

10 Common Grant School Single Audit Findings

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Posted on July 16, 2024



Grant schools are often subject to annual Single Audits to test compliance with federal regulations. Here at HeinfeldMeech, we perform numerous single audits for various community grant schools, among other types of governmental and nonprofit entities. In this article, we'll dive into ten of the most common findings we frequently note at grant schools.

1. Bank Reconciliations

For bank reconciliations, accuracy and timeliness are key. You must ensure these reviews are performed each month for all bank accounts. Look out for items such as unreconciled differences, old outstanding checks (which should be voided after one year), and any discrepancies between your bank and book balances. It's also important for both the person who completed the reconciliation and the reviewer to sign and date. When possible, it's best to have someone who's not directly involved with handling cash to do the review.

2. Collateralization

Collateralization isn't just a good safety net, it's required! The FDIC insures up to \$250,000 per account type per institution, so be sure to confirm with your bank how many types of accounts your school has and ensure all are properly collateralized.

3. Capital Assets

To effectively manage your school's capital assets, several key practices can help ensure accuracy and compliance. While a physical inventory is federally required once every two years, it's best to complete them more frequently in smaller chunks. One option could be to go room by room during school breaks. Also, documenting new assets as soon as they are added and/or documenting current asset movement as soon as possible can help promote efficient inventory tracking. Depreciation calculations are crucial so it's important to review them frequently to ensure accuracy. Periodically check the listing for fully depreciated assets and verify that these items are still in use. In a similar vein, review assets' useful lives and adjust if necessary. Reconciliation of capital asset listings with the General Ledger and reviewing expenditures for potential capital assets are also key steps. Performing capital asset reconciliations more frequently is also beneficial in this process and makes errors easier to detect and correct.

4. ISEP Background Investigations

ISEP funding requires that all school employees have federal background checks on file. Background investigations must be performed before the employee begins work and should be renewed at least every 5 years. Due to the lengthy timeline often experienced when performing these checks, be sure to begin the renewal process early! In addition, be sure to document and retain support for adjudication determinations.

5. Expenditure Cutoff

It can be difficult to ensure expenditures are recorded in the correct fiscal year as one year is ending and another is beginning. Establish processes to ensure all current year purchase orders are closed (and be sure to create new ones for the new fiscal year if needed). If you're unsure about the year for a purchase, consider when the items were received, or when the work was completed rather than when payment was made.

6. Controls Over Disbursements

Maintaining controls over disbursements is such a fundamental part of managing a business office that it can be easy to get 'lax. However, having effective, easy-to-follow policies can help maintain financial transparency and accuracy. Some best practices could include requiring that purchase orders are in place before making a purchase, requiring a completed receiving report before giving the goods to the requestor, and/or requiring receipts and other documentation for travel reimbursements.

7. Journal Entries

Typical problems relating to journal entries include a lack of supporting documentation and a lack of approval. Many schools use manual journal entry approval processes. In these cases, a good approach may be to print the journal entry and have both the preparer and the approver sign and date the hard copy. If possible, we recommend using a digital approval process (such as those built into many accounting software systems) as this will take care of that approval documentation for you automatically.

8. Procurement

Three common procurement findings relate to Suspension and Debarment checks, Written Quotes, and Sole source vendors. Regarding Suspension and Debarment checks (usually done via sam.gov), these must be completed before engaging with any vendor for purchases exceeding \$25,000. This step ensures that the vendor has not been flagged by the federal government for certain wrongdoings. Quotes are required for purchases from vendors between \$10,000 to \$250,000. When designating a vendor as a sole source, governing board approval is necessary. This should include the reasons for the singular choice and details about efforts made to explore other options. Keeping these procedures in check ensures transparency and accountability throughout the procurement process.

9. Timely Filings

It is imperative to submit SF-425 and 941 filings on time. Schools must adhere to specific deadlines, ensuring filings are submitted within 30 days of the reporting period's close. Attention to detail regarding the number of days in each month is necessary to avoid filing delays.

10. Conflict of Interest Files

Effectively managing conflicts of interest safeguards against unethical behavior and maintains public trust. Educating employees on what constitutes a conflict of interest and updating conflict of interest files annually are essential steps. Employees with known conflicts should be excluded from the procurement process involving related vendors to mitigate risks effectively.

Navigating single audits and any findings that may result can feel daunting. By being proactive and paying attention to the pertinent details of the previously discussed areas, schools can enhance compliance with laws and regulations and build trust and accountability within their communities. Following best practice recommendations and using technology where possible can also increase compliance with regulatory requirements and promote a culture of transparency and integrity within your organization.

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