Shared Mission: *Working Together To Be Ready For An Audit*

2018 NAFEPA Conference
Washington, DC

{ Rich Rasa, Director, State and Local Advice and Assistance

Keith Cummins, Assistant Director, State and Local Advice and Assistance

U.S. Department of Education, Office of Inspector General

"... A wise man once said—
... an error does not become
a mistake until you refuse
to correct it..."

{ *JFK, April 27, 1961*

So-----how do we avoid making mistakes?

1. Know that errors will occur.
2. Have a plan/policy for dealing with errors---*so that they do not become "mistakes."*
3. Have a STOP button on "the line" and make sure all employees know that it's ok to pull it.
4. Know when to ask for help---and ask.

{ 4 Principles to avoid *"mistakes"*

Limited Forensic Review of the Mississippi Department of Education

http://www.osa.ms.gov/documents/agencies/2015/2015MDE-Forensic-Audit.pdf

{ **When an error became a "*mistake*"**

1. Recognition of the opportunity for error.
2. Policy/plan for dealing with errors.
3. Stop button---could have avoided the "mistake."
4. Know to ask for help---early---*the power of relationship building.*

{ **MDE Lessons Learned**

➢ **Preparing for an Audit**

      - Types/Process

      - Rules of Three

➢ **Completed Audits***

➢ **Ongoing*/Upcoming Audits**

➢ **Work Planning**

➢ **Other**

ED OIG Audits

*"In all matters, before beginning,
a diligent preparation should be made."
— Marcus Tullius Cicero*

*"First ask yourself: What is the worst
that can happen? Then prepare to
accept it. Then proceed to improve on
the worst."*

— Dale Carnegie

It's not just about preparing...

It's about being prepared!

Audit Types

➢ **Structure**

- ✓ **Nationwide**
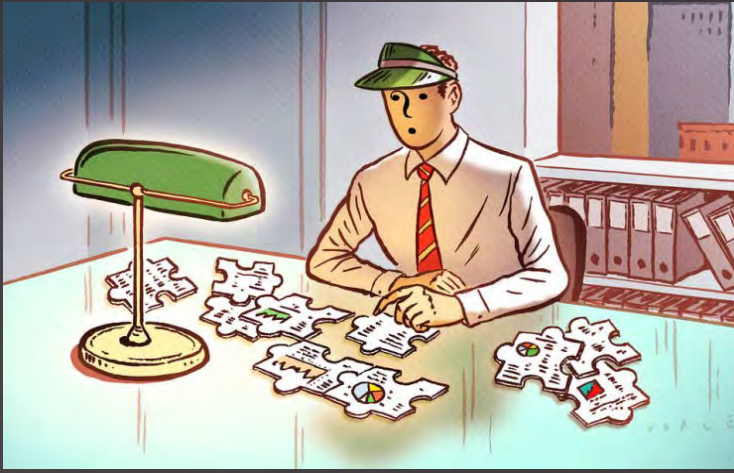- ✓ **Series + ED/Capping**
- ✓ **Individual**

➢ **Subject**

- ✓ **General Oversight**
- ✓ **Data Reliability**
- ✓ **Fiscal Compliance**

Audit Process

- Audit Notification Letter and
  Request for Management Representation*

- Initial Site Visit

- Entrance Conference

- Fieldwork (On-/Off-Site)

- Interim Briefings (Condition/Exception Reports)

- Exit Conference (Finding Point Sheets)

- Draft Report Issuance

- 30-Day Comment Period

- Final Report Issuance

- Public Posting

Rules of Three

1. Review Prior OIG Audit Reports

Know where we've been and what we've done…

https://www2.ed.gov/about/offices/list/oig/rpauditinvestmainpage.html (Audit Reports)

https://www2.ed.gov/about/offices/list/oig/sarpages.html (Semiannual Reports)

2. Review the OIG Work Plan

Know where we're going and what we're going to do…

https://www2.ed.gov/about/offices/list/oig/workplan.html

3. Review the OIG Management Challenges

Know why we're going there and doing what we're doing…

https://www2.ed.gov/about/offices/list/oig/managementchallenges.html

1. Develop and Implement Policies and Procedures

Program and process, fiscal control and fund accounting (allocable and allowable), reliability of performance data (accurate and complete), procurement

2. Conduct Management and Quality Assurance Reviews

Routine and periodic, internal and external reviews, track corrective actions, systematic

3. Document, Document, Document!

Adequate, source, sufficient, supporting

1. **Timely Responses to Requests for Documentation**
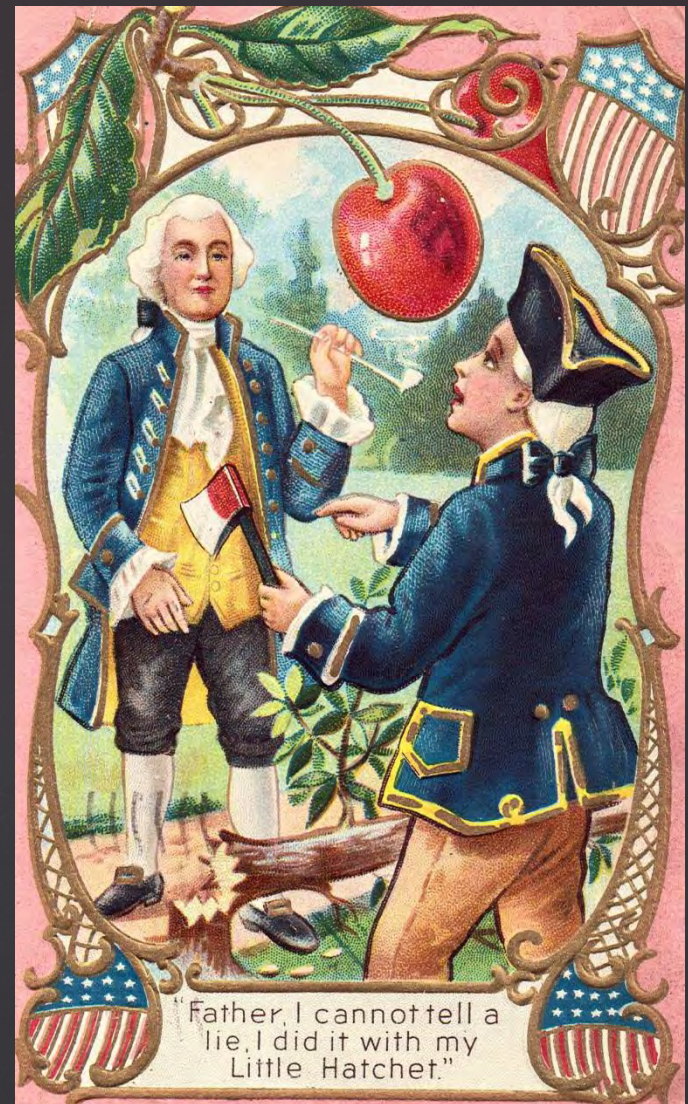
Provide all relevant documents, in current state

2. **Access to Both People and Information**

Ask questions for clarity, but don't obstruct

3. **Full and Representative Answers to Questions**

Tell it like it is, not like you think it should be

"Father, I cannot tell a lie, I did it with my Little Hatchet."

Understanding the Importance of
Auditor Objectivity and Professional Skepticism

Completed Audits – Nationwide

> ## **Nationwide**

- ✓ **Nationwide Assessment of CMOs/EMOs**

  ED, 6 States, and 33 charter schools

  Audits and investigations

  Actual/potential fraud, waste, and abuse resulting from
  conflicts of interest,
  related party transactions, and
  insufficient segregation of duties

Completed Audits – Series + ED/Capping

➢ **Series + ED/Capping**

   ✓ **Protection of PII in SLDSs**
- **Virginia**
- **Oregon**
- **Indiana**
- **ED/IES***

    Adherence to Federal requirements/State standards (developing system security plans, classifying data, and conducting periodic risk assessments and audits)

   ✓ **Calculating and Reporting Graduation Rates**
- **Alabama**
- **California**
- **Utah***
- **ED/OESE***

    Monitoring of LEA controls over data reliability (cohort, graduates, and removals) and compliance with Federal rules on regular vs. alternative diplomas

Completed Audits – Series + ED/Capping (cont.)

➢ **Series + ED/Capping**

   ✓ **Oversight of LEA Single Audit Resolution**
      ▪ **Massachusetts**
      ▪ **North Carolina**
      ▪ **Illinois**
      ▪ **ED/OCFO**

   Policies and procedures outlining the process, proactive communication, tracking systems for corrective actions/repeat findings, and management reviews

   ✓ **Status of Previously Reported Title I Findings**
      ▪ **Harvey (Illinois)**
      ▪ **Wyandanch (New York)**
      ▪ **Detroit (Michigan)***
      ▪ **New Orleans (Louisiana)***

   Controls over procurement and inventory; reconciliations; and approving and documenting personnel, employee travel, and contract/consultant services costs

Completed Audits – Individual

➢ **Individual**

✓ **Puerto Rico's Reliability of Program Performance Data and Use of Adult Education Program Funds**

Submission of reliable performance data, use of funds in compliance with applicable laws and regulations, and review of single audit reports

✓ **Idaho's Oversight of Online Charter Schools**

Documentation of service delivery to at-risk students and students with IEPs and process for following up on implementation of corrective actions

Ongoing*/Upcoming Audits

➢ **ED**

✓ **Oversight of Closed Charter Schools***
✓ **Oversight of the Indian Education Formula Grants Program***
✓ **Monitoring of State Special Education Programs***
✓ **ESSA State Plan Review Process***
✓ **Charter School Program Grants for Replication and Expansion of High-Quality Charter Schools (CMO Grants)**

➢ **SEAs/LEAs**

✓ **New York's Implementation of Selected ESSA Requirements under the McKinney-Vento Homeless Assistance Act***
✓ **Oversight of Virtual School Implementation of IDEA**
✓ **Oversight of Schoolwide Programs**
✓ **Risk Assessments and Risk-Based Monitoring under the Uniform Guidance**

Work Planning

➢ **Management Challenges**

- ✓ **Improper Payments**
- ✓ **IT Security**
- ✓ **Oversight and Monitoring**
- ✓ **Data Quality and Reporting**

➢ **Priority Areas**

- ✓ **Transitioning to and implementing new requirements under ESSA and the Uniform Guidance**
- ✓ **Programs subject to reauthorization**
- ✓ **Fiscal monitoring**
- ✓ **Reliability of program performance data**
- ✓ **Charter schools/school choice**
- ✓ **Student privacy**

And most importantly...

{ **Cyber Crime Update**

Fraud in Education Programs

{ *The Dark Side*

"Woke up this morning, happy as can be
Looked out my window and what did I see
Coming up my sidewalk as plain as day
Well here comes trouble...
Hello trouble come on in...
You talk about heartaches..."

{ *Buck Owens*
Crazy Heart

1. November 2017---Former Delaware Charter School Official Pleads Guilty to Federal Program Theft

https://www.justice.gov/usao-de/pr/former-charter-school-principal-pleads-guilty-federal-program-theft

2. October 2017---Former Charter School Administrator Pleads Guilty

https://www.justice.gov/usao-nm/pr/founder-and-former-administrator-group-public-charter-schools-albuquerque-pleads-guilty

3. October 2017---Former HR Director Sentenced for Conspiracy to Commit Visa Fraud

https://www.justice.gov/usao-ndtx/pr/former-garland-independent-school-district-executive-director-human-resources-sentenced

{ Trusted Individual Fraud

Section 9203---Preventing Improper Use of Taxpayer Funds

Section 9204---Accountability to Taxpayers Through Monitoring and Oversight

Section 9205---Report on Department Actions to Address Office of Inspector General Reports

ESSA Oversight and Monitoring—
Shared Mission Opportunities to Prevent Fraud and Improve Performance

AGA Intergovernmental Partnership Update—
10+ Years of Service

{ **Shared Mission Products**

https://www.agacgfm.org/intergov/home.aspx

AGA Intergov

{ [Web Address for Intergovernmental Partnership Products]

Welcome to intergov!

Intergov features AGA tools *by you, for you!* They are designed to help government financial management professionals do their jobs better. Intergov features tools that officials from any level of government can use to improve program performance and enhance accountability. These tools can be used to prevent fraud, reduce improper payments, improve outcomes, mitigate risk and enhance collaboration. They can be used by auditors, accountants, grants managers, IT professionals, program managers and others.

Subrecipient Monitoring and Self-Assessment Guide
Provides a consistent approach for pass-through entities to monitor a grant subrecipient's compliance with federal administrative requirements.

Internal Controls Tool
Helps you develop the most effective internal controls for your organization.

Fraud Prevention Tool
Helps professionals at any level of government detect, combat and prevent fraud.

ERM Hub
Teaches enterprise risk management best practices with news, guidance and training materials.

Risk Assessment Tool
Provides states a method of assessing subrecipient risk across federal granting authorities.

Successfully Implementing Cooperative Audit Resolution (2016)
Presents a playbook for improving programs and reducing improper payments.

Cooperative Audit Resolution and Oversight Initiative (CAROI) Guide (2010)
Helps identify the underlying cause of audit and oversight findings and empowers the people who know programs best to chart a course for program improvement.

Subrecipient vs. Contractor Checklist
Consists of a fillable form for determining whether a contractor or subrecipient relationship exists with the entity receiving funds.

Blended and Braided Funding: A Guide for Policy Makers and Practitioners
Provides some basic 'how to' information for those seeking to increase the efficiency and effectiveness of programs by coordinating disparate funding sources.

Making Better Decisions: Leveraging Government Resources in Challenging Financial Times
Features a number of decision trees for use by officials at all levels of government in developing laws, regulations or guidance in a manner that enhances the likelihood of successful program performance and oversight.

Candidate Assessment Toolkit for Grants Managers
Helps government managers assess candidates for grants management positions and serves as a self-assessment tool.

Partnerships Matter: How a Federal, State and Non-Profit Collaboration Improved Efficiencies in Delinquent Debt Collection
Avoid U.S. Treasury payment offsets triggered by state-agency debtors.

Acknowledgements
Many of the tools included in intergov were developed by AGA's Intergovernmental Partnership (partnership), which includes experienced and knowledgeable professionals from all level of government. AGA has sponsored the partnership since 2007 as a practical good-government initiative that provides a neutral setting for sharing ideas and best practices. Members of the partnership developed these tools to address areas that our members found challenging. It is AGA's hope that this toolbox becomes the go-to resource for a broad cross-section of government professionals.

Rich Rasa
202-245-6954
rich.rasa@ed.gov

Keith Cummins
202-245-6957
keith.cummins@ed.gov

{ **Thank You!**

Resources

ED OIG Semiannual Reports

http://www2.ed.gov/about/offices/list/oig/sarpages.html

SES Dear Colleague Letter

http://www2.ed.gov/policy/elsec/guid/stateletters/ses/sesoigltr03102014.pdf

Charter Schools Dear Colleague Letter

https://www2.ed.gov/programs/charter/finalsignedcsp.pdf

Management Certifications of Data Reliability

http://www2.ed.gov/about/offices/list/oig/auditreports/fy2016/a06o0001.pdf

Nationwide Assessment of Charter and Education Management Organizations

https://www2.ed.gov/about/offices/list/oig/auditreports/fy2016/a02m0012.pdf

Management Information Report on State Oversight of Single Audit Resolution

https://www2.ed.gov/about/offices/list/oig/auditreports/fy2017/x09q0006.pdf

AGA Intergovernmental Partnership—Link to Collaboration Series Products

https://www.agacgfm.org/intergov/home.aspx

OMB Uniform Guidance

http://www.gpo.gov/fdsys/pkg/FR-2013-12-26/pdf/2013-30465.pdf

OMB Circular No. A-123, Management's Responsibility for Enterprise Risk Management and Internal Control

https://www.whitehouse.gov/sites/default/files/omb/memoranda/2016/m-16-17.pdf

COSO Internal Control Standards (Executive Summary)

http://www.coso.org/documents/990025p_executive_summary_final_may20_e.pdf

GAO Standards for Internal Control in the Federal Government

http://www.gao.gov/greenbook/overview

GAO Framework for Managing Fraud Risks in Federal Programs

http://www.gao.gov/products/GAO-15-593SP

Temple University Beasley School of Law, Follow the Money: Charter Schools and Financial Accountability

http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2084978

Roslyn School District State Comptroller Report—Anatomy of a Scandal

http://www.aga-olympia.org/attachments/roslyn_school_district_audit_report.pdf