may review the federal Excluded Parties List (EPLS) issued by the U.S. General Services Administration. The District must ensure the vendor is not suspended or debarred before awarding the contract.

Description of Condition

Procurement

The District did not maintain documentation to show it followed the most restrictive procurement requirements when it awarded one contract for professional special education services.

District staff stated the prior Director of Special Services might have sent emails for competitive quotes. However, because the contract amount exceeded the most restrictive bid threshold of \$75,000, the contract should have been formally bid.

Suspension and debarment

The District's controls were not effective at ensuring it complied with federal suspension and debarment requirements. The District did not maintain documentation that it verified the vendor was neither suspended nor debarred for one contract that exceeded \$25,000.

We consider these deficiencies in internal controls to be a material weakness.

This issue was not reported as a finding in the prior audit.

Cause of Condition

The District has not updated its procurement policies since 2008.

The District experienced turnover at the position responsible for administering the Special Education program. Staff subsequently assigned to administer the program were unable to find supporting documentation.

Effect of Condition and Questioned Costs

Procurement

Without current, updated policies, staff cannot ensure the District is following the most restrictive procurement procedures in compliance with federal requirements.

Without adequate documentation of the process it used to select the vendor it charged to the program, the District cannot show it followed a competitive process in compliance with federal regulations. Further, the District cannot ensure it received the best possible price for the goods it purchased.

We did not question costs because the purchases were allowable for the program.

Suspension and debarment

The District could not provide documentation that it verified the one vendor it paid \$80,465 for services to the program was neither suspended nor debarred before awarding the contract. Any payments of program funds to a vendor that has been suspended or debarred would be unallowable and subject to recovery by the grantor.

In May 2018, after the compliance period, the District verified the vendor was neither suspended nor debarred. Therefore, we are not questioning costs.

Recommendation

We recommend the District ensure responsible staff are aware of applicable procurement requirements and that it updates and informs staff of its policies requiring that the most restrictive procurement method be applied when procuring goods and services with federal grant funds.

We further recommend the District establish internal controls to ensure more than one person is familiar with the administration of the District's federal programs, including standards for the storage and safeguarding of supporting documentation to demonstrate compliance.

District's Response

In response to the audit finding, the District acknowledges that it was not able to provide support to show it followed the most restrictive procurement requirements in awarding one contract for professional special education services. The District also acknowledges that since the amount of the contract exceeded the most restrictive bid threshold of \$75,000, the contract should have been formally bid. Furthermore, the District acknowledges that it could not provide

documentation that it verified suspension and debarment for one contract that exceeded \$25,000.

In order to correct these deficiencies, the District will update its procurement policies and procedures to reflect the current Uniform Guidance by September 1st, 2018. Furthermore, the District will attach suspension and debarment confirmation to all contracts and provide copies of the updated procurement policies and procedures to all program directors.

Auditor's Remarks

We appreciate the steps the District is taking to resolve this issue. We will review the status of this finding during our next regularly scheduled audit.

Applicable Laws and Regulations

The American Institute of Certified Public accountants defines significant deficiencies and material weaknesses in its Codification of Statements on Auditing Standards, section 935, Compliance Audits, paragraph 11.

Title 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (uniform Guidance), section 516(a) (1) and (2), *Audit findings*, establishes reporting requirements for audit findings.

Title 2 CFR Part 200, Uniform Guidance, section 303, Internal Controls, describes the requirements for auditees to maintain internal controls over federal programs and comply with federal program requirements.

Procurement

Title 2 CFR Part 200, Uniform Guidance, section 318, General procurement, describes the requirements for auditees to use its own procurement procedures, which reflect applicable Federal State, and local laws and maintain records sufficient to detail the history of procurement.

Suspension and Debarment

Title 2 CFR Part 180, OMB *Guidelines to Agencies on Government wide Debarment and Suspension (Nonprocurement)* establishes non-procurement debarment and suspension regulations, implementing Executive Orders 12549 and 12689.