



Presentation to the Board of Regents New York State Single Audit State Education Department

Marie Zimmerman, Partner

Jeffrey Koch, Senior Manager

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Single audit background

- KPMG is engaged by the Division of the Budget to perform the annual Single Audit of federal programs, also called a Single Audit, which is required by federal regulations
- Total New York State expenditures of federal awards for fiscal year ended March 31, 2018 were \$70.4 billion
- The Single Audit focuses on major programs, which are those programs that expend large dollars and are considered to be higher risk
- New York State had a total of 23 major programs, representing over 76% of total federal expenditures
- The State Education Department (SED) had 3 major programs, or approximately 1% of the total major programs (down from 3% from the prior year), as outlined on the following slide

Single audit background, continued

What is audited?

- Tested in accordance with Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*
- Test compliance with federal requirements as specified by the Federal Office of Management and Budget (OMB) Compliance Supplement 2017 that are considered to be direct and material to each program
 - OMB Compliance Supplement outlines 12 different compliance areas that could be applicable to a program
 - The requirements primarily tested for SED major programs include Allowable Costs, Cash Management, Eligibility, Matching, Level of Effort & Earmarking, Suspension & Debarment, Federal Reporting, Subrecipient Monitoring and Special Tests (those requirements specific and unique to a program)
- Test internal controls that SED has in place to ensure compliance with each requirement that is direct and material
- SED is required to submit a corrective action plans for any material compliance findings or significant control deficiencies noted during the audit

Major programs at SED

(expenditures in millions)

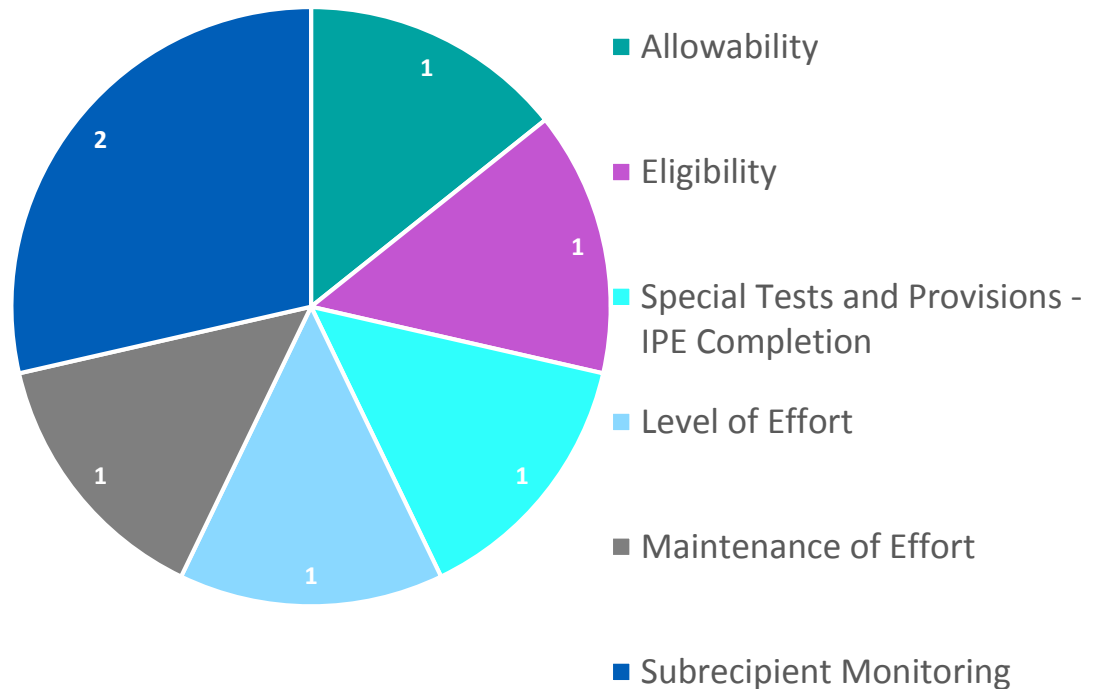
Federal Cluster / Program	2018 Federal Expenditures	Audit Opinion
Vocational Rehabilitation Cluster	175	Unmodified
School Improvement Grants Cluster	60	Qualified
English Language Acquisition State Grants	82	Unmodified
TOTAL	\$ 317	

Federal Cluster / Program	2017 Federal Expenditures	Audit Opinion
Child Nutrition Cluster (School Lunch, etc)	\$ 1,090	Unmodified
Vocational Rehabilitation Cluster	181	Qualified
School Improvement Grants Cluster	68	Qualified
Career and Technical Education – Basic Grants to States	51	Unmodified
TOTAL	\$ 1,390	

Year ended March 31, 2018 findings

— SED had 8 findings out of the 48 total findings for the State of New York in 2018

Number of Findings by Compliance Area



Year ended March 31, 2018 findings

- There were 2 new findings identified (in green below) during the 2018 audit and 5 repeat findings from the 2017 audit
- Of the 7 findings reported during 2018, 2 of the findings resulted in a modified (or qualified) opinion (as denoted by * below next to the finding number)

Finding number	Compliance area	Finding description	Program name(s)
2018-015	Eligibility	<p>7 of 65 individual eligibility determinations were determined to be eligible beyond the required 60 days.</p> <p>Additionally, for 1 of 65 individual eligibility determinations made during the State Fiscal Year ended March 31, 2018, we noted the Department did not maintain support for the ACCES-VR counselor's review and approval of the eligibility determination as documented by a signature on the Eligibility/Significance of Disability Case Note.</p>	Rehabilitation Services – Vocational Rehabilitation Grants to States

Year ended March 31, 2018 findings,

Continued

Finding number	Compliance area	Finding description	Program name(s)
2018-016	Special Tests and Provisions	4 of 65 eligibility determinations selected for testwork, the related IPE was not developed within 90 days of the eligibility determination. Additionally, there was no evidence that extension deadlines were agreed to by the Department's district offices and the individual.	Rehabilitation Services – Vocational Rehabilitation Grants to States
2017-017	Allowability Allowable Costs Special Tests and Provisions	<p>For 2 of 65 participants selected for testwork, we noted the IPEs that initiated during the fiscal year ended March 31, 2018 were missing the signature of both the participant and the VR counselor.</p> <p>For 2 other participants of the 65 participants selected for testwork, we noted the IPEs were missing the signature of the participant.</p>	Rehabilitation Services – Vocational Rehabilitation Grants to States

Year ended March 31, 2018 findings, continued

Finding number	Compliance area	Finding description	Program name(s)
2017-018	Subrecipient Monitoring	The Department did not have a risk assessment policy and process designed at a precision level to include each LEA's building's individual evaluation of risk of noncompliance with Federal regulations for the purpose of determining appropriate subrecipient monitoring procedures, as defined in 2 CFR 200.331(b).	School Improvement Grants
2018-019*	Subrecipient Monitoring	<p>The Department did not have sufficient documentation to demonstrate that its subrecipient monitoring policies and procedures were in accordance with Federal regulations.</p> <p>For 18 of 20 "receivership" buildings selected for testwork, the Department's monitoring activities did not include documented fiscal monitoring activities to ensure the federal awards were used for authorized purposes in compliance with federal statutes, regulations, and the terms and conditions of the subaward.</p>	School Improvement Grants

Year ended March 31, 2018 findings, continued

Finding number	Compliance area	Finding description	Program name(s)
2018-020*	Level of Effort	<p>The Department did not have internal controls in place to ensure that subrecipient monitoring policies and procedures were performed over schools. Such procedures should have been performed to ensure SIG funds were only used to supplement and not supplant the amount of non-Federal funds.</p> <p>For 20 of 20 “receivership” buildings selected for testwork and 10 of 10 “nonreceivership” buildings selected for testwork, the Department’s monitoring activities did not include monitoring activities to ensure the building did not supplant the amount of non-Federal funds received with the SIG funds provided in accordance with federal statutes, regulations, and the terms and conditions of the subaward.</p>	School Improvement Grants

Year ended March 31, 2018 findings, continued

Finding number	Compliance area	Finding description	Program name(s)
2018-021	Maintenance of effort	<p>The Office of State Aid performed the annual maintenance of effort (MOE) calculation to ensure each local educational agency's (LEAs) combined fiscal effort per student or aggregate expenditures of the LEA and the State of New York with respect to the provision of free public education by the LEA for the preceding year was not less than 90% of the combined fiscal efforts or aggregate expenditures for the second preceding fiscal year. As part of the calculation for school fiscal year 16–17 (July 1 2016 to June 30, 2017), the Department identified one out of 689 LEAs had failed to maintain the required effort by falling below the 90% threshold. Additionally the State educational agency did not reduce the amount of the allocation of funds in the exact proportion by which the LEA failed to maintain effort by falling below 90% in a timely fashion. As a result, the Department did not have effective internal controls to ensure the Maintenance of Effort calculation was timely communicated to the P-12 Administrative Support Office and Office of Audit Services, and no actions were taken against the LEA for this noncompliance.</p>	School Improvement Grants



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Marie Zimmerman
Audit Partner
518-427-4674
mezimmerman@kpmg.com



Jeff Koch
Audit Senior Manager
518-427-4741
jakoch@kpmg.com

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