

COMMON LEA MONITORING/ AUDIT FINDINGS AND HOW TO AVOID THEM!

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ANNUAL SINGLE AUDIT REQUIREMENTS

- Expend \$750,000 or more in federal funds in a year (200.501), must have single audit (just increased to \$1M)
- Follow procurement rules in selecting auditor
- Report material weaknesses in internal controls or questioned costs greater than \$25,000 (200.516)
- Implement Corrective Action Plans
- Pass-Through Management Decisions (200.521)
 - Within six months of report being uploaded to FAC
- Cooperative Audit Resolution (200.1 & 200.513) (moved to Subpart F; no longer in definitions)

2025 COMPLIANCE SUPPLEMENT

- 
1. Activities Allowed or Unallowed
 2. Allowable Costs/Cost Principles
 3. Cash Management
 4. Eligibility
 5. Financial Management
 6. Grants and Cooperative Agreements
 7. Equipment & Real Property Management
 8. Matching, Level of Effort, Earmarking
 9. Period of Performance
 10. Procurement and Suspension & Debarment
 11. Program Income
 12. Reporting
 13. Subrecipient Monitoring
 14. Special Tests & Provisions

COMMON FINDINGS

- Unallowable Costs
- Noncompetitive Procurement
- Fraud/Kickbacks
- Inadequate Internal Controls
- Conflict of Interest
- Not Meeting Program Requirements





FINDINGS: UNALLOWABLE COSTS

DES MOINES INDEPENDENT COMMUNITY SCHOOL DISTRICT

ESSER Audit

- Reviewed 20 expenditures; 17 allowable, 2 unallowable, 1 unsupported
- 2 unallowable costs, totaling \$164,580 for advertising and public relations costs solely to promote the LEA
 - OIG: While certain advertising and public relations costs are allowable, the purpose here was to generally promote the LEA; did not reference coronavirus pandemic, impact on students, absenteeism, etc.
- 1 unsupported cost, \$33,326 payment on a \$666,527 expenditure for HVAC upgrade
 - OIG: District was reimbursed the \$33,326 for this payment, but held it as a retainage fee and withheld it from the vendor; no proof of payment until the review (18 months later) – creates Cash Management issue.

DES MOINES INDEPENDENT COMMUNITY SCHOOL DISTRICT

Recommendations:

- 1. Return the \$164,580 for unallowable advertising, **or reallocate the funds to other allowable costs**
- 2. Provide support of payment to the HVAC upgrades (\$33,326), return the funds, or reallocate to other allowable costs
- 3. Calculate the interest earned (actual or imputed) on any ESSER grant funds that were retained (withheld) and not immediately paid to vendors, and return interest exceeding \$500
- 4. Ensure that LEA officials responsible for making or reviewing and approving purchases have training on federal rules and regulations related to grants admin, allowability, documentation and cash management

BEST PRACTICES FOR COMPLIANCE

- Update policies and procedure to ensure clear allowability rules
- Train staff on allowability rules
- Increase internal controls on purchases to ensure allowability review
- Create an allowability cheat sheet on standard cost FAQs re:
 - Travel
 - Credit card use
 - Advertising, etc.



FINDINGS: NONCOMPETITIVE PROCUREMENT

LINN-MAR COMMUNITY SCHOOL DISTRICT ESSER AUDIT

- District did not comply with competitive procurement process or documentation requirements for 6 of 15 non-personnel costs
 - \$27,841 for library mgmt. license; no price or rate quotations
 - District: Recurring expense; contract entered into 10 years ago
 - OIG: Need to maintain “history” of procurement
 - Remaining 5 expenditures (ed tech and materials, PD, and needs assessment), argued “single source” but no justification documentation to support
- Recommendation: Support the reasonableness of the 6 expenditures without competitive procurement (\$228k), and if not, “require appropriate corrective actions”
- Recommendation: Require training on federal procurement requirements

SOUTHEAST POLK COMMUNITY SCHOOL DISTRICT ESSER AUDIT

- District did not comply with competitive procurement process or documentation requirements for 1 of 15 non-personnel costs
 - \$62,000 for school bus air conditioners (purchase was part of a larger purchase of buses and related items, totaling \$834,000)
 - OIG: Because total cost exceeded \$250k, needed to conduct a formal bid process (even though only \$62k charged to federal funds)
 - District: received three vendor bids, approval from state. Selected the vendor, then used “specification sheet” to serve as contract
 - OIG: Asked for signed specification sheet; District could not locate
- Recommendation: Require training on federal procurement requirements; “without a contract stipulating the terms and conditions of the award, [District] might not be able to adequately monitor vendor performance or ensure it receives what it paid for in terms of cost, quality and timeliness”

UNIVERSITY OF CINCINNATI

- Questioned \$1.9 million in contract costs that were not competitively selected; recommended review of contracts for reasonableness, and if not reasonable; repayment of funds.
 - Did not follow internal procedures on completing bid waiver form
 - Did not document justification for using alternative procurement procedures
 - Did not document cost/price analysis for contracts over \$250,000
- University Response: Had to rely on blanket and verbal approvals, given the emergency circumstances; State of Ohio Dept. of Admin. services suspended competitive procurement requirements for state agency purchases of resources and supplies to protect health and safety; University argued it likewise followed this directive

UNIVERSITY OF CINCINNATI

- “With noncompetitive procurements that did not consider reasonableness of cost, the University might be paying more for the same goods and services, or receiving goods and services of inferior quality, when compared to other vendors. Lack of approval for noncompetitive procurements improperly precludes the cost and quality benefits of a competitive procurement process. Further, it is important that Federal grantees, such as the University of Cincinnati, perform a price analysis for purchases over the SAT to ensure that they do not overpay for large purchases.”
- ***Relying on State approval may not insulate a district from audit findings. While State weighs in for single audits, ED OIG has broad authority.***

OIG HEERF AUDIT – REMINGTON COLLEGE

- Finding: College entered into 4 contracts with vendors to help adjust the curriculum of certain programs to a hybrid format: Cosmetology, HVAC, Medical Assistant, and Facility Maintenance programs
- OIG: Each contract was \$79,200 – exceeded micro-purchase threshold. Accordingly, should have gotten comparison quotes
- Remington: Long-term relationship, vendors knew the programs, satisfied with the work, needed to move quickly

OIG HEERF AUDIT – REMINGTON COLLEGE

- OIG: “[N]one of the exceptions to a competitive procurement process available under 2 C.F.R. § 200.320(f) applied to these contracts. There were other vendors available to provide similar services or resources (not a sole-source situation) and the contracts were executed in the latter part of 2020. Because the contracts were executed 6–9 months after the coronavirus pandemic began, Remington College should have had sufficient time to use a competitive procurement process for these contracts.”

BEST PRACTICES FOR COMPLIANCE

- Update policies and procedures to ensure clear procurement requirements
- Create sole source or noncompetitive procurement forms
 - Document the research to confirm no other vendors available
 - Do not rely solely on letter from that vendor
 - If relying on emergency exception, document why there was not time to publicize the bid
 - If relying on authority from state, retain documentation of written request to state and state granting approval
 - If competition is inadequate, maintain documentation demonstrating you went through the competitive bidding process and did not unreasonably restrict competition
- Train staff on procurement rules
- Utilize contracts as necessary to ensure contract elements are met and terms and conditions of agreements are clear.
- Potentially limit multi-year contracts (3-5 years)



What's your favourite
scary movie?



My life.

FINDINGS:
FRAUD /
KICKBACKS

SCHOOL FISCAL SERVICES DIRECTOR EMBEZZLES \$16.7M

- Wrote checks with initials, then deposited in personal bank accounts
- Forged bank statements
- Federal law enforcement seized \$7.7M in personal property (57 luxury bags; 8 bottles of \$2k tequila; BMW; home; jewelry, shoes, etc.)
- Sentenced to 70 months prison; restitution of \$16.7 million



DIRECTOR OF FOOD SERVICES RECEIVED KICKBACKS OF OVER \$100K FROM CONTRACTOR



- Director of Food Services secured lucrative contracts for co-defendant's company, Smart Starts, to provide prepackaged breakfast meals for Hempstead Public School students.
- In exchange, the owner of the food services provider paid more than \$100k to the Director, in family bank accounts.
 - The Director of Food Services used the kickback funds to go on international vacations, lease a vehicle, and purchase home furnishings.
- Both the ex-Director and co-defendant face up to 20 years in prison and between \$120k - \$160k in restitution payments.



SCHOOL DISTRICT BOOKKEEPER EMBEZZLES OVER \$130,000 FROM TWO DISTRICTS

- In her role as bookkeeper, Burley processed payroll and handled the payment of invoices. She used her access to alter payroll information in order to cover her personal student loan payments, payments to personal creditors, and pay for an Amazon account charged to the district, but controlled by Burley.
- In total, she embezzled over \$110,000 from Barnstead School District, and was terminated. She then was hired as a bookkeeper at Hampton School District, and used Hampton funds to pay for credit cards and student loans, totaling \$30,000.
- She pleaded guilty; and will be sentenced on June 1, 2023



LEADERS OF DC NONPROFIT PLEAD GUILTY TO STEALING MORE THAN \$150,000

- Two leaders of DC nonprofit pled guilty to one felony charge relating to their personal use of the nonprofit's funds, which were intended for youth scholarship programs.
- From 2015 through 2016, the two perpetrated a scheme in which they obtained and used for personal benefit DC Trust credit cards and a check card—whose bills were paid for by DC Trust funds.
- The two diverted funds that were intended to provide scholarship programs for DC youth, to make hundreds of personal purchases on expenses such as meals, automobile repairs, and personal travel for themselves
- In their plea agreements, the former executive director admitted to stealing at least \$111,000 and the director of operations admitted to stealing at least \$44,000.

BEST PRACTICES FOR COMPLIANCE

- Update written policies and procedures to reflect state and federal procurement requirements
- Train employees annually
- Maintain documentation to demonstrate reasonableness of all noncompetitive procurements (even for micropurchases)
 - Noncompetitive justification form
 - Ensure internal controls require different signee than drafter and are fully written to the contractor/company (no initials)
 - Review internal controls to make sure there are checks and balances in place to review bank statements, invoices, records, etc.
 - Process where payroll changes are noted by each staff member making alterations
 - Multiple layers of approval for credit card and check cards



FINDINGS: CONFLICTS OF INTEREST

SPECIAL ASSISTANT TO FORMER SECRETARY OF PRDE SENTENCED FOR FRAUD

- A special assistant to the former Secretary of the Puerto Rico Department of Education and her sister were each sentenced to one year of probation for their roles in a conspiracy scheme.
- The former Secretary and others used their positions to benefit and enrich themselves with Federal funds, specifically by awarding contracts through a corrupt bidding process.
- This included a \$95,000 professional services contract that the Puerto Rico Department of Education awarded to an unqualified contractor with close ties to the former Secretary, the contractor being a company owned and operated by the sisters

NY SCHOOL DISTRICT USES PUBLIC TAX DOLLARS TO FUND PRIVATE RELIGIOUS ORGANIZATION

- Auditors uncovered that this public school district is paying more than \$2.4 million a year — about 5 percent of its annual budget — to companies affiliated with a religious private school organization.
- In addition, district used ESSER dollars to make millions of dollars in repairs to buildings owned by the religious organization and an affiliated nonprofit.
- The decision to pay for the repairs was made by the public district's school board. But two of its members also serve on the board of the private religious organization that received the money—a conflict that auditors flagged more than a decade earlier.
- The district is also paying the son of one of the Board members a six-figure salary to work as a teacher's aide and emergency medical technician, and has a multimillion-dollar contract for bus service with a company managed by another son of that same Board member.
- Both Board members remain on the Board, despite multiple audits and legal challenges

BEST PRACTICES FOR COMPLIANCE

- Have a clear conflict of interest policy that is compliant with federal, state and local requirements
 - Define relevant parties (family members, partners, etc.)
 - Ensure Board members are aware of their inclusion
- Have all relevant parties sign an affirmation that they understand the policy
- Make consequences clear for noncompliance
- Provide training, ideally annually, for all staff and board members



FINDINGS: PROGRAM REQUIREMENTS

COMMON FINDINGS PARENT AND FAMILY ENGAGEMENT

- ESEA section 1116(h) requires an SEA to review an LEA's parent and family engagement policies to determine if the policies meet all applicable requirements.
 - Findings are common if an SEA does not check for each required policy element listed under ESEA section 1116(a)(2) (e.g., if the State does not require LEAs to describe how they will involve parents and family members in developing LEA plans and support and improvement plans).
- Under ESEA section 1116(a)(3)(C), not less than 90 percent of the 1 percent of funds the LEA reserved for parent and family engagement shall be distributed to Title I schools, with priority given to high-need schools.
 - Findings are common if an SEA does not ensure that LEAs are distributing funds under this reservation with priority given to high-need schools or distributing not less than 90 percent.

COMMON FINDINGS: EQUITABLE SERVICES

- SEAs and LEAs must engage in timely and meaningful consultation with private school officials under Title II, Part A to identify the needs of private school educators that can be addressed through Title II, Part A services. (*ESEA section 8501*)
- When an SEA or LEA uses Title II, Part A funds for professional development activities, the SEA must ensure that these activities meet the statutory definition of professional development (e.g., it must be sustained (not stand-alone, 1-day, or short-term workshops), intensive, collaborative, job-embedded, data-driven, and classroom-focused). (*ESEA section 8101(42)*)
- These requirements apply not only to Title II, Part A funds that are allocated to LEAs, but also to the program funds that the SEA retains at the State level for State-level activities. (*ESEA section 2101(c)(4)*)

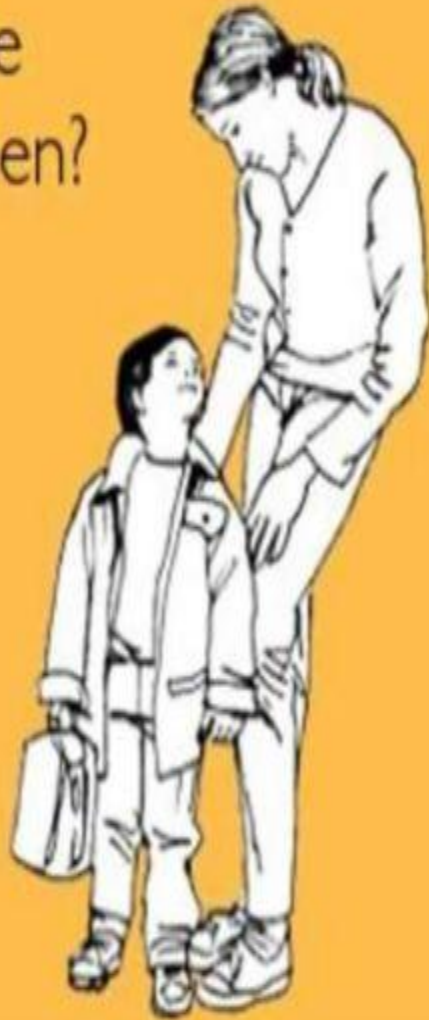
COMMON FINDINGS: SUBRECIPIENT MONITORING

- The processes an SEA uses to monitor subrecipients must be consistent with the requirements in 2 C.F.R. § 200.332.
- Applicable **fiscal and programmatic** requirements must be included in the SEA's subrecipient monitoring process.
 - Most findings related to subrecipient monitoring are due to a State not including both fiscal and programmatic requirements during implementation in its subrecipient monitoring process.
- An SEA must use a risk review required by 2 C.F.R. § 200.332(b) to inform monitoring decisions.

What do we call people
who don't like Halloween?

Boring, we call them
boring.

som^{ee}cards
user card



POTENTIAL
FUTURE
FINDINGS?

EVALUATION (34 CFR PART 77)

Evaluation means an assessment using systematic data collection and analysis of one or more programs, policies, practices, and organizations intended to assess their implementation, outcomes, effectiveness, or efficiency

Evaluation costs are generally allowable (2 CFR 200.455)

PROGRAM EVALUATION REQUIREMENTS

ESEA Title I-A LEA Requirements

Sec. 1114(b)(3) – Schoolwide Programs

“the plan and its implementation shall be regularly monitored and revised as necessary based on student needs to ensure that all students are provided opportunities to meet the challenging State academic standards”

Sec. 1115(b)(2)(G) – Targeted Assistance Programs

“the school will...on an ongoing basis, review the progress of eligible children and revise the targeted assistance program under this section”

Sec. 1116(a)(2)(D) – Parent and Family Engagement

The LEA “will conduct, with the meaningful involvement of parents and family members, an annual evaluation of the content and effectiveness of the parent and family engagement policy”

PROGRAM EVALUATION REQUIREMENTS (CONT)

ESEA Title I, A LEA Requirements (cont.)

Sec. 1117(a)(1)(A) – Equitable Services

The LEA shall provide “evaluations to determine the progress being made in meeting such students’ academic needs”

ESEA Title II, A LEA Requirements

Sec. 2102(b)(2)(D)– Subgrants to Local Educational Agencies

“Each application submitted ...shall include the following...(D) A description of how the local educational agency will use data and ongoing consultation described in paragraph (3) to continually update and improve activities supported under this part.”

Sec. 2103(a) – Local Uses of Funds

“A local educational agency that receives a subgrant under section 2102 shall use the funds made available through the subgrant to develop, implement, and evaluate comprehensive programs and activities.

Other requirements in Title II-A, III-A, and IV-A

REVIEW DOCUMENTATION: DATA

Data Reliability

Must ensure the data you are using is accurate and reliable

ED Data Quality: <https://oese.ed.gov/resources/oese-technical-assistance-centers/state-support-network/communities-of-practice/data-quality/>

Data Systems: <https://oese.ed.gov/resources/oese-technical-assistance-centers/state-support-network/communities-of-practice/data-systems/>

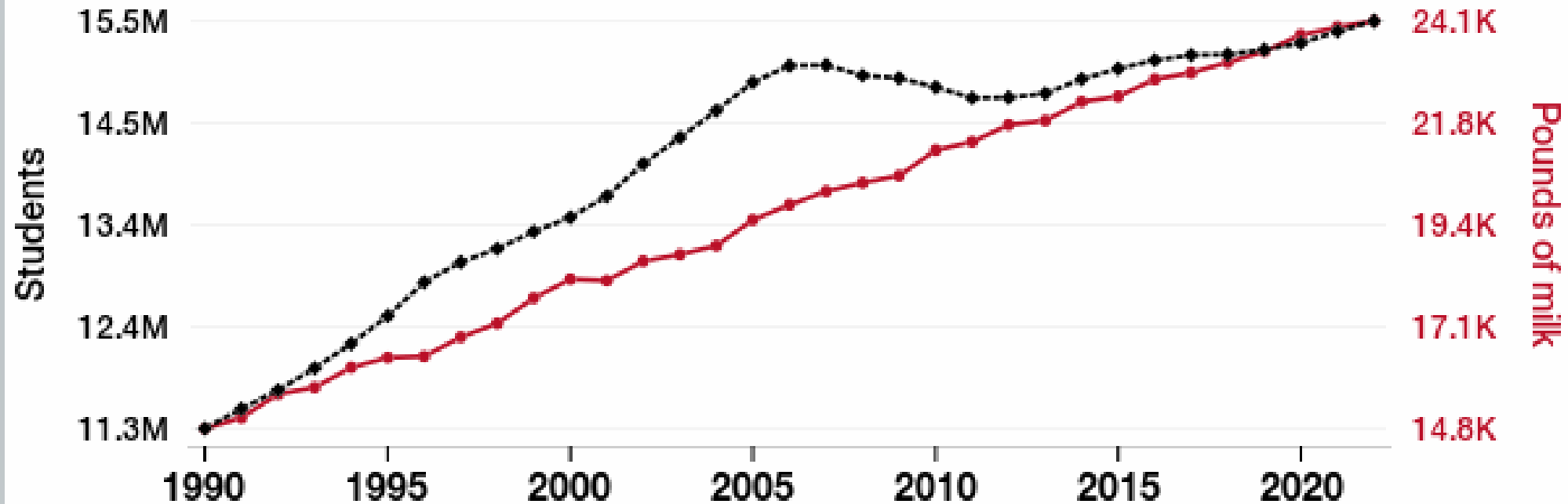
Data Analytics

Make sure the data is being used correctly to improve the program!

Number of highschoolers in the US

correlates with

Average milk produced per cow in the US



◆ Enrollment in public elementary and secondary schools: 9-12th grade · Source: National Center for Education Statistics

● Average milk produced per cow in the US · Source: USDA

1990-2022, $r=0.931$, $r^2=0.867$, $p<0.01$ · tylervigen.com/spurious/correlation/31335

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MILK CONSUMPTION AND HIGH SCHOOL ENROLLMENT

Nutritional Link

More productive cows = more milk available per capita.

Increased access to affordable dairy improves **child nutrition** (calcium, protein, vitamin D).

Better nutrition → higher cognitive performance → lower dropout rates → higher high school enrollment.

Economic Link

As dairy farms become more efficient (higher milk yield per cow), the cost of milk decreases.

Lower food costs → higher disposable household income → families invest more in education and have more children attending school.

Additionally, economic stability correlates with higher education participation.

PERFORMANCE DOCUMENTATION

The grantee must use the records under paragraph (a) to—

- Inform periodic review and continuous improvement; and
- Revise those project objectives, if necessary. 34 CFR 76.732

A State may require a subgrantee to submit reports in a manner and format that assists the State in:

- Supporting the subgrantee in engaging in periodic review and continuous improvement of the subgrantee's plan. 34 CFR 76.722

What does this mean? Ensure decisions are data-driven and on an ongoing basis!

When your parents respond with
"Because I said so"



SHOULD THIS BE
A FINDING?

EXAMPLE

District obligated grant funds outside the period of availability. A contract for professional services was signed prior to the start of the grant period. A subgrantee must obligate funds during the period of performance. 34 CFR 76.708; 76.707

Should this be a finding?

EXAMPLE (CONT.)

District entered into a contract with a vendor as a sole source provider. The vendor is owned by the spouse of the district's Finance Director. The relationship was not disclosed to the Board, although the District states that the Finance Director was not involved in the selection of the vendor. 2 CFR 200.318(c); 200.404

Should this be a finding?

EXAMPLE (CONT.)

All purchase orders were reviewed and approved by the same individual at the District who initiated the purchase. The District did not demonstrate that it implements proper segregation of duties to review and approve purchases using grant funds. Federal grant regulations require sufficient documentation be maintained to demonstrate compliance with the method of procurement used to purchase goods and services. 2 CFR 200.318-327.

Should this be a finding?

EXAMPLE (CONT.)

District procured two contracts by noncompetitive proposal but did not meet one of the five allowable circumstances. The District considered its contract with a vendor to be a sole source provider; however, sufficient documentation to justify the sole source was not provided. 2 CFR 200.320(c)

Should this be a finding?

EXAMPLE (CONT.)

During monitoring, the District could not provide an invoice that included specific information regarding the services that were provided. Specifically, the invoice did not include the billing service period dates, the location(s), and the services being invoiced. Therefore, there is not adequate information to support that the charges were allowable. Adequate supporting documentation must be maintained for costs charged to the federal award to be allowable. 2 CFR 200.403(g).

Should this be a finding?

EXAMPLE (CONT.)

The District's travel policies and procedures were unclear as to the maximum available lodging rate for reimbursement. The District must have written travel policies under 200.475.

Should this be a finding?

EXAMPLE (CONT.)

**District did not maintain any documentation that expenditures of grant funds were approved by authorized personnel. Specifically, 4 purchase orders were issued after the invoice date. Contracts obligate the date of the binding written agreement.
34 CFR 76.707**

Should this be a finding?

EXAMPLE (CONT.)

When asked to provide written procedures around payment, the District provided its general accounting manual and user guide for its accounting system. 2 CFR 200.302(b)(6); 200.305.

Should this be a finding?

EXAMPLE (CONT.)

When asked for documentation that a vendor was not suspended or debarred, the District provided a printout from SAM.gov that was obtained after the procurement date. The District is required to check suspension and debarment at the time of the procurement action (2 CFR 200.214; 2 CFR 180.330).

Should this be a finding?

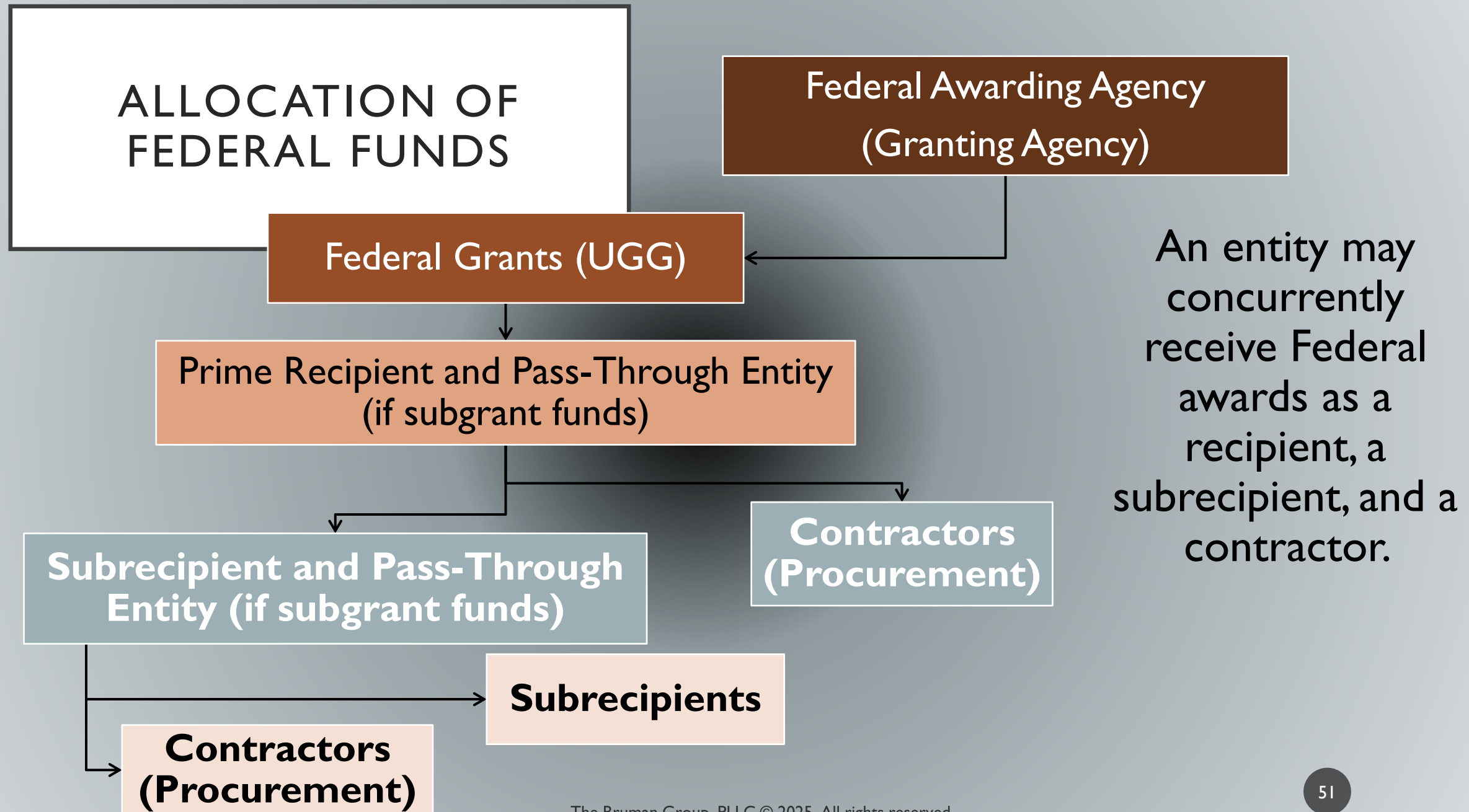
EXAMPLE (CONT.)

The District's federally funded contracts did not include the terms and conditions outlined in Appendix II of the UGG.

Should this be a finding?



THE AUDIT PROCESS



THE AUDIT PROCESS

- An Audit is a recommendation to management (i.e. the SEA)

What are the options?

1. Sustain
 2. Not sustain
 3. Need additional information
- Always challenge the Audit prior to the release of the Program Determination Letter (PDL) (34 CFR 81.34)
 - Draft Audit Report
 - Final Audit Report

THE AUDIT PROCESS (CONT.)

All findings could result in a recovery of funds:

34 CFR Part 81.30(b)

“An authorized Departmental Official may base a decision to require a recipient to return funds upon an audit report, an investigative report, a monitoring report, or any other evidence.”

HARM TO THE FEDERAL INTEREST

“A recipient that made an unallowable expenditure or otherwise failed to account properly for funds shall return an amount that is proportional to the extent of the harm its violation caused to an identifiable Federal interest associated with the program”

34 CFR 81.32 and Appendix



COOPERATIVE AUDIT RESOLUTION AND OVERSIGHT INITIATIVE (CAROI)

Consider information that was not available or presented to auditors during audit.

Consider, if appropriate, equitable offset, where allowable costs are allowed to substitute for unallowable costs.

Accept, if appropriate, alternative documentation that can substitute for missing records. As a general matter, such documentation must be prepared by individuals that have direct knowledge of the underlying facts and rely on credible contemporaneous records.

BASIC PRINCIPLES OF CAROI IMPLEMENTATION (2 CFR 200.1)

**WHEN YOU'RE NOT READY
TO SAY GOODBYE TO OCTOBER**



- Audit and follow up that promotes prompt corrective action
- Improve communication
- Foster collaboration
- Promote trust
- Develop federal / nonfederal agency understanding

CAROI PROCESS

- Identify technical assistance activities to address the identified challenges.
- Identify a process for monitoring the implementation of the grant beyond standard processes and the roles of relevant staff.
- Discuss identified compliance concerns, determine root causes, and develop an appropriate resolution.
- Determine whether issues or processes can be generalized across grantees.
 - For example, are compliance issues grantee-specific or inherent to the federal program?

CAROI AGREEMENTS

Scope agreement:

- The issues to be resolved;
- Identification of documentation for review;
- Potential for recovery of funds;
- Timelines for reporting negotiated results; and
- Approval process for corrective action plans.

Resolution agreement:

- Acceptance of proposed corrective action plans;
- Amount of funds to be recovered, if applicable;
- Consequences of noncompliance with the agreement;
- The process to revise the agreement;
- Measures for accountability, including implementation timelines; and
- Required monitoring or technical assistance, if appropriate.



QUESTIONS?

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