STATE OF SOUTH CAROLINA

DEPARTMENT OF EDUCATION

ELLEN E. WEAVER
STATE SUPERINTENDENT OF EDUCATION

2023-24 Annual Audit Guide

Hershula D. Davis, Director
Office of Auditing Services

October 25, 2024

Contents

FOREWORD

There have been significant changes in the federal grants community with the creation of the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. Both auditors and auditees must comply with the audit requirements in the Uniform Grant Guidance located at 2 CFR Part 200 Subpart F. Many references to the Uniform Grant Guidance requirements are included throughout the Annual Audit Guide.

The South Carolina Department of Education publishes annual audit guidelines to provide school districts and their independent auditors with the latest available information to meet state and federal auditing and reporting requirements. The Annual Audit Guide was developed by the agency's Office of Auditing Services, with the assistance of an audit committee comprised of independent certified public accountants. We invite and encourage any comments or suggestions for improvement of this audit guide.

ACKNOWLEDGEMENTS

An expression of deep appreciation and sincere gratitude is extended to the members of the South Carolina Department of Education (SCDE) Annual Audit Guide Committee whose contributions have assisted greatly in the preparation of this audit guide. Special acknowledgement is extended to Lydia Hutto for formatting and typing this publication. Thanks is extended also to Melanie Cooper, Pearlie Gantt, Daniel Haven, and Sequoyah Burden, Office of Finance; Donna Davis and Phil Truesdale, Office of Health and Nutrition; N. Maria Swygert, Office of Career and Technical Education and Student Transition Services; Mike Bullman, Office of Transportation; Michael King, Office of Adult Education; Michelle Williams Young, Office of Special Education Services; Jennifer Rhodes, Jewell Stanley and Zachary Taylor, Susan Murphy, Barret D. Leviner, Ingrid Corpuz, Office of Federal and State Accountability; Tonia Smith, Office of Emergency Programs; David Long and Kimberly Mack, Office of School Transformation; Joyce Patterson, Office of Student Intervention Services; Emily Bentley, S.C. Emergency Management Division; and Sandy Houck, S.C. Department of Revenue.

2023-24 SCDE Annual Audit Committee Members Independent Auditors

Brenda Jackson, CPA
Kenneth Cobb and Company
843-464-9563
brkcc@bellsouth.net

Andrew P. Dobson, CPA
Halliday, Schwartz & Company
864-583-0886
adobson@hsco-cpa.com

Emily Sobczak, CPA
Greene Finney, LLP
864-232-5204
emily@gfhllp.com

Elizabeth Inabinet, CPA, CFE
McGregor and Company
803-747-7760
einabinet@mcgregorcpa.com

Charles L. Talbert, III, CPA
Webster Rogers, LLP
843-577-5843
talbert@websterrogers.com

Tim Lyons, CPA
Mauldin & Jenkins
803-799-5810
tlyons@mjcpa.com

South Carolina Department of Education Office of Auditing Services
Single Audit Section, Staff

Hershula D. Davis
Director
803-734-6022
hdavis@ed.sc.gov

Richelle A. Melvin
Audits Manager
803-734- 8473
ramelvin@ed.sc.gov

Angela Chisholm
Senior Auditor
803-734-7420
achisholm@ed.sc.gov

2023-24 HIGHLIGHTS

Audit Guide page references are given in parentheses.

- Audit submission date (9)
- Revised/New Accounting/Auditing Standards Update (10)
- SCDE Revenue Confirmation Request (20)
- Audit submission requirements (22)
- Audit Firm approval process (22)
- Funding flexibility legislation (23)
- Charter schools, foundations, and other component unit reporting and SCDE required supplemental schedules (27)
- Special Revenue Fund (28), EAA Accountability (34)
- Accounting for EIA Summer School (33)
- "Fiscal Practices and Budgetary Conditions" compliance requirements (35)
- Changes in SCDE account codes (42)
- Required audit reports (43)
- Federal Audit Clearinghouse and SF-SAC Form (New) (20, 46)
- Appropriate format and correct account codes required by SCDE for supplemental schedules. Please note the different object-level expenditures required in each schedule. **These schedules must be included in the audit report.** (SCDE Supplemental Schedules page 67)
- Unused leave payments required to be reported under object code 140 (SCDE Supplemental Schedules page 67)
- Audit fees (Expenditure Code 231318) are required to be reported separately in the General Fund supplemental schedule (SCDE Supplemental Schedules page 67)
- Food Service Direct Purchased Services reported separately (SCDE Supplemental Schedules page 67)
- Required object-level detail reporting for capital outlay expenditures (Objects 510–90) in SCDE supplemental schedules (SCDE Supplemental Schedules page 67)
- Additional information required in Supplemental Special Revenue Schedule (34)
- Additional information required in Supplemental EIA Summary Schedule (33)
- Information required in "Due To" Supplemental Schedule (67-69)
- Compliance requirements for "Support of Federal Salaries and Wages" (89)

- Sample certification and PAR (91-92)
- Revised compliance requirements for commercial driver’s license (CDL) drug and alcohol testing program (to be tested for all districts) (26, 93-96)
- Revised compliance requirements for the Elementary and Secondary School Emergency Relief Fund (ESSER) (106-113)
- Revised compliance requirements for the Individuals with Disabilities Education Act (126-132)
- Revisions to SC Public Charter School Listing (Appendix B)
- School Food Service Funds for Fringe Benefits (Appendix H)
- Nonprofit School Food Service Account/Nonprogram Food Revenue Requirements (Appendix M)
- Supportive Information Form with instructions included for Section E for depreciation (Appendix N)
- Accounting and Financial Reporting for Fiduciary Activities - GASB Statement No. 84, Fiduciary Activities and Proposed Implementation Guide of GASB (Appendix O)

TECHNICAL NOTES

Audit Submission Date

House Bill 3594, which was passed during the 1997 legislative session, retains the audit submission due date of December 1. Because December 1 falls on a weekend day, audits of school districts for fiscal year 2023-24 must be submitted by December 2, 2024. The audit report must be uploaded in the SCDE LEA Audit Reporting System (LARS). See page 22 for instructions.

Property Tax Relief

The Property Tax Relief Act passed for the 2007 tax year provides for a credit on tax bills for the school operating portion of owner occupied (Legal Residence) properties. The money to fund this credit is from the additional 1% sales tax paid beginning in June 2007. Also, part of that same legislation limits the increase in millage rates for the 2007 year to no more than the CPI plus growth of the taxing entity (S.C. Code of Laws § 6-1-320). Taxing entities must still calculate the roll back millage according to S.C. Code of Laws § 12-37-251(E). Schools cannot be reimbursed for bonded indebtedness and payments pursuant to lease purchase agreements for capital construction under this legislation. Guidance for this legislation is included in appendix A.

Ad Valorem Taxes

Please note that in compliance with federal accounting and reporting standards, all ad valorem taxes, regardless of the collection date, should be included in Revenue Account Codes 1110 and 1210, as appropriate. Delinquent tax amounts should be combined and reported with regularly paid taxes in these account codes. Penalties and interest on the delinquent taxes are to be reported separately in Revenue Codes 1140 and 1240, as applicable.

Charter School Legislation

The South Carolina Charter Schools Act was originally enacted in 1996 and amended in 2002, 2006, and 2012. The General Assembly passed this legislation to provide for the organization and operation of flexible, innovative, and substantially deregulated public schools as part of the effort to reform and improve the state's educational system. A charter school is defined in the law as a public, nonreligious, nonhome-based, nonprofit corporation forming a school that operates by sponsorship of a public school district, the South Carolina Public Charter School District, or a public or independent institution of higher learning, but is accountable to the district, the board of trustees, or in the case of technical colleges, the area commission, of the sponsor that grants its charter. The charter school is considered a public school and part of the South Carolina Public Charter School District, the local school district in which it is located, or is sponsored by a public or independent institution of higher learning. The charter school must be administered and governed by a governing body in a manner agreed to by the charter school applicant and the sponsor (local school district's board of trustees). The governing body is to be elected annually.

See page 27 in this document for specific guidance on public charter school reporting requirements. A list of school districts with operating charter schools for fiscal year 2023–24 is provided in appendix B of this document.

Reclassification of Expenditures

Reclassification of expenditures in the independent auditor's working papers must reference the specific expenditures being reclassified. The reclassification of any expenditure from one fund and/or function to another must contain sufficient documentation to enable determination of compliance with federal or state program requirements.

Revised/New Accounting/Auditing Standards Updates

- **GASB Statement No. 91, "Conduit Debt Obligations"**

  The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

  A conduit debt obligation is defined as a debt instrument having all of the following characteristics:

  There are at least three parties involved: (1) an issuer, (2) a third-party obligor, and (3) a debt holder or a debt trustee. The issuer and the third-party obligor are not within the same financial reporting entity. The debt obligation is not a parity bond of the issuer, nor is it cross-collateralized with other debt of the issuer. The third-party obligor or its agent, not the issuer, ultimately receives the proceeds from the debt issuance. The third-party obligor, not the issuer, is primarily obligated for the payment of all amounts associated with the debt obligation (debt service payments).

  The requirements of this Statement are effective for reporting periods beginning after December 15, 2021. Earlier application is encouraged.

- **GASB Statement No. 92, "Omnibus 2020"**

  The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the following:

The effective date of Statement No. 87, Leases, and Implementation Guide No. 2019-3, Leases, for interim financial reports Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan.

The applicability of Statements No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, as amended, and No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended, to reporting assets accumulated for postemployment benefits.

The applicability of certain requirements of Statement No. 84, Fiduciary Activities, to postemployment benefit arrangements Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature Terminology used to refer to derivative instruments.

The requirements of this Statement are effective as follows:

The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance.

The requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74 are effective for fiscal years beginning after June 15, 2022.

The requirements related to application of Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for reporting periods beginning after June 15, 2022.

The requirements related to the measurement of liabilities (and assets, if any) associated with AROs in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2022.

- **GASB Statement No. 94, "Public-Private and Public-Public Partnerships and Availability Payment Arrangements"**

  The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022. Earlier application is encouraged.

- **GASB Statement No. 95, "Postponement of the Effective Dates of Certain Authoritative Guidance"**

  The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

  The effective dates of certain provisions contained in the following pronouncements are postponed by one year:

  - Statement No. 83, Certain Asset Retirement Obligations
  - Statement No. 84, Fiduciary Activities
  - Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements
  - Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period
  - Statement No. 90, Majority Equity Interests
  - Statement No. 91, Conduit Debt Obligations
  - Statement No. 92, Omnibus 2020
  - Statement No. 93, Replacement of Interbank Offered Rates
  - Implementation Guide No. 2017-3, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (and Certain Issues Related to OPEB Plan Reporting)
  - Implementation Guide No. 2018-1, Implementation Guidance Update—2018
  - Implementation Guide No. 2019-1, Implementation Guidance Update—2019
  - Implementation Guide No. 2019-2, Fiduciary Activities.

  The effective dates of the following pronouncements are postponed by 18 months:

  - Statement No. 87, Leases

- Implementation Guide No. 2019-3, Leases.

Earlier application of the provisions addressed in this Statement is encouraged and is permitted to the extent specified in each pronouncement as originally issued.

The requirements of this Statement are effective immediately.

- **GASB Statement No. 96, "Subscription-Based Information Technology Arrangements"**

  This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended.

  A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction.

  The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged. Assets and liabilities resulting from SBITAs should be recognized and measured using the facts and circumstances that existed at the beginning of the fiscal year in which this Statement is implemented. Governments are permitted, but are not required, to include in the measurement of the subscription asset capitalizable outlays associated with the initial implementation stage and the operation and additional implementation stage incurred prior to the implementation of this Statement.

- **GASB Statement No. 97, "Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans"** an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32.

  The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

This Statement also requires that the financial burden criterion in paragraph 7 of Statement No. 84, Fiduciary Activities, be applicable to only defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement No. 67, Financial Reporting for Pension Plans, or paragraph 3 of Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, respectively.

Effective Date: The requirements of this Statement are effective as follows:

he requirements in (1) paragraph 4 of this Statement as it applies to defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans and (2) paragraph 5 of this Statement are effective immediately.

The requirements in paragraphs 6–9 of this Statement are effective for fiscal years beginning after June 15, 2020.

All other requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

Earlier application is encouraged and is permitted by specific requirement as follows:

Paragraph 4 of this Statement as it applies to arrangements other than defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans.

Paragraphs 6–9 of this Statement and the supersession of the remaining requirements of Statement 32 (as detailed in paragraph 3 of this Statement).

- **GASB Statement No. 99, "Omnibus 2022"**

  The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The practice issues addressed by this Statement are as follows:

  - Classification and reporting of derivative instruments within the scope of Statement No. 53, Accounting and Financial Reporting for Derivative Instruments, that do not meet the definition of either an investment derivative instrument or a hedging derivative instrument
  - Clarification of provisions in Statement No. 87, Leases, as amended, related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives

- Clarification of provisions in Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements, related to (a) the determination of the public-private and public-public partnership (PPP) term and (b) recognition and measurement of installment payments and the transfer of the underlying PPP asset
- Clarification of provisions in Statement No. 96, Subscription-Based Information
- Technology Arrangements, related to the subscription-based information technology arrangement (SBITA) term, classification of a SBITA as a short-term SBITA, and recognition and measurement of a subscription liability
- Extension of the period during which the London Interbank Offered Rate (LIBOR) is considered an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap that hedges the interest rate risk of taxable debt
- Accounting for the distribution of benefits as part of the Supplemental Nutrition Assistance Program (SNAP)
- Disclosures related to nonmonetary transactions
- Pledges of future revenues when resources are not received by the pledging government

The requirements of this Statement that are effective as follows:

- The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance.
- The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.
- The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

- **GASB Statement No. 100, Omnibus 2022 “Accounting Changes and Error Corrections- an Amendment of GASB Statement No. 62”**

  The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

  This Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. As part of those descriptions, for (1) certain changes in accounting principles and (2) certain changes in accounting estimates that result from a change in measurement methodology, a new principle or methodology should be justified on the basis that it is preferable to the principle or methodology used before the change. That preferability should be based on the qualitative characteristics of financial reporting—understandability, reliability, relevance, timeliness, consistency, and comparability. This Statement also addresses corrections of errors in previously issued financial statements.

This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The requirements of this Statement for changes in accounting principles apply to the implementation of a new pronouncement in absence of specific transition provisions in the new pronouncement. This Statement also requires that the aggregate amount of adjustments to and restatements of beginning net position, fund balance, or fund net position, as applicable, be displayed by reporting unit in the financial statements.

This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated.

Furthermore, this Statement addresses how information that is affected by a change in accounting principle or error correction should be presented in required supplementary information (RSI) and supplementary information (SI). For periods that are earlier than those included in the basic financial statements, information presented in RSI or SI should be restated for error corrections, if practicable, but not for changes in accounting principles.

Effective Date And Transition: The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

- **GASB Statement No. 101, "Compensated Absences"**

  The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

  Recognition And Measurement: This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences.

This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial

statements. A liability for leave that has been used but not yet paid or settled should be measured at the amount of the cash payment or noncash settlement to be made. Certain salary-related payments that are directly and incrementally associated with payments for leave also should be included in the measurement of the liabilities.

The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

- **GASB Statement No. 102, "Certain Risk Disclosures"**

The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints.

This Statement defines a concentration as a lack of diversity related to an aspect of a significant inflow of resources or outflow of resources. A constraint is a limitation imposed on a government by an external party or by formal action of the government's highest level of decision-making authority. Concentrations and constraints may limit a government's ability to acquire resources or control spending.

This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued.

If a government determines that those criteria for disclosure have been met for a concentration or constraint, it should disclose information in notes to financial statements in sufficient detail to enable users of financial statements to understand the nature of the circumstances disclosed and the government's vulnerability to the risk of a substantial impact. The disclosure should include descriptions of the following:

- The concentration or constraint
- Each event associated with the concentration or constraint that could cause a substantial impact if the event had occurred or had begun to occur prior to the issuance of the financial statements
- Actions taken by the government prior to the issuance of the financial statements to mitigate the risk.

Effective Date and Transition: The requirements of this Statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter. Earlier application is encouraged.

- **GASB Statement No. 103, "*Financial Reporting Model Improvements*"**

The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues.

Management's Discussion and Analysis: This Statement continues the requirement that the basic financial statements be preceded by management's discussion and analysis (MD&A), which is presented as required supplementary information (RSI). MD&A provides an objective and easily readable analysis of the government's financial activities based on currently known facts, decisions, or conditions and presents comparisons between the current year and the prior year. This Statement requires that the information presented in MD&A be limited to the related topics discussed in five sections: (1) Overview of the Financial Statements, (2) Financial Summary, (3) Detailed Analyses, (4) Significant Capital Asset and Long-Term Financing Activity, and (5) Currently Known Facts, Decisions, or Conditions. Furthermore, this Statement stresses that the detailed analyses should explain why balances and results of operations changed rather than simply presenting the amounts or percentages by which they changed. This Statement emphasizes that the analysis provided in MD&A should avoid unnecessary duplication by not repeating explanations that may be relevant to multiple sections and that "boilerplate" discussions should be avoided by presenting only the most relevant information, focused on the primary government. In addition, this Statement continues the requirement that information included in MD&A distinguish between that of the primary government and its discretely presented component units.

Unusual or Infrequent Items: This Statement describes unusual or infrequent items as transactions and other events that are either unusual in nature or infrequent in occurrence. Furthermore, governments are required to display the inflows and outflows related to each unusual or infrequent item separately as the last presented flow(s) of resources prior to the net change in resource flows in the government-wide, governmental fund, and proprietary fund statements of resource flows.

Presentation of the Proprietary Fund Statement of Revenues, Expenses, and Changes in Fund Net Position: This Statement requires that the proprietary fund statement of revenues, expenses, and changes in fund net position continue to distinguish between operating and nonoperating revenues and expenses. Operating revenues and expenses are defined as revenues and expenses other than nonoperating revenues and expenses. Nonoperating revenues and expenses are defined as (1) subsidies received and provided, (2) contributions to permanent and term endowments, (3) revenues and expenses related to financing, (4) resources from the disposal of capital assets and inventory, and (5) investment income and expenses.

In addition to the subtotals currently required in a proprietary fund statement of revenues, expenses, and changes in fund net position, this Statement requires that a subtotal for *operating income (loss) and noncapital subsidies* be presented before reporting other nonoperating revenues and expenses. Subsidies are defined as (1) resources received from another party or fund (a) for which the proprietary fund does not provide goods and services to the other party or fund and (b) that directly or indirectly keep the proprietary fund's current or future fees and charges lower than they would be otherwise, (2) resources provided to another party or fund (a) for which the other party or fund does not provide goods and services to the proprietary fund and (b) that are recoverable through the proprietary fund's current or future pricing policies, and (3) all other transfers.

Major Component Unit Information: This Statement requires governments to present each major component unit separately in the reporting entity's statement of net position and statement of activities if it does not reduce the readability of the statements. If the readability of those statements would be reduced, combining statements of major component units should be presented after the fund financial statements.

Budgetary Comparison Information: This Statement requires governments to present budgetary comparison information using a single method of communication—RSI. Governments also are required to present (1) variances between original and final budget amounts and (2) variances between final budget and actual amounts. An explanation of significant variances is required to be presented in notes to RSI.

Effective Date and Transition: The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Earlier application is encouraged.

Federal Audit Clearinghouse Transition and SF-SAC Form

The Federal Audit Clearinghouse (FAC) has transitioned from the United States Census Bureau to the United States General Services Administration (GSA) on October 1, 2023 (https://www.fac.gov/). In addition, the submission of the Data Collection Form on the FAC's website is now obsolete. The SF-SAC workbooks should be submitted instead. The SF-SAC Form is available for download after the submission of the reporting package and the SF-SAC workbooks to the FAC website and should be uploaded in place of the Data Collection Form going forward. **Please see page 46 for instructions on how to access this form.**

SCDE Revenue Confirmation

Auditors for School Districts:

Detailed payment information for school districts will be made available on the SCDE website under the Grants Accounting Section. The payment listing will be posted for a limited amount of time (approximately three weeks only) so it will need to be pulled while posted. The targeted date to have this information posted is no later than the end of August each year for information related to the previous fiscal/school year. Each District will be notified when the information has been posted.

To gain GAPS access for Budget/Expenditure information by Sub Grant Award, School Districts can assign the GAPS role, "Grants Acct External Auditor" to a specific auditor. If the auditor needs access to multiple districts, they will need to create a specific email address for each district and each district will assign the role based on the email address that the auditor wants to use for access to that District's information. This access will allow the auditor to view reports showing budgeted and expenditure amounts reported.

Auditors for Charter Schools/Other Subrecipients:

A sample letter ("Release Authorization for Subrecipient Data") that can be used to request subrecipient revenue data from the SCDE Office of Finance is included in this guide as appendix F. The submission of this letter authorizes the South Carolina Department of Education to provide the independent auditor with direct confirmation of payments from the Department to the subrecipient. Please submit this letter from the entity's email address to the grants accounting email box at grantsaccounting@ed.sc.gov. Any questions concerning the payment confirmation should be directed to Sequoyah Burden in the SCDE Office of Finance at sburden@ed.sc.gov.

Summary of Findings Cited in the Single Audit Reports

Desk Reviews—Single Audit Requirements

The following items were noted during the desk review process (page numbers and outside references are in brackets):

- Failure to include required detail of federal award findings in the Schedule of Findings and Questioned Costs such as the federal agency name, federal award identification number (FAIN), year, the pass-through agency, and identification of whether or not the finding was a repeat finding in the immediately preceding year [Spartanburg School District One, 98]

Desk Reviews—SCDE Audit Requirements

- None.

AUDIT REQUIREMENTS

Audit Firm Approval Process

The South Carolina Appropriations Act for fiscal year 2023-24 states in part, "To ensure accountability, each district's annual audit that is submitted to the Department of Education pursuant to Section 59-17-100 must be conducted using an auditing firm from an approved list provided by the State Auditor. The State Auditor will develop standards and criteria for determining qualifying auditors. Each district's annual audit must be available on the district's website." A list of the firms that has been approved to conduct school district and charter school audits can be found on the SCDE website at Audit Firm Approval for School Districts and Charter Schools.

Submission Requirements

The SCDE requires that annual audits be in conformity with the statewide accounting system and the SCDE Financial Accounting Handbook. Appropriate account codes are required for financial data presented in all SCDE supplemental schedules (SCDE Supplemental Schedules). Please note that different object-level expenditure codes are required for each schedule.

Transmittal of the audit report package is the responsibility of the reporting entity.

The following items must be uploaded into the SCDE LEA Audit Reporting System (LARS). To access the audit submission site, perform the following steps:

1. Access the SCDE website: https://www.ed.sc.gov/.
2. Click "Login" on the top right corner of the webpage.
3. Enter your username and password.
4. Under Applications, click on "LEA Audit Reporting System."

The following documents must be uploaded:

A. An electronic version of your entire audit report in .PDF, including the single audit section, Corrective Action Plan, and Management Letter, if applicable. If the single audit section is in a separate document, combine that section with the financial statement section, for one complete upload.

B. The Excel Template of the SCDE Supplemental Schedules for each fund type is available online.

   The Excel template provided by the Office of Auditing Services MUST be uploaded. Your upload will NOT be accepted if a modified version of the template is used.

   - Do not delete rows or columns from the template. If there is no activity in an account, list $0.
   - Do not change the format for the template.
   - The template must be in xslx format. An earlier version of Microsoft Excel cannot be used.

- The file name should be District or Charter School Name and Fiscal Year (i.e., Abbeville FY 2023-24).

C. Copy of the **SF-SAC form** in excel format downloaded from the Federal Audit Clearinghouse. **(Replaces Data Collection Form. Data Collection Form no longer required.) See page 46 for instructions on accessing this form.**

D. You must also enter information from the Supportive Information Sheet on the Supportive Information Tab. (See Appendix T.)

A confirmation e-mail will be sent to you after each item has been successfully uploaded.

These submission requirements should be shared with your independent auditor. Any questions related to the single audit process, OMB requirements, or the Supportive Information Sheet should be directed to auditingservices@ed.sc.gov.

Flexibility/Furlough/Expenditure Reporting Procedures (FY 2023-24)

Under Provisos 1.21, 1.24, and 1A.13 for Fiscal Year 2023-24, all school districts and special schools of this State may transfer and expend funds, “to ensure the delivery of academic and arts instruction to students.”

Financial Flexibility

1. All transfers must be completed and submitted to SCDE by June 30, 2024. Quarterly reports are encouraged. **Only** submit reports quarterly if an action is approved by your school board.
2. Districts may transfer and expend funds among appropriated state general fund revenues, Education Improvement Act funds, and Education Lottery Act funds. No federal funds may be flexed.
3. In order to take advantage of the financial flexibility provisions, at least seventy-five (75) percent of the school district’s expenditures must be utilized within the In$ite categories of instruction, instructional support and non-instructional pupil services. Those functional areas are outlined in Item #4 under Reporting Requirements. Salaries of on-site principals must be included in the calculation of the district’s per pupil expenditures.
4. If you choose to take advantage of this flexibility, you must maintain the integrity of the program guidelines as outlined in the Funding Manual.
5. The only appropriations that are ***excluded*** from this flexibility are as follows:
    - NBC Salary Supplement (Revenue 3532)
    - Teacher of the Year (Revenue 3533)
    - Technical Assistance – State Priority Schools (Revenue 3571)
    - Teacher Supplies (Revenue 3577)
    - Aid to Districts – Special Ed (Revenue 3585)
    - EEDA Supplies and Materials (Revenue 3595)

- EEDA Career Specialists (Revenue 3596)
- Science Kit Refurbishment (Revenue 3526)
- Industry Certifications/Credentials (Revenue 3528)
- Career and Technical Education (Revenue 3529)

No funds provided specifically to assist districts in the Abbeville Lawsuit are flexible.

No funds received in accordance with the terms of a signed MOA should be flexed (i.e., Reading Coaches)

6. Judicious caution should be used when transferring those funds received through a competitive grant process.
7. **No** programs serving students with special needs may be flexed in the 2023-24 year.
8. Prior to implementing the flexibility provisions, school districts **must** provide to public charter schools the per pupil allocation due to the charter schools for each categorical program for which they are eligible to receive funding.
9. For the fiscal year 2023-24, Section 59-21-1030 (Maintenance of Effort) is suspended.

Furlough/Staffing Flexibility/Maximizing Resources

1. Districts must report the student teacher ratio for every classroom to the Department of Education at the ninety and one hundred eighty-day mark.
2. To further ensure resources are maximized, districts are encouraged to: (1) limit the number of low enrollment courses (2) reduce travel for staff and board (3) reduce and limit activities requiring dues and fees (4) reduce transportation costs for extracurricular and academic competitions and (5) expand virtual education.

Reporting Requirements

1. By June 30, 2024, districts must certify where non-instructional or nonessential programs have been suspended.
2. Certification must be in writing, signed by the board chairman and the superintendent, and delivered electronically to the State Superintendent of Education. The SCDE will forward to the following: the Chairman of the Senate Finance Committee, the Chairman of the Senate Education Committee, the Chairman of the House Ways and Means Committee, and the Chairman of the House Education and Public Works Committee.
3. The certification must be presented publicly at a regularly called school board meeting, and the certification must be posted on the school district's website. Refer to Provisos 1.19, 1.24, 1.36, 1.41, and S.C. Code Ann. § 23-3-535(F)(1)(b) and SECTION 59-18-900 for additional district website posting requirements. Also, district web requirements are posted on SCDE's web page.
4. Districts must report as of June 30, 2024, using the In$ite categories, all expenditures in Instructional, Instructional Support and non-Instructional student services. The following

functions must be reported:

Function Name	Function Number
a. Instruction	All 100 functions
b. Attendance & Social Work	211
c. Guidance	212
d. Health Services	213
e. Psychological Services	214
f. Exceptional Program Services	215
g. Vocational Placement	216
h. Career Specialists	217
i. Curriculum Development	221
j. Library Media	222
k. In-Service/Staff Training	224
l. School Administration	233 (Only object codes 111 and 200's)
m. Pupil Transportation	251, 255
n. Food Service	256
o. Security/Safety	258
p. Planning	262
q. Pupil Services Activities	271
r. Enterprise Activities	272
s. Trust and Agency Activities	273
t. Community Services	All 300 functions

Use the Funding Flexibility – Fiscal year 2023-24 form to report as required by Provisos 1.21, 1.24, and 1A.13. See form at https://ed.sc.gov/finance/financial-services/information-memos-and-forms/fiscal-year-2023-2024/fiscal-year-2023-2024-funding-flexibility-form/.

Sample Accounting Transactions for Funding Flexibility

The chart below includes sample accounting transactions for funding flexibility. Questions related to the above accounting procedures should be directed to the Office of Auditing Services at 803-734-6022.

SAMPLE ACCOUNTING TRANSACTIONS FOR FUNDING FLEXIBILITY

Education Improvement Act:

FUND	SUBFUND	ACCOUNT NUMBER	TITLE	DEBIT	CREDIT
EIA	309 - Arts in Education	422-710	Transfer to EIA Fund (Expenditure)	$20,000	
EIA	338 - Students at Risk of School Failure	422-710	Transfer to EIA Fund (Expenditure)	40,000	
EIA	371 - Palmetto Priority Schools	5230	Transfer from EIA Fund (Revenue)		$60,000

OR

FUND	SUBFUND	ACCOUNT NUMBER	TITLE	DEBIT	CREDIT
EIA	335 - Reading Coaches	421-710	Transfer to EIA Fund (Expenditure)	$30,000	
EIA	356- Adult Education	421-710	Transfer to EIA Fund (Expenditure)	10,000	
EIA	309 - Arts in Education	5230	Transfer from EIA Fund (Revenue)		$40,000

Children's Education Endowment: (Barnwell)

FUND	SUBFUND	ACCOUNT NUMBER	TITLE	DEBIT	CREDIT
Building	500 - Children's Education Endowment	420-710	Transfer to General Fund (Expenditure)	$100,000	
General	100-General	5250	Transfer from School Building Fund (Revenue)		$100,000

Compliance Requirements for Commercial Driver's License and Alcohol Testing (To Be Tested for All Districts)

The CFR, Title 49, Chapter III, Section 383 requires that during the audit the CPA must verify that the district has a current contract with a provider of drug testing services and can produce records on demand. The CPA must also verify that the district incurred expenditures for drug testing services that were a direct result of the contract. The CPA must test to ensure that the following specific drug tests are being performed:

- pre-employment drug testing,
- random drug testing, and
- post-accident drug testing.

For complete compliance procedures, see pages 93-96.

Component Units

Section 59-40-50(B)(3) of the Code of Laws of South Carolina (2004), as amended, states that "A charter school must adhere to the same financial audits, audit procedures, and audit requirements as are applied to public schools." Separate financial statements for charter schools must be submitted to the SCDE by the established due date following the end of a fiscal year. Because charter schools meet the criteria for a component unit, a charter school's financial data should be included in the audit report of the financial reporting entity (sponsoring school district) by discrete presentation in accordance with Governmental Accounting Standards Board (GASB) Statement 14 as amended by GASB Statement No. 39 and further amended by GASB Statement No. 61. In addition, the notes to the reporting entity's financial statements should include a brief description of the component unit(s) of the financial reporting entity and their relationships to the primary government. In some school districts, alternative schools, career and technical education centers, and foundations meet the criteria for a component unit and should be included in the primary reporting entity's annual audit report as described above for a charter school. For specific guidance on primary reporting entity and component unit presentation and disclosure, refer to section 2600 of the Codification of Governmental Accounting and Financial Reporting Standards (latest revision), published by the Governmental Accounting Standards Board.

Required Supplemental Schedules (Including Charter Schools, Foundations, and Other Component Units)

The required supplemental schedules can be found at SCDE Supplemental Schedules. It should include the combined total revenues, expenditures, and changes in fund balances for the school district (primary reporting entity), and blended component units (charter schools, foundations, and other component units). **These schedules must be included in the audit report. The format for the schedules can be found at the link in this paragraph.** (See page 67 for a listing of the schedules and titles.)

For the Excel template submission,

- Combine data for foundations into one worksheet for each fund.
- If charter school data is blended, the LEA or CPA must select which charter schools are blended with the district's data.
- In addition, SCDE requires a separate supplemental schedule of revenues, expenditures, and changes in fund balance for each governmental fund, as applicable, to be included in the audit report for each component unit.
- The supplemental schedules for the component units should immediately follow the supplemental schedules of the primary reporting entity.

A list of school districts with operating public charter schools for fiscal year 2023-24 is given in appendix B of this document.

Special Revenue Fund: Supplemental Schedule, Subfunds, and Note Disclosure

The format for data presented in the Special Revenue Fund Schedule of Revenues, Expenditures, and Changes in Fund Balance includes standard SCDE subfund codes.

The specific subfund numbers presented in the **"Special Revenue"** column headings must be used to report revenues and expenditures **only for the grants listed**. For example, the column heading for Title I should include funds **only** for subfund 201 and subfund 202 grants. Any other Title I grants should be included in the column headed "Other Special Revenue Programs."

Subfund codes will be required for each of the following programs: Title I (Subfund 201/202); IDEA (Subfund 203/204); Preschool Grants (Subfund 205/206); Career and Technical Education and Student Transition Services (Subfund 207); Adult Education (Subfund 243). Due to the implementation of GASB 84, student activity funds (subfund 700) that are reported as special revenue funds, must also be shown in a separate column in the schedule.

In addition, a listing of all other subfunds included in the schedule in the columns "Adult Education," "State-Restricted Grants," and "Other Special Revenue Programs" are required in a note disclosure to the schedule. The prescribed format for the Special Revenue Supplemental Schedule can be found at the following link on the Special Revenue tab: [SCDE Supplemental Schedules]. See Appendix C for an example of the subfund listing for the note disclosure.

IN$ITE™ Location Reconciliation Schedules

Two supplemental schedules are required to reconcile the total expenditures from all funds by location with the adjusted general ledger submitted to the SCDE by the district. Location reconciliation schedules must be prepared for school districts and for multi-district career and technical centers. Detailed examples of these two schedules are shown on pages 70-71.

EIA Compliance

The Education Improvement Act (EIA) of 1984 created an addition to the Special Revenue Fund. Due to the monitoring and audit requirements mandated by the South Carolina General Assembly, it is necessary that this program be shown in the supplementary schedules as a separate EIA Special Revenue Fund, as presented on the SCDE Supplemental Schedules. It is also necessary that accounting for certain EIA programs varies from traditional theoretical accounting. Guidance in these areas is provided below.

All revenue for each strategy in the EIA Fund must be expended within that strategy by the end of the fiscal year in which it is received, except for those programs that have carryover provisions. (See page 33.) In accordance with S.C. Code Ann. § 59-21-1020 (2004),"any line-item appropriation not fully expended for any program under the South Carolina Education Improvement Act of 1984 reverts to the fund."

Accrued expenditures must at least equal the earned revenue for each EIA strategy, and any unexpended EIA funding must be reported on the balance sheet as a "Due to State." Also, all unexpended funds must be included in the Detailed Schedule of Due to South Carolina

Department of Education/Federal Government. More specific information on EIA funding levels and allowable expenditures is provided to the districts in the annual Funding Manual published by the South Carolina Department of Education. The most recent copy of the publication is available on the SCDE web site at SCDE Funding Manual.

Office of Career and Technical Education and Student Transition Services Equipment (Subfund 905)

The General Assembly provides funds in the annual General Appropriations Act for the purchase of equipment for career and technical education programs. The highest priority in funding must be given to workforce preparation and technical competency programs.

Suggested Audit Procedures

Review approved CTE programs/courses found in appendix C of the Student Reporting Procedures Guide at: https://ed.sc.gov/instruction/career-and-technical-education/performance-accountability/cte-data-collection-and-reporting/2022-23-srpg/

- Compare these approved programs/courses with those funded with state equipment funds to determine that these funds were only used for CTE approved programs/courses.

The federal regulations/state policies concerning inventorying equipment must be adhered to by each LEA and must be audited as follows:

- Federal and state regulations require an equipment inventory to be maintained on all equipment costing $5,000 or more.
- Procedures for maintaining an inventory of equipment (including replacement equipment) until disposition takes place will meet the following requirements:
    A. Property records must be maintained and must include a description of the property, a serial number or other identification number, the vendor's name, the acquisition date, the cost of the property, the percentage of federal participation in the cost of the property, the location of the property, and any ultimate disposition data, including the date of disposal and selling price of the property.
    B. A physical inventory of the property must be taken and the results reconciled with the property records at least annually.
    C. A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft shall be investigated.
    D. Adequate maintenance procedures must be developed in order to keep the property in good condition.
- Disposal of obsolete equipment shall be handled in accordance with the following guidelines: (*Obsolete or inoperable equipment* is equipment that is worn out, that is irreparable or not economically feasible to repair, or that has been replaced by new technology.)

A. When a CTE course is discontinued, equipment purchased with state or federal funds and in operable condition will revert to the Office of Career and Technical Education and Student Transition Services to be transferred to comparable courses operating in other school districts/career centers. School districts/career centers must notify the Director, Office of Career and Technical Education and Student Transition Services, of courses being discontinued.

B. Equipment Purchased Totally (100 Percent) with **Federal Funds or Any Portion of Federal Funds**

   1) Equipment with Current, Per-Unit Fair Market Value of **Less Than $5,000**

      Accountability for Equipment: Must be accounted for life of equipment or until equipment is no longer needed.

      Disposition of Equipment (When No Longer Needed):

      a. May be used in other career and technical education programs funded with federal funds.
      b. May be traded in for another item of equipment to be used in career and technical education.
      c. If not needed in career and technical education, must be offered to other federally funded programs in district.
      d. If not able to be utilized by **any** federal program, items of equipment with a current per-unit fair market value of less than $5,000 may be sold or otherwise disposed of with no further obligation to the Office of Career and Technical Education and Student Transition Services. The date of disposal and the sale price must be retained in equipment inventory files of the school district/career center.

   2) Equipment with Current, Per-Unit Fair Market Value of More Than $5,000

      Accountability for Equipment: Must be accounted for life of equipment or until equipment is no longer needed.

      Disposition of Equipment: as above, items a-c.

      When No Need Is Found: Items of equipment with a current per-unit fair market value in excess of $5,000 may be sold, and the Office of Career and Technical Education and Student Transition Services shall be reimbursed in an amount calculated by multiplying the current market value or proceeds from sale by the Office of Career and Technical Education and Student Transition Services' share of the equipment. The date of disposal and the sale price must be retained in equipment inventory files of the school district/career center. Proper sales procedures must be established to ensure the highest possible return.

C. Equipment Purchased Totally (100 percent) with **State** or EIA Funds

Accountability for Equipment: Must be accounted for life of equipment or until equipment is no longer needed.

D. **Disposition of Equipment (when no longer needed):**

1) If operable and not obsolete, all equipment purchased for a course must be transferred to the same course in another school in the district or to the same course in another school district/career center.

2) Equipment considered inoperable/obsolete may be sold with no responsibility to refund the state. The date of disposal and sale price must be retained in your equipment inventory files.

Work-Based Learning (Subfund 329)

Proviso 1A.5. (SDE-EIA: Work-Based Learning) states "Of the funds appropriated in Part IA, Section 1, VIII.A.1. For the Work-Based Learning Program, $75,000 shall be used by the State Department of Education to provide for regional professional development in contextual methodology techniques and integration of curriculum, and professional development in career guidance for teachers and guidance counselors and training mentors. Pilot-site delivery of contextual methodology training in mathematics will be supported by technology and hands-on lab activities. In addition, $500,000 shall be allocated for Regional Career Specialists. Each Regional Career Specialist shall (1) be housed within the regional centers/WIA geographic areas, (2) provide career development activities throughout all schools within the region, (3) be under the program supervision of the Office of Career and Technical Education and Student Transition Services, State Department of Education, and (4) adhere to an accountability and evaluation plan created by the Office of Career and Technical Education and Student Transition Services, State Department of Education. The Office of Career and Technical Education and Student Transition Services, State Department of Education, shall provide a report, in February of the current fiscal year to the Senate Finance Committee and the House Ways and Means Committee on accomplishments of the Career Counseling Specialists."

Please note, of the funds appropriated in the prior fiscal year, unexpended funds may be carried forward to the current fiscal year and expended for the same purposes.

These funds may be used by school districts to:

- provide a rigorous and relevant academic curriculum (e.g., implementation of new academic and/or applied academic courses; instructions provided in the skills and competencies identified in the SCANS [the U.S. Secretary of Labor's Commission on Achieving Necessary Skills] report; instruction provided in statistics, logic, measurement and probability; student proficiency in keyboarding and computer literacy);
- restructure career and technical education programs to expand content, relevancy, and rigor to prepare students for lifelong learning and for living in a technological society (e.g., restructuring of career and technical education programs into career majors, establishing higher expectations for all students);

- provide career development and guidance and counseling activities from kindergarten through grade twelve;
- provide professional development opportunities for school counselors and career specialists to expand their skills for integrating and implementing career guidance and planning into their comprehensive school counseling program;
- provide work exploration and experience opportunities for students (e.g., mentoring, shadowing, service learning);
- provide structured work-based learning opportunities (e.g., work-based learning, school-based learning, connecting activities);
- provide youth apprenticeship program opportunities;
- ensure participation in professional development in the areas of contextual methodology training, integration of curriculum, career guidance for teachers and guidance personnel, and training for mentors; and
- assess the rigor and relevancy of the Work-Based Learning system with a program quality review.

The following are **allowed expenditures:**

- Consultant fees; substitute teacher pay; per diem expenses for workshops for teachers, administrators, school counselors and career specialists, and volunteers to implement Work-Based Learning activities (i.e., to provide opportunities for academic and career and technical education teachers to work together to plan integrated instruction for students); implement strategies and action plans to address accelerated learning for students who are behind their age peers; provide professional development activities to train teachers in identifying, assessing and accommodating different learning styles; provide professional development activities in the areas of contextual methodology and workshops on career guidance for teachers and guidance personnel; provide training for mentors
- Salary, fringe benefits, travel, and routine office supplies and equipment for the Work-Based Learning coordinator
- Travel for students to work sites. Please ensure that travel funds expended are for approvable, work-based learning activities. The work-based learning must complement and relate to the school-based career majors that the students are pursuing. Travel records must be maintained by the school district
- Salary, fringe benefits, travel, supplies, and equipment for a regional career specialist

SCDE contact: Maria Swygert
803-734-8456
nmswyger@ed.sc.gov

Accounting for EIA Summer School

Summer school extends into two fiscal years. Please follow traditional accounting procedures and account for transactions for summer school by separating the transactions into the appropriate fiscal year.

EIA Summary Schedule Including Unearned Revenue

The SCDE can conduct the monitoring and final disposition of carryover funding by using the unearned revenue information included in the EIA Summary Schedule by Program. Submission of this summary schedule as presented below is required by SCDE. If there are no unearned EIA revenues, the statement "No unearned revenues" should be included in the schedule.

ANYWHERE SCHOOL DISTRICT
ANYWHERE, SC
EDUCATION IMPROVEMENT ACT
SUMMARY SCHEDULE BY PROGRAM
FOR FISCAL YEAR ENDED JUNE 30, 20XX

		Revenues	Expenditures	EIA Interfund Transfers In/(Out)	Other Fund Transfers In/(Out)		EIA Fund Unearned
PROGRAM							
3500	**Education Improvement Act:**						
	3502 ADEPT						
	3507 Aid to District Technology						
	3509 Arts in Education						
	3518 Adoption List of Formative Assessment						
	3526 Reburbishment of Science Kits						
	3528 Industry Certifications/Credentials						
	3529 Career and Technology Education						
	3532 National Board Salary Supplement (No Carryover Provision)						
	3533 Teacher of the year Awards (No Carryover Provision)						
	3535 Reading Coaches						
	3536 Student Health & Fitness						
	3538 Students at Risk of School Failure						
	3540 Early Childhood Program (4K Programs Serving Four-Year-Old Children)						
	3541 Child Early Reading Development and Education Program (CERDEP) - Full Day 4K						
	3550 Teacher Salary Increase (No Carryover Provision)						
	3555 Teacher Salary Fringe (No Carryover Provision)						
	3556 Adult Education						
	3557 Summer Reading Program						
	3570 Technical Assistance Special						
	3571 CSI and Priority Schools						
	3577 Teacher Supplies						
	3583 Charter School Payments						
	3585 Aid to Districts - MOE						
	3590 School Building						
	3593 Capital Improvement Plan						
	3595 EEDA - Supplies and Materials						
	3596 EEDA Career Specialists						
	3597 Aid to Districts						
	3599 Other EIA						
3900	**Other State Revenue:**						
	3999 Revenue From Other State Sources						
TOTALS							

The Education Accountability Act

The Education Accountability Act (EAA) of 1998 was enacted to establish statewide academic standards, to provide annual report cards depicting school performance, to require districts to establish local accountability systems, and to provide resources to improve student performance and staff development. In addition, the EAA provides for the implementation and oversight of the above provisions.

Accountability as defined in the Act means acceptance of the responsibility for improving student performance and taking actions to improve classroom practice and school performance by the Governor, the General Assembly, the South Carolina Department of Education, colleges and universities, local school boards, administrators, teachers, parents, students, and the community.

EAA accountability assigned to the SCDE includes the monitoring of funds allocated to school districts for programs designed to improve student performance. Should some of the EAA programs be designated as restricted state grants, detailed information needed for monitoring purposes cannot be ascertained in the current supplemental schedule for the Special Revenue Fund. The additional summary schedule below will be required to provide revenue and expenditure data for designated restricted state grants. **Include this schedule in the SCDE Supplemental Information section in the audit report immediately following the Special Revenue Fund "Schedules of Revenues, Expenditures, and Changes in Fund Balance." See the Reporting Format and Illustrative Table of Contents as required by GASB 34 section beginning on page 47 for a complete list of required schedules to be included in the audit report.**

ANYWHERE SCHOOL DISTRICT
ANYWHERE, SC
SPECIAL REVENUE FUND
SUMMARY SCHEDULE FOR DESIGNATED STATE RESTRICTED GRANTS
FOR FISCAL YEAR ENDED JUNE 30, 20XX

					SPECIAL REVENUE		
SUBFUND	REVENUE	PROGRAMS	REVENUES	EXPENDITURES	INTERFUND TRANSFERS IN/(OUT)	OTHER FUND TRANSFERS IN/(OUT)	SPECIAL REVENUE FUND UNEARNED
914	3194	Digital Instructional Materials					
915	3105	Technology Technical Assistance (Carryover Only)					
917	3187	Teacher Supplies (No Carryover Provisions)					
918	3198	Technology Professional Development (Carryover Only)					
919	3193	Education License Plates					
924	3134	Child Early Reading Development and Education Program (CERDEP) - Full Day 4K					
928	3118	EEDA Career Specialists					
935	3135	Reading Coaches					
936	3136	Student Health and Fitness - Nurses					
937	3127	Student Health and Fitness - PE Teachers					
955	3155	DSS SNAP & E&T Program					
956	3156	Adult Education					
966	3660	Mobile Device Access and Management (Carryover Only)					
969	3699	Miscellaneous Lottery					
970	3670	School Safety - Facility and Infrastructure Safety Upgrades					

Special Revenue Fund Project Schedules

Non-EIA individual project schedules are not required by the SCDE. However, program detail must be maintained at the district level.

A single project number is used for the accounting of the Career and Technical Education and Student Transition Program. Each project within the program is assigned a separate subprogram number. (See Appendix D.)

The projects must be reported by separate subprogram number in the Schedule of Expenditures of Federal Awards (SEFA). Having each project and subprogram reported separately by program is necessary for the Department's analysis and oversight of state and federal programs. (See pages 84-85.)

Federal Emergency Management Agency (FEMA)

The South Carolina Department of Education and each school district may receive federal assistance in the form of grants under the Public Assistance program for repairs to public infrastructure in the event of a disaster or emergency declared by the President or under one or more federal hazard mitigation grant programs to reduce risk of damage from future hazard events Upon receiving such assistance, entities are required to comply with the provisions set forth under the Single Audit Act Amendments of 1996 and 2 CFR Part 200. Additionally, each grant recipient is subject to additional audit efforts by the Department of Homeland Security Office of Inspector General and by the State Auditor for items not covered by the single audit.

A supplemental schedule developed by the independent auditor, detailing a list of all project worksheets, will be required. Totals from this schedule must agree with the totals for FEMA assistance reported in the Schedule of Expenditures of Federal Awards. The supplemental schedule should include the project worksheet number, the approved amount, expenditures, and questioned costs (if any for a given project worksheet).

The supplemental schedule and one copy of any audit (single audit or other) are to be submitted to the Finance Administration Chief, South Carolina Emergency Management Division, 2779 Fish Hatchery Road, West Columbia, SC 29172-2024.

Fiscal Practices and Budgetary Conditions

Background

On May 9, 2017, Act 23 of 2017, to be codified at S.C. Code Ann. Section 59-20-90(A)(1)(2017) was signed into law. Amendments to the Act were effective May 18, 2018. The Act requires the SCDE to develop and adopt a statewide program for identifying fiscal practices and budgetary conditions that, if uncorrected, could compromise the fiscal integrity of a school district and for advising the district on how to take appropriate corrective actions, to establish three levels for fiscal and budgetary concerns with conditions and requirements associated with each, and to direct the SCDE to carry out the provisions of the Section. There are three levels of concern in the Act: fiscal watch, fiscal catch, and fiscal emergency.

(C) “Fiscal watch” is the first level and lowest level of concern.

(1)(a) The State Superintendent of Education shall declare fiscal watch if:

(i) upon review of the district’s annual audit, the department determines financial practices occurring outside of acceptable accounting standards exist;

(ii) the district submits an annual audit more than sixty days after the December first deadline provided in Section 59 17 100;

(iii) there is any type of ongoing, related investigation by any state or federal law enforcement agency or any other investigatory agency of the State;

(iv) an outside, independent auditing firm declares that a school district’s financial records are unauditable; or

(v) the department identifies significant deficiencies, material weaknesses, direct and material legal noncompliance, or management letter comments which, in the opinion of the department, the aggregate effect of the reported issues has, or could have, a significant effect on the financial condition of the district.

(b) If a district meets the criteria in subsection (A), the State Superintendent shall declare a fiscal watch only after prior notification with the district board chairman and district superintendent, who must begin immediate consultation with the chief financial officer of the district. The watch notification must include steps the district may take to avoid the declaration.

(2) After prior written notification with the district board chairman and superintendent, the State Superintendent of Education may declare fiscal watch if:

(a) an independent, outside auditing firm notifies the department that the district is not operating under generally accepted accounting principles; or

(b) the district does not maintain a general reserve fund of at least one month of general fund operating expenditures of the previous two completed fiscal years or has not made progress in increasing the general reserve fund balance in accordance with department guidelines to meet at least one month of general fund operating expenditures within the previous two completed fiscal years.

(3)(a) Within sixty days after the State Superintendent of Education declares a fiscal watch for a district, the district board shall submit a financial recovery plan to the department.

(b) The State Superintendent shall evaluate and accept or reject the plan within thirty days after receipt of the financial recovery plan. If he disapproves the plan, he shall recommend modifications that would make the plan acceptable.

(c) A district shall not implement a recovery plan unless approved by the State Superintendent.

(d) The department shall provide technical assistance.

(e) The district board may amend the plan at any time with the State Superintendent’s approval.

(f) The district board shall submit an updated recovery plan annually until the district is released from the fiscal watch.

(g) The State Superintendent shall accept or reject an updated plan no later than the anniversary of the date on which the first plan was approved.

(4) A district under a declaration of fiscal watch must not be released from fiscal watch in the same fiscal year in which the declaration was made but may be released the following fiscal year if the department determines that the corrective actions have been or are being successfully implemented. The State Superintendent shall notify the local board chairman, district superintendent, and chief financial officer of the release of the district from fiscal watch.

(5) The district board of trustees may appeal a declaration of a fiscal watch to the State Board of Education within ten days after the declaration and the state board must hold a hearing on the appeal within thirty days after the filing of the appeal or at the next regularly scheduled State Board of Education meeting, whichever is later. However, the district shall continue to work with the department in the manner provided by this subsection when a fiscal watch is declared pending determination of the appeal.

(D) "Fiscal caution" is the second level of concern and is the intermediate level of concern.

(1)(a) After consultation with the local board chairman and superintendent, the State Superintendent may declare fiscal caution if the district was previously on fiscal watch and if:

(i) the district's audits have been reviewed and there are conditions observed that could result in a declaration of fiscal emergency; or

(ii) the outside, independent auditing firm conducting the district's audit reports to the State Superintendent that any conditions or practices exist that could result in a declaration of fiscal emergency.

(b) The written communication between the department and the school district constitutes the consultation with the local board chairman required in subitem (a).

(c) The notice must be sent to the board chairman and district superintendent who must begin immediate consultation with the district Chief Financial Officer. The notice must include, but not be limited to, an explanation of the circumstances that led to the decision and if the school district may take any steps to avoid the declaration.

(2) The State Superintendent shall declare a school district to be in a state of fiscal caution if the district previously was on fiscal watch and if:

(a) upon review of the district's annual audit or otherwise with notice from an independent, outside accounting firm, the department determines financial practices occurring that are outside of acceptable accounting standards exist;

(b) a district submits an annual audit more than sixty days after the December first deadline as provided in Section 59 17 100;

(c) the department reviews a district's annual audit and determines the district is not maintaining the mandatory minimum of one month of general fund operating expenditures in its general reserve fund or has not made progress in increasing the general reserve fund balance in accordance with department guidelines to meet at least one month of general fund operating expenditures within the previous two completed fiscal years;

(d) an outside, independent auditing firm declares that a school district's financial records are unauditable;

(e) the department identifies significant deficiencies, material weaknesses, direct and material legal noncompliance or management letter comments which, in the opinion of the department, the aggregate effect of the reported issues has a significant effect on the financial condition of the district; or

(f) there is an ongoing investigation being conducted by any federal or state agency, law enforcement or otherwise, related to the district's finances or local board of trustees.

(3) The State Superintendent shall declare a school district to be in a state of fiscal caution if the department discovers any other fiscal practices or conditions that could lead to a declaration of fiscal emergency through the examination of a school district's past two years' audits.

(4) The State Superintendent shall notify the district in writing that a declaration of fiscal caution for the district is pending, the conditions leading to the declaration, and shall request a written recovery plan for correcting the conditions that led to fiscal caution and for preventing further fiscal difficulties that could lead to fiscal caution. This notification must be given within at least ten business days, excluding district holidays that are five days or more, before the effective date of the declaration. The notice must be sent to the board chairman, district superintendent, and chief financial officer, and must include, but not be limited to, an explanation of the circumstances that led to the decision and if there are any steps the school district could take to avoid the declaration.

(5) While a district is under a declaration of fiscal caution:

(a) the department shall:

(i) visit and inspect the district;

(ii) provide technical assistance in implementing the board's recovery plan; and

(iii) make recommendations concerning the board's recovery plan;

(b) the department may order a performance audit of the district at the department's expense and later may require full reimbursement from the district, which the district shall provide within sixty days after the request is made; and

(c) the district must:

(i) be required to provide written recovery plans for discontinuing or correcting the practices and conditions that led to the declaration of fiscal caution to the department; and

(ii) be given approximately sixty days to provide a written recovery plan, which the department may extend an additional thirty days at the request of the district, provided that no additional extension may be granted under any circumstances.

(6) If the State Superintendent finds a district has not made reasonable recovery plans or taken action to correct the practices or conditions that led to the declaration, he may report to the State Board of Education that a declaration of fiscal emergency is necessary to prevent further fiscal decline.

(7) A district under a declaration of fiscal caution must not be released from fiscal caution in the same fiscal year in which the declaration was made but may be released the following fiscal year if the department determines that the corrective actions have been or are being successfully implemented. The State Superintendent shall notify the local board chairman, district superintendent, and chief financial officer of the release of the district from fiscal caution.

(8) The district board of trustees may appeal a declaration of a fiscal caution to the State Board of Education within ten days after the declaration, and the state board must hold a hearing on the appeal within thirty days after the filing of the appeal or at the next regularly scheduled State Board of Education meeting, whichever is later. However, the district shall continue to work with the department in the manner provided by this subsection when a fiscal caution is declared pending determination of the appeal.

(E) The third and most severe level of concern is "fiscal emergency." The State Superintendent of Education shall declare fiscal emergency if:

(1) a district under fiscal caution fails to submit an acceptable recovery plan within one hundred twenty days or fails to submit an updated recovery plan when required;

(2) the department finds that a district under fiscal caution is not complying with an original or updated recovery plan and determines that fiscal emergency is necessary to prevent further decline;

(3) a district is at risk of defaulting on any type of debt, to include, but not be limited to, tax anticipation notes, general obligation bonds, or lease purchase installment agreements;

(4) a district has previously been under fiscal watch, fiscal caution, or any combination of fiscal watch and fiscal caution for a total of three fiscal years within the previous five fiscal years; or

(5) he determines that a declaration of fiscal emergency is necessary to correct the district's fiscal problems and to prevent further fiscal decline;

(6)(a) While a district is under a declaration of fiscal emergency, the department shall:

(i) visit and inspect the district;

(ii) provide technical assistance in implementing the board's recovery plans; and

(iii) make recommendations concerning the board recovery plans.

(b) In addition to the provisions of subitem (a), while a district is under a declaration of fiscal emergency, the district must:

(i) be required to provide written recovery plans for discontinuing or correcting the practices and conditions that led to the declaration of fiscal emergency to the department; and

(ii) be given approximately sixty days to provide a written recovery plan, which the department may extend for an additional thirty days at the request of the district, provided that no additional extension may be granted under any circumstances.

(7) If the State Superintendent finds a district has not made reasonable recovery plans or taken action to correct the practices or conditions that led to the declaration, the Superintendent may make a recommendation to the State Board of Education that the department take over financial operations of the district for the fiscal year in which a fiscal emergency is declared as part of the technical assistance offered to the district. Upon approval of the recommendation by the State Board of Education, the department may maintain financial operations until the district is released from a fiscal emergency.

(8) A district under a declaration of fiscal emergency must not be released from fiscal emergency in the same fiscal year in which the declaration was made but may be released the following fiscal year if the department determines that the corrective actions have been or are being successfully implemented. The State Superintendent shall notify the local board chairman, district superintendent, and chief financial officer of the release of the district from fiscal emergency.

(9) The district board of trustees may appeal a declaration of a fiscal emergency to the State Board of Education within ten days after the declaration, and the state board shall hold a hearing on the appeal within thirty days after the filing of the appeal or at the next regularly scheduled state board meeting, whichever is later. However, the district shall continue to work with the department in the manner provided by this subsection when a fiscal emergency is declared pending determination of the appeal.

(F) The provisions of this section are supplemental to other provisions of law, but to the extent the provisions of this section conflict with another provision of law, the provisions of this section must prevail.

(G) The provisions of this section also apply to the statewide charter school district, any institution of higher education that authorizes charter schools, or any entity that registers to become a charter school sponsor.

(H) The requirements to place a district on fiscal watch, caution, or emergency must be suspended for the two fiscal years following any state implemented midyear budget cut, if:

(1) the district fails to maintain a general reserve fund of at least one month of general fund operating expenditures;

(2) the State continues to fund at the current base student cost;

(3) the State reduces the base student cost below the appropriation provided in the previous fiscal year; or

(4) the State increases the base student cost appropriation provided in the previous fiscal year but the increase is less than the previous fiscal year's appropriation as adjusted by the Consumer Price Index.

(I) A school district or charter sponsor involved in restructuring or the transfer of a school under its governance to another district or charter sponsor shall:

(1) deliver complete replicas of the student information system to the State Department of Education no later than June thirtieth of the year of transfer; and

(2) maintain updated assessment records and deliver these updated assessments records to the department, or the district or charter sponsor where students are currently assigned, no later than July thirtieth of the year of transfer.

A. Audit Requirement – General Fund Operating Expenditures to Unrestricted Fund Balance

The auditor shall determine if the LEA maintained a general reserve fund (unrestricted general fund balance) of at least one month of general fund operating expenditures of the previous two completed fiscal years. The unrestricted general fund balance equals total general fund balance less restricted general fund balance. There are two tests that the auditor should perform to determine if the LEA meets the test.

Test 1:

A. Determine the district's unrestricted fund balance for fiscal year 2023-24.

B. Calculate the general fund operating expenditures for fiscal year 2032-24. General fund operating expenditures include instructional, support services, and community services expenditures. General fund operating expenditures do not consist of debt service and capital fund expenditures. General fund operating expenditures also do not include interfund transfers.

C. Multiply the general fund operating expenditures for fiscal year 2023-24 by 8.33%. (1 month)

D. If the unrestricted fund balance in part A is greater than the amount calculated in Part B, the District meets the requirement based on this test. If the unrestricted fund balance in Part A is less than the amount calculated in part B, the District does not meet the requirement and a finding should be noted.

E. A district demonstrates progress if the district shows an incremental increase in fund balance from the previous year as it relates to the increase in revenue received.

Test 2:

A. Determine the district's unrestricted fund balance for fiscal year 2023-24.

B. Calculate the general fund operating expenditures from fiscal year 2023-24 and also calculate the general fund operating expenditures from fiscal year 2023-24. General fund operating expenditures include instructional, support services, and community services expenditures. General fund operating expenditures do not consist of debt service and capital fund expenditures. General fund operating expenditures also do not include interfund transfers. Average the general fund operating expenditures for fiscal year 2022-23 and fiscal year 2023-24.

C. Multiply the fiscal year 2022-23 and fiscal year 2023-24 average general fund operating expenditures by 8.33% (1 month).

D. If the unrestricted fund balance in Part A is greater than the amount calculated in Part C, the District meets the requirement. If the unrestricted fund balance in Part A is less than the amount calculated in part B, the District does not meet the requirement and a finding should be noted.

B. Audit Requirement – At risk of default on debt

The auditor should determine if a district is at risk of defaulting on any type of debt, to include, but not be limited to, tax anticipation notes, general obligation bonds, or lease-purchase installment agreements. If such risk is noted, a finding should be noted or a going-concern paragraph should be included.

SCDE Contact: Daniel Haven
(803) 734-0721
dbhaven@ed.sc.gov

Account Code Changes

Some account code changes were implemented in the statewide accounting system, and a few account titles were modified this year. Please refer to the SCDE Financial Accounting Handbook for appropriate account definitions and classifications. The following table provides the 2023-24 revisions to account code numbers and titles.

2023-24 Changes in Statewide Accounting System Account Codes and Titles

REVENUE ADDITIONS

SUBFUND CODE	ACCOUNT CODE	ACCOUNT TITLE	APPLICABLE FUND TYPES(S)
367	3567	CPR Instruction - State Aid to Classroom	EIA Fund
293	4932	SC Pathways Project	Special Revenue Fund
271	4939	Stronger Connections	Special Revenue Fund

REVENUE DELETIONS

SUBFUND CODE	ACCOUNT CODE	ACCOUNT TITLE	APPLICABLE FUND TYPES(S)

CHANGES IN REVENUE ACCOUNT TITLES

SUBFUND CODE	ACCOUNT CODE	ACCOUNT TITLE	APPLICABLE FUND TYPES(S)

EXPENDITURE ADDITIONS

FUNCTION CODE	ACCOUNT TITLE	APPLICABLE FUND TYPES(S)
	N/A	

EXPENDITURE DELETIONS

ACCOUNT CODE	ACCOUNT TITLE	APPLICABLE FUND TYPES(S)
	N/A	

EXPENDITURE CHANGES

ACCOUNT CODE	ACCOUNT TITLE	APPLICABLE FUND TYPES(S)
	N/A	

Audit Reports

In 1984, the United States Congress—concerned about fiscal responsibility and management of the $100 billion dollars annually dispersed by the federal government—passed the Single Audit Act. In July 1996, Congress enacted Public Law 104-156, Single Audit Act Amendments (SAAA). The amendments were developed to streamline and improve the effectiveness of the

Single Audit Act and to further define audit requirements for all entities that receive and administer federal financial assistance. Section 7502 of the SAAA requires that "Each non-Federal entity that expends a total amount of Federal awards equal to or in excess of $300,000… in any fiscal year… shall have either a single audit or a program-specific audit made." 2 CFR Part 200, the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, commonly known as the Uniform Grant Guidance (UGG), increased the threshold to $750,000 for fiscal years beginning after 12/26/2014. For South Carolina LEAs, this was effective for fiscal year 2015-16 audits.

The amendments require the use of a risk-based audit approach in determining major programs, clarify the definition of federal awards, expand the definition of internal controls, and establish specific responsibilities for auditors, federal agencies, pass-through entities, and subrecipients.

The amendments authorize the director of the Office of Management and Budget (OMB) to issue guidance for the implementation of the SAAA. This guidance is incorporated in OMB 2 CFR Part 200 Section 500 Subpart F – Audit Requirements.

It is incumbent upon school districts and their independent auditors to ensure the annual audit is conducted and prepared according to the requirements and format prescribed in 2 CFR Part 200 Section 500.

2 CFR Part 200 Section 500 mandates specific audit responsibilities for pass-through entities. The SCDE is required to monitor subrecipients to ensure that federal awards are used for authorized purposes in compliance with laws, regulations, and provisions of contracts or grant agreements. Additionally, the SCDE must advise subrecipients of, and ensure their adherence to, applicable audit requirements contained in 2 CFR Part 200 Section 500 as well as any supplemental requirements imposed by the SCDE.

The South Carolina Department of Education has assumed responsibilities as the pass-through entity for federal funds received and passed on by the Department and will monitor the requirements of the Single Audit Act and the 1996 amendments by

a. ensuring that audits are made and reports are received in a timely manner and in accordance with the requirements of 2 CFR Part 200 Section 500;
b. providing technical advice and serving as liaison to local school districts, other entities, and independent auditors;
c. conducting quality control reviews of selected audits prepared by independent certified public accountants and providing results to other organizations, as appropriate;
d. informing affected federal agencies and appropriate federal law enforcement officials of any reported illegal acts or irregularities. Also, informing state or local law enforcement and prosecuting authorities, if not advised by the recipient, of any violation of law within their jurisdiction;

e. advising the auditor and auditee when the audit has not met the requirements of 2 CFR Part 200 Section 500 and monitoring corrective action to ensure adherence to the requirements; **[Major inadequacies or repetitive substandard performance of independent auditors will be referred to the State Board of Accountancy or other appropriate agency.]**

f. coordinating, to the extent practical, audits made by or for federal agencies that are in addition to the audits made pursuant to 2 CFR Part 200 Section 500 so that the additional audits build upon such audits; and

g. issuing management decisions on audit findings within six months of acceptance of the audit report by the Federal Audit Clearinghouse and overseeing the resolution of audit findings to ensure that school districts take appropriate and timely corrective action.

The auditor who performs the audit should understand clearly that the Single Audit Act and 2 CFR Part 200 Section 500 audit requirements apply to those funds that are totally or partially supported by federal funds. The Single Audit Act and the 1996 amendments require opinions and comments that go beyond the standard opinions and comments usually presented in audit reports. Therefore, all programs that are totally or partially supported by federal funds must be segregated in the Special Revenue Fund—**except for the food service program, which maintains its own identity in a separate fund type.**

The audit reports prepared at the completion of the audit must not only meet the requirements of the Single Audit Act and the Amendments of 1996 but also must serve the needs of the South Carolina Department of Education as described in State Board of Education regulations.

In accordance with SAAA Section 7502(g) of Chapter 75, "Requirements for Single Audits", and Section __.515, "Audit Reporting", of 2 CFR Part 200 Section 500," the SCDE will review audit reports to ensure that the following items are included:

a. the independent auditor's opinion (or disclaimer of opinion) as to whether the financial statements are presented fairly in all material respects in accordance with GAAP and an opinion (or disclaimer of opinion) on whether the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the financial statements as a whole;

b. the basic financial statements;

c. the Schedule of Expenditures of Federal Awards;

d. the "Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and other Matters Based on Audit of Financial Statements Performed in Accordance with Government Auditing Standards;"

e. the "Independent Auditor's Report(s) on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Controls over Compliance in Accordance with 2 CFR Part 200;"

f. the Schedule of Findings and Questioned Costs, which includes (1) the summary of the auditor's results, (2) the findings related to the financial statements which are required to be reported under GAGAS, (3) the findings for federal awards and identification of major programs, (4) the findings for both financial statements and federal awards, and (5) the identifying reference numbers for each finding;

g. the separate written report covering fraud, abuse, or illegal acts or indications of such acts (to be submitted only if such abuses or acts are detected);

h. the separate Corrective Action Plan (submitted with the audit) addressing each audit finding included in the current year audit reports;

i. the summary schedule of prior audit findings, in accordance with the format presented in 2 CFR Part 200.511(b); and

j. the management letter if auditor issues. A copy should be submitted to auditingservices@ed.sc.gov or uploaded with audit report in LARS.

As prescribed by 2 CFR Part 200 Section 500.512, a reporting package including the above items and an accompanying data collection form (original signed copy) are to be submitted to the Federal Audit Clearinghouse (FAC) designated by the OMB; however, a data collection form is no longer required to be submitted by the OMB. The SF-SAC, which is a series of .xlsx workbooks, should be submitted to the FAC along with the reporting package. The SF-FAC workbooks can be downloaded on the FAC's website. These workbooks are federal workbooks and are not available from the SCDE. After submission of the reporting package and SF-SAC workbooks on the FAC's website, the **SF-SAC Form** will be made available. The SCDE requires that a copy of the **SF-SAC Form (in Excel format)** be uploaded in LARS with the audit package to the Office of Auditing Services. To locate this form, please take the following steps:

1. Go to the FAC website (https://www.fac.gov/)
2. Select "Search for audits"
3. Under Audit Year, select the applicable fiscal year
4. Enter your district's UEI or name
5. Select "Search"
6. Select "Download all"

A copy of the **SF-SAC Form** will be made available in excel format. **Do not convert the excel spreadsheet into a pdf.** LARS is now able to accept this form in excel format.

The Federal Audit Clearinghouse home page on the Internet can be accessed at Federal Audit Clearinghouse - Home (census.gov). Internet reference sites for single audits are listed in Appendix E.

Reporting Format and Illustrative Table of Contents as required by GASB 34

Examples of the uniform reporting format for supplemental schedules as allowed by the Single Audit Act and the state-defined program regulations are reflected in the subsequent pages of this audit guide. The following example lists the reports, statements, and supplemental information that are required as part of the audit report for compliance with GASB 34 reporting requirements.

Any School District
Basic Financial Statements
and Supplemental Information
for the Fiscal Year Ended June 30, 20XX

Table of Contents

- “Statement of Cash Flows: Proprietary Funds” [See page 64.]
- “Statement of Fiduciary Net Position and Liabilities - Agency” [See page 65.]
- “Statement of Changes in Fiduciary Net Position” [See page 65.]

SCDE Supplemental Information (Account Code Numbers Required)

- General Fund
  “Schedule of Revenue, Expenditures, and Changes in Fund Balance” [See page 67.]

- Special Revenue Fund
  “Schedule of Revenues, Expenditures, and Changes in Fund Balance” **(excluding EIA and Food Service Funds)** [See page 67.]

- Special Revenue Fund – “Summary Schedule for Designated Restricted State Grants” [See page 34.]

- Special Revenue Fund: Education Improvement Act – “Schedule of Revenues, Expenditures, and Changes in Fund Balance” **(all programs)** [See page 66.]

- Special Revenue Fund: Education Improvement Act – “Summary Schedule by Program” [See page 34.]

- **Debt Service Fund** – “Schedule of Revenues, Expenditures, and Changes in Fund Balance” [See page 67.]

- **Capital Projects Fund** – “Schedule of Revenues, Expenditures, and Changes in Fund Balance” [See page 67.]

- **Food Service Fund** – “Schedule of Revenues, Expenses/Expenditures, and Changes in Fund Balance/Retained Earnings” [See page 67.]

- **Pupil Activity Fund** – “Schedule of Receipts, Disbursements, and Changes in Due To Student Organizations” [See page 67.]

Required Supplementary Information

- “Required Supplementary Information: Budgetary Comparison Schedule – General Fund” [See page 66.]

- Management Discussion and Analysis
- “Detailed Schedule of Due to South Carolina Department of Education/Federal Government” [See page 69.]

- **IN$ITE™**
  “School District Location Reconciliation Schedule” [See page 70.]
  “Multi-District Career and Technical Education Center Location Reconciliation Schedule” [See page 71.]

<u>Single Audit</u>

- “Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Governmental Auditing Standards” [See page 82.]
- “Independent Auditor’s Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Controls Over Compliance in Accordance with 2 CFR Part 200” [See page 82.]
- “Schedule of Findings and Questioned Costs” (required even if none) [See page 82.]
- “Summary Schedule of Prior Audit Findings” [See page 83.]
- “Schedule of Expenditures of Federal Awards” [See page 85.]

Revenues

School districts and other governmental programs are financed essentially from four revenue sources. GASB 34 identifies these sources and the associated classification types as follows:

A. Revenues from those who purchase, use, or directly benefit from the goods or service of the program. **Type A is always a program revenue.**
B. Revenues from parties outside the reporting government’s citizenry (includes other governments and nongovernmental entities or individuals). **Type B is a program revenue if restricted to a specific program or programs. If the revenues are unrestricted, type B is a general revenue.**
C. Revenue from the reporting government’s taxpayers. **Type C is always a general revenue, even if restricted to a specific program.**
D. Revenues from the governmental institution itself. **Type D is usually a general revenue.**

Program revenues are derived directly from the program itself or from parties outside the reporting government’s citizenry. They reduce the net cost of the function to be financed from the government’s general revenues. The statement of activities should separately report the following three categories of program revenues: charges for services, program-specific operating grants and contributions, and program-specific capital grants and contributions.

Earnings on endowments or permanent fund investments should be reported as program revenues if restricted to a program or programs specifically identified in the endowment or permanent fund agreement or contract. Earnings from endowments or permanent funds that finance “general fund programs” or “general operating expenses” should not be reported as program revenue.

All revenues are **general revenues** unless they are required to be reported as program revenues. Paragraph 52 of GASB 34 states that "All taxes, even those levied for a specific purpose, are general revenues and should be reported by type of tax—for example, sales tax, property tax, franchise tax, income tax." All other nontax revenues (including interest, grants, and contributions) that do not meet the criteria to be reported as program revenues also should be reported as general revenues. General revenues should be reported on the statement of activities after presentation of the total net expense of the government's functions (see GASB 34 paragraphs 47 through 53 for specific reporting requirements for revenues).

Extraordinary items are transactions or other events that are **both** unusual in nature **and** infrequent in occurrence (for example, damages sustained from a hurricane or a chemical spill). Special items are significant transactions or other events within the control of management that are **either** unusual in nature **or** infrequent in occurrence (for example, sales of certain general governmental capital assets or a significant forgiveness of debt). Extraordinary items and special items should be reported separately at the bottom of the statement of activities (see exhibit 2 of this document and GASB 34 paragraphs 55 and 56).

The following table has been prepared to assist school districts in determining the types of revenues to be reported in the statement of activities. Revenues are listed according to the account code classifications in the *Financial Accounting Handbook* published by the SCDE.

Note that some revenues could be classified as either program or general; the final determination will be dependent on the source and purpose of the revenue as discussed in paragraphs 47 through 52 of GASB 34.

Table of Revenue Types

REVENUE	GENERAL	PROGRAM	PROGRAM REVENUE CATEGORY
1100s	X		
1200s	X		
1300s		X	charges for services
1400s		X	charges for services
1500s	X		
1600s		X	charges for services
1910	X		
1920[a]	X	X	operating grants and contributions
1930		X	operating grants and contributions
1950	X		
1992		X	operating grants and contributions
1993	X		
1994	X		
1999	X	X	operating grants and contributions
2100	X	X	operating grants and contributions
2200	X	X	operating grants and contributions

Revenue	General	Program	Program Revenue Category
2300	X	X	operating grants and contributions
2310	X	X	operating grants and contributions
Other 3100s		X	operating grants and contributions
3200s	X		
3300s		X	operating grants and contributions
3500s		X	
3600s		X	operating grants and contributions
3800s	X		
3992	X		
3999	X	X	operating grants and contributions
4100s	X		
4200s		X	operating grants and contributions
4300s		X	operating grants and contributions
4400s		X	operating grants and contributions
4500s		X	operating grants and contributions
4800s		X	operating grants and contributions
4924		X	operating grants and contributions
4935		X	operating grants and contributions
4940		X	operating grants and contributions
4970s		X	operating grants and contributions
4991		X	operating grants and contributions
4992	X		
4993	X	X	operating grants and contributions
4997	X	X	operating grants and contributions
4999	X	X	operating grants and contributions
5280	X		
5300	X		
5999	X	X	operating grants and contributions

[a] Usually will be general revenue unless the donation is restricted in use and amount to a specific program.

End of the Reporting Format and Illustrative Table of Contents as required by GASB 34.

2 CFR Part 200.500 Subpart F: Auditee and Auditor Responsibilities

AUDITEES	AUDITORS
• Identify all federal awards received and expended by program title, Assistance listing title and number, award number and year, federal awarding agency, and name of pass-through entity.	• Conduct the audit in accordance with GAGAS and the requirements of the revised Subpart F.
• Maintain internal control over federal programs that provide assurance that the auditee is managing federal awards in compliance with applicable laws, regulations, and provisions of contracts or grant agreements that could have a material effect on each of its federal programs.	• Determine whether financial statements are presented fairly in all material respects in conformity with GAAP. Section_.514(b).
• Comply with laws, regulations, and the provisions of contracts or grant agreements related to each of its federal programs.	• Determine whether the Schedule of Expenditures of Federal Awards is presented fairly in all material respects in relation to the financial statements taken as a whole. Section_.514(b).
• Prepare appropriate financial statements, INCLUDING THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, in accordance with Section __.508(b).	• Perform procedures to obtain an understanding of internal control over federal programs sufficient to plan the audit to support a low assessed level of control risk for major programs. Section_.514(c)(2)
• Ensure that audits are performed in accordance with 2 CFR Part 200 and are submitted when due.	• Plan the testing of internal control over major programs to support a low assessed level of control risk for assertions relevant to compliance for major programs. Section_.514(c)(3)(i).
• Follow up and take corrective action on audit findings, INCLUDING THE PREPARATION OF A SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS in accordance with Section __.508(c).	• Perform internal control testing as prescribed in Section __.514(c)(3)(ii).
• Prepare the corrective action plan in accordance with Section __.511(c).	• Determine whether the auditee has complied with laws, regulations, and the provisions of contracts or grant agreements that may have a direct and material effect on major programs. Section __.514(4)(d)(1).

AUDITEES	AUDITORS
• Procure audit services according to procurement standards prescribed in Section 200.317; Procurement by states through 200.327; Contract provisions of Subpart D-Post Federal Award Requirements.	• Use the types of compliance requirements contained in the OMB Compliance Supplement for compliance requirements related to federal programs. Section_.514(d)(1).
• Ensure auditor is selected in accordance with §200.509 Auditor Selection and ensure audit is properly performed and submitted when due in accordance with §200.512 Report Submission.	• Follow up on prior audit findings, perform procedures to assess the reasonableness of the summary schedule of prior audit findings, and report on any misrepresentation of the status of prior audit findings as described in Section __.200.511.
• Submit data collection form and accompanying certification statement as required in Section __.512(b)	• Complete and sign specified sections of the data collection form in accordance with Section __.514(f).
• Submit reporting package to the Federal Audit Clearinghouse in accordance with Section __.512(c).	• Prepare required reports and schedules as described in Section __.515.
• Keep one copy of the data collection form and one copy of the reporting package on file for three years from the date of submission to the Federal Audit Clearinghouse.	

Fund Classifications

The descriptions presented below describe the fund types that are most commonly used by South Carolina Public School Districts.

General Fund	Accounts for all financial resources of the LEA except for those not accounted for in another fund.
Special Revenue Fund	Accounts and reports for the proceeds of specific revenue sources (other than debt service or capital projects) that are restricted or committed to expenditures for specified purposes. Pupil activity funds could be considered a special revenue fund.
Special Revenue Fund	Accounts for the proceeds of the additional 1- Education Improvement Act percent sales and use tax that are restricted to expenditures for the Education Improvement Act strategies.
Capital Projects Fund	Accounts for financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets (other than those of proprietary and trust funds). The most common sources of revenue in this fund would be the sale of bonds and State Building Fund Aid.
Debt Service Fund	Accounts and reports for financial resources that are restricted, committed, or assigned to expenditures for principal and interest.
Proprietary Fund	Accounts for operations that are financed and operated in a manner similar to private business enterprises where the stated intent is that the costs (expenses, depreciation, and indirect costs) of providing goods or services to the students or general public on a continuing basis are financed or recovered through user fees.
Trust and Agency Fund	Accounts for assets held by an LEA in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. Agency funds could include Pupil Activity Funds.

Independent Auditor's Report

The primary objective of any examination of financial statements of a governmental entity by an independent auditor is the expression of an opinion. This is reinforced in GAO's *Government Auditing Standards*, which states that "the primary purpose of a financial audit is to provide an opinion about whether an entity's financial statements are presented fairly in all material respects in conformity with an applicable financial reporting framework."

The financial report of an LEA includes a wide variety of detailed financial information in addition to the basic financial statements. The types of additional information included are supplemental financial statements, schedules, and other data. The auditor must determine how to report on the additional information based on the scope of the auditor's examination, on the nature of the additional information, and on whether the information is included in a client-prepared or audit-submitted document.

Examples of both unmodified and modified opinions on basic financial statements are illustrated in the *Audits of State and Local Governments (GASB-34 Edition)*.

Examples of Government-Wide Financial Statements
Statement of Net Position

ABC School District
Statement of Net Position
June 30, XXXX

	Primary Government			
	Governmental Activities	**Business-type Activities**	**Total**	**Component Units**
ASSETS				
Cash and cash equivalents	$	$	$	$
Property taxes receivable (net)				
Due from other governmental units				
Other receivables				
Internal balances				
Inventories and prepaid expenses				
Capital assets:				
Land				
Buildings				
Equipment				
Less accumulated depreciation				
Total capital assets, net of depreciation				
Total Assets				
DEFERRED OUTFLOWS OF RESOURCES				
Accumulated decrease in fair value of hedging derivatives				
LIABILITIES				
Accounts payable and other current liabilities				
Deferred revenue				
Long–term liabilities:				
Due within one year:				
Bonds, capital leases, and contracts				
Accrued interest				
Special termination benefits and compensated absences				
Claims and judgments				
Due in more than one year:				
Bonds, capital leases, and contracts				
Accrued interest				
Special termination benefits and compensated absences				
Claims and judgments				
Total Liabilities				
DEFERRED INFLOWS OF RESOURCES				
Accumulated increase in fair value of hedging deriatives				
Deferred service concession arrangement receipts				
Total deferred inflows of resources				
NET POSITION				
Invested in capital assets, net of related debt				
Restricted for:				
Capital projects				
Debt service				
Other purposes (specify)				
Unrestricted (deficit)				
Total Net Position	$	$	$	$

Statement of Activities

ABC School District
Statement of Activities
for the Year Ended June 30, XXXX

		Program Revenues			Net (Expense) Revenue and Changes in Net Position			
					Primary Government			
Functions/Programs	**Expenses**	**Charges for Services and Sales**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Governmental Activities**	**Business-type Activities**	**Total**	**Component Units**
Primary government:								
Governmental activities:								
Instruction	$	$	$	$	$		$	
Support services (includes food service if a special revenue fund)								
Community services								
Intergovernmental								
Interest and other charges								
Depreciation—unallocated*								
Total governmental activities								
Business-type activities:						$		
Food service (if an enterprise fund)								
Total business-type activities								
Total primary government	$	$	$	$				
Component units:								
Charter school	$	$	$	$				$
Alternative school								
Foundation								
Other (specify)								
Total component units								
General revenues:								
Property taxes levied for:								
General purposes								
Debt service								
State aid/grants (unrestricted)								
Unrestricted investment earnings								
Special item (specify)								
Extraordinary item (specify)								
Total general revenues, special items, and extraordinary items								
Change in net position								
Net position, beginning of year								
Net position, end of year					$	$	$	$

*This amount excludes the depreciation that is included in the direct expenses of the various programs.

Examples of Fund Financial Statements
Balance Sheet Governmental Funds

ABC School District					
Balance Sheet					
Governmental Funds					
June 30, XXXX					
	General	**Special Revenue**	**EIA**	**Other Governmental Funds**	**Total Governmental Funds**
ASSETS					
Cash and cash equivalents	$	$	$	$	$
Property taxes receivable, net					
Accrued interest					
Due from other funds					
Other receivables					
Inventories—supplies and materials					
Other current assets (specify)					
Total assets	$	$	$	$	$
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	$	$	$	$	$
Due to other funds					
Due to other governmental units					
Due to student groups					
Deferred revenue					
Total liabilities					
Fund balances:					
Nonspendable (Reserved):					
Restricted (Reserved)					
Committed (Unreserved)					
Assigned (Unveserved)					
Unassigned (Unveserved)					
Total fund balances					
Total liabilities and fund balances	$	$	$	$	$
	Total fund balances				xx,xxx,xxx *
	* This amount should agree with total fund balances of total governmental funds on line above.				

Balance Sheet Governmental Funds, continued

Amounts reported for *governmental activities* in the statement of net position are different because of the following:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. The cost of assets is $x,xxx and the accumulated depreciation is $x,xxx.	x,xxx
Property taxes receivable are not available to pay for current-period expenditures and therefore are deferred in the funds.	x,xxx
Internal service funds are used by the district to charge the costs of certain activities to individual funds. The assets and liabilities of certain internal service funds are included with governmental activities in the statement of net assets.	x,xxx
Some liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(x,xxx)
Net assets of governmental activities	$xxx,xxx **

** This amount should agree to the total amount presented in column 1 on the Statement of Net Position

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds

ABC School District
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
for the Year Ended June 30, XXXX

	General Fund	Special Revenue Fund	EIA Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Local property taxes	$	$	$	$	$
Other local					
Total local					
State					
Federal					
Intergovernmental					
Total Revenues					
EXPENDITURES					
Current:					
Instruction					
Support services					
Community services					
Intergovernmental					
Debt service					
Principal					
Interest					
Capital outlay					
Total expenditures					
Excess (deficiency) of revenues over expenditures					
OTHER FINANCING SOURCES (USES)					
Sale of fixed assets					
Capital leases					
Proceeds from long-term notes					
Transfers in					
Transfers out					
Total other financing sources					
SPECIAL ITEM					
Specify					
Net change in fund balances					
Fund balances—July 1, XXXX					
Fund balances—June 30, XXXX	$	$	$	$	$

Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities

ABC School District	
Reconciliation of Statement of Revenues, Expenditures,	
and Changes in Fund Balances of Governmental Funds	
to the Statement of Activities	
for the Year Ended June 30, XXXX	
Total net change in fund balance—governmental funds (from Statement of	
Revenues, Expenditures, and Changes in Fund Balances-Governmental Funds	$xx,xxx,xxx
Amounts reported for governmental activities in the statement of activities are different because of the following:	
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense ($x,xxx,xxx) exceeds capital outlays ($x,xxx,xxx) in the period.	(x,xxx,xxx)
Some of the capital assets acquired this year were financed with capital leases. The amount financed by the leases is reported in the governmental funds as a source of financing. On the other hand, the capital leases are not revenues in the statement of activities but rather constitute long-term liabilities in the statement of net position.	(xxx,xxx)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	xx,xxx,xxx
Because some property taxes will not be collected for several months after the district's fiscal year ends, they are not considered "available" revenues and are deferred in the governmental funds. Deferred tax revenues increased by this amount this year.	xxx,xxx
In the statement of activities, only the *gain* on the sale of the unimproved land is reported, whereas in the governmental funds, the entire proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balances by the *cost* of the land sold.	(xxx,xxx)
In the statement of activities, certain operating expenses—compensated absences (sick pay and vacations) and special termination benefits (early retirement)—are measured by the amounts *earned* during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually *paid*). This year, vacation and sick leave earned ($xxx,xxx) exceeded the amounts used ($xxx,xxx) by $xx,xxx. Special termination benefits paid ($xx,xxx,xxx) exceeded the amounts earned ($x,xxx,xxx) by $x,xxx,xxx.	x,xxx,xxx
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the statement of activities is the net result of two factors. First, accrued interest on bonds, leases, and contracts payable *decreased* by $xx,xxx, and second, $x,xxx,xxx of additional accumulated interest was accreted on the district's "capital appreciation" bonds.	(x,xxx,xxx)
An internal service fund is used by the district's management to charge the costs of workers' compensation and unemployment claims to the individual funds. The net revenue of the internal service fund is reported with governmental activities.	x,xxx,xxx
Change in net position of governmental activities on the Statement of Activities	$xx,xxx,xxx

Statement of Net Position, Proprietary Funds

ABC School District		
Statement of Net Position		
Proprietary Funds		
June 30, XXXX		
	Enterprise Fund—Food Services	**Internal Service Funds (if applicable)**
ASSETS		
Current assets:		
Cash and cash equivalents	$	$
Due from other governmental units		
Due from other funds		
Other receivables		
Inventories—supplies and materials		
Total current assets		
Noncurrent assets:		
Equipment		
Less accumulated depreciation		
Total noncurrent assets		
Total assets		
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities		
Claims payable		
Due to other funds		
Deferred revenue		
Total current liabilities		
Long-term liabilities:		
Claims payable		
Total liabilities		
NET POSITION		
Net Investment in Capital Assets		
Unrestricted		
Total net position	$	$

Note: A reconciliation may be required depending on balance in business activities column on the Statement of Activities

Statement of Revenues, Expenses, and Changes in Fund Net Position Proprietary Funds

ABC School District Statement of Revenues, Expenses, and Changes in Fund Net Position Proprietary Funds for the Year Ended June 30, XXXX		
	Enterprise Fund—Food Services	Internal Service Funds (if applicable)
OPERATING REVENUES		
Proceeds from sale of meals	$	$
Charges to other funds		
Total operating revenues		
OPERATING EXPENSES		
Food costs		
Salaries and wages		
Utilities		
Supplies and materials		
Depreciation		
Other operating costs		
Total operating expenses		
Operating income (loss)	(xx,xxx,xxx)	
NONOPERATING REVENUES (EXPENSES)		
Interest income		
USDA reimbursements		
Commodities received from USDA		
Other federal and state aid		
Total nonoperating revenue (expenses)		
Income (loss) before operating transfers		
Transfers in (out)		
Change in net position		
Total net position—July 1, XXXX		
Total net position—June 30, XXXX	$	$

Note: A reconciliation may be required depending on balance in business activities column on the Statement of Activities

Statement of Cash Flows - Proprietary Funds

ABC School District			
Statement of Cash Flows			
Proprietary Funds			
For the Year Ended June 30, XXXX			
			Internal
	Enterprise Fund—		**Service Funds**
	Food Services		**(if applicable)**
CAS H FLOWS FROM OPERATING ACTIVITIES			
Received from patrons	$		$
Received from assessments made to other funds			
Payments to employees for services			
Payments for workers' compensation and unemployment claims			
Payments to suppliers for goods and services			
Net cash received from (used by) operating activities			
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Nonoperating grants received			
Net cash received from (used for) noncapital financing activities			
CASH FLOWS FROM CAPITAL AND RELATED FINANCING			
ACTIVITIES			
Acquisition of capital assets			
Net cash received from (used for) capital and related			
financing activities			
CASH FLOWS FROM INVES TING ACTIVITIES			
Interest on investments			
Net cash received from (used by) investing activities			
Net increase (decrease) in cash and cash equivalents			
Cash and cash equivalents—July 1, XXXX			
Cash and cash equivalents—June 30, XXXX	$		$
Reconciliation of operating income (loss) to net cash			
received from (used by) operating activities:			
Operating income (loss) (from Statement of Rev, Exp, and			
Changes in Fund Net Assets-Proprietary Funds)	$		$
Adjustments to reconcile operating income (loss) to net cash			
received from (used by) operating activities:			
Depreciation			
Commodities used			
Changes in assets and liabilities:			
Receivables			
Inventories			
Accrued liabilities			
Unearned revenue			
Net cash received from (used by) operating activities	$		$
Noncash transactions:			
During the year the district received $x,xxx,xxx of food commodities from the U.S. Department of Agriculture.			

Statement of Fiduciary Net Position

ABC School District			
Statement of Fiduciary Net Position			
June 30, XXXX			
	Private-Purpose		
	Trusts		**Agency Funds**
ASSETS			
Cash and cash equivalents	$		$
Due to other governmental units			
Accrued interest			
Due from other funds			
Total assets			$
LIABILITIES			
Accounts payable			$
Due to student groups			
Due to grantor agencies			
Total liabilities			$
NET POSITION			
Reserved for scholarships			
Unreserved			
Total net position	$		

Statement of Changes in Fiduciary Net Position

ABC School District			
Statement of Changes in Fiduciary Net Position			
for the Year Ended June 30, XXXX			
	Private-Purpose		
	Trusts		
ADDITIONS			
Gifts and contributions	$		
DEDUCTIONS			
Scholarships awarded			
Change in net position			
Net position—July 1, XXXX			
Net position—June 30, XXXX	$		

Budgetary Comparison Schedule – General Fund

Required Supplementary Information
ABC School District
Budgetary Comparison Schedule
General Fund
for the Year Ended June 30, XXXX

The variance column is optional.

	Budgeted Amounts		Actual	Variance with Final Budget— Positive
	Original	**Final**	**(Budgetary Basis)**	**(Negative)**
REVENUES				
Local	$	$	$	$
State				
Federal				
Intergovernmental				
Total revenues				
EXPENDITURES				
Current:				
Instruction				
Support services				
Community services				
Intergovernmental				
Debt service				
Capital outlay				
Total expenditures				
Excess (deficiency) of revenues over expenditures				
SPECIAL ITEM				
Specify				
Net change in fund balances				
Fund balance—July 1, XXXX				
Fund balance—June 30, XXXX	$	$	$	$

SCDE Supplemental Information (Account Code Numbers Required)

Each of the following schedules listed below must be included in the audit report. The actual schedules are no longer included in the guide. **Please see the SCDE Supplemental Schedules at** https://ed.sc.gov/finance/auditing/manuals-handbooks-and-guidelines/annual-audit-guide-and-lars-template/fy-2023-24/ **for the schedule formats that were previously included in this guide.**

- **General Fund** – "Schedule of Revenues, Expenditures, and Changes in Fund Balance"
    - Include public charter school/component units
- **Special Revenue Fund** – "Schedule of Revenues, Expenditures, and Changes in Fund Balance" **(excluding EIA and Food Service Funds)**
    - Include public charter school/component units
- **Special Revenue Fund** – "Summary Schedule for Designated Restricted State Grants" [see page 34]
- **Special Revenue Fund: Education Improvement Act** – "Schedule of Revenues, Expenditures, and Changes in Fund Balance" **(all programs)**
    - Include public charter school/component units
- **Special Revenue Fund: Education Improvement Act** – "Summary Schedule by Program" [see page 33]
- **Debt Service Fund** – "Schedule of Revenues, Expenditures, and Changes in Fund Balance"
- **Capital Projects Fund** – "Schedule of Revenues, Expenditures, and Changes in Fund Balance"
- **Food Service Fund** – "Schedule of Revenues, Expenses/Expenditures, and Changes in Fund Balance/Retained Earnings"
- **Pupil Activity Fund** – "Schedule of Receipts, Disbursements, and Changes in Due To Student Organizations"

Detailed Schedule of Due to the South Carolina Department of Education/Federal Government

The South Carolina Department of Education requires a detailed schedule of LEA balance sheet accounts that are recorded as "Due to South Carolina Department of Education/Federal Government." The amounts presented in the schedule **must not reflect net balances and must reflect any interest earned on federal funds.** Interest amounts up to $500 may be kept. Also, advance payments, if any, from the SCDE **should not be reflected** if expended during the audited period. Funds normally would be due back to the Department because of overclaimed program expenditures, unallowable costs, or various other possibilities. **Funds that have been recouped from a subsequent expenditure claim also do not have to be listed. Auditors should consult with the LEA to determine if any other claims were submitted after the "Payment Information" was provided. *Funds sent in error cannot be returned to the LEA.* Funds are due no later than June 30, 2024.**

At a minimum, the Detailed Schedule of Due to South Carolina Department of Education/Federal Government should include the following items for appropriate identification and accounting of funds to be reimbursed:

- The name/title of the program (include ALL STATE and FEDERAL FUNDS that are to be reimbursed).
- The subaward/grant number (include the YEAR).
- SCDE revenue and subfund codes used for reimbursement.
- The reason for the reimbursement.
- The amount of funds to be reimbursed. (**PLEASE DO NOT ROUND**.)
- The SCDE Office of Finance requires that project component codes be included for any school building projects for which funds are listed in this schedule. The codes are necessary to ensure proper reimbursement.
- For funds due back for Food Service, include the site name, month, meal type (breakfast, lunch, snacks), meal reimbursement type (free, reduced, paid), in addition to amount of overclaim.
- Status of amounts due to the SCDE or the federal government (e.g., recoupments by grantors, reimbursements made to SCDE subsequent to end of fiscal year (include check date and check number) and include name of agency for "due to" amounts that are received from grantors other than SCDE).
- A grand total of all "due to" amounts.

A detailed example of the required schedule follows on the next page:

Any School District Detailed Schedule of Due to
Anywhere, South Carolina
South Carolina Department of Education/Federal Government[a]

PROGRAM	GRANT OR PROJECT NUMBER AND FY	REVENUE & SUBFUND CODES	DESCRIPTION	AMOUNT DUE TO SCDE OR FEDERAL GOVERNMENT	STATUS OF AMOUNTS DUE TO GRANTORS
Students At Risk of School Failure	EIA	3538/338	Undocumented Cost (Expenditure Account Code)	$xx,xxx.xx	Recouped by SCDE on 9/15/22
IDEA	19IDEA	4510/203	Unreasonable Cost (Expenditure Account Code)	$xx,xxx.xx	Unpaid
Perkins, Title I (by subprogram) HSTW State	19CTE Subprogram (20)	4210/207	Overclaimed Cost (Expenditure Account Code)	$xx,xxx.xx	Paid Check # 100, check amount $X,XXX.XX
			Total Due	$xx,xxx.xx	

[a] This schedule **must** be submitted. If no LEA balance sheet accounts are recorded as "Due to South Carolina Department of Education/Federal Government," then please indicate on this schedule with the statement that "No funds are due to state/federal government."

[b] Include the status of amounts due to the SCDE or the federal government (e.g., recoupments by grantors, reimbursements made to SCDE subsequent to end of fiscal year, including check number and check data) and name of agency for "due to" amounts that are received from grantors other than SCDE.

<u>*PLEASE DO NOT ROUND AMOUNTS DUE BACK*</u>

IN$ITE™ Location Reconciliation Schedules

Total expenditures for all funds must be included at the detail shown below in the IN$ITE™ Location Reconciliation Schedules. The schedules are subject to the same auditing procedures as other supplemental schedules included in the audit. It is imperative that auditors provide all adjusting journal entries to be booked by the school district. These entries are essential when the SCDE balances the district General Ledger to the audit. In$ite data is used on the district and school report cards and must be accurate.

School District Location Reconciliation Schedule

LOCATION ID[1]	LOCATION DESCRIPTION[2]	EDUCATION LEVEL[3]	COST TYPE[4]	TOTAL EXPENDITURES[5]
00	Districtwide	Non-Schools	Central	$1,075,768
01	Education Service Center	Other Schools	School	51,807
02	Vocational Center	Other Schools	School	334,856
03	Washington High	High Schools	School	1,064,193
06	District Office	Non-Schools	Central	535,275
08	Jefferson Primary	Elementary Schools	School	597,452
09	Johnson Elementary	Elementary Schools	School	705,432
10	Maintenance Center	Non-Schools	Central	3,751
13	High School Renovation	Non-Schools	Central	1,143,000
44	Lincoln Jr. High School	Middle Schools	School	699,255
45	Adams Elementary	Elementary Schools	School	405,840
46	Cleveland Elementary	Elementary Schools	School	707,937
		TOTAL EXPENDITURES/DISBURSEMENTS FOR ALL FUNDS		$7,324,566[6]

The above expenditures are reconciled to the district's financial statements as follows:

General Fund (Subfunds 100s)	$5,127,196
Special Revenue Fund (Subfunds 200s, 800s, 900s)[7]	512,719
Special Revenue EIA Fund (Subfunds 300s)[7]	512,719
Debt Service Fund (Subfunds 400s)	366,228
Capital Projects Fund (School Building) (Subfunds 500s)	73,246
Proprietary Fund (Food Service) (Subfunds 600s)	12,720
Trust and Agency Fund (Pupil Activity) (Subfunds 700s)	219,737
TOTAL EXPENDITURES/DISBURSEMENTS FOR ALL FUNDS	$7,324,566[6]

ENDNOTES FOR SCHOOL DISTRICT IN$ITE™ LOCATION RECONCILIATION SCHEDULE

1 Use the same location number that the district assigned for account coding.

2 Provide brief description of the location identified.

3 Locations that instruct students will be classified as "high schools," "middle schools," "elementary schools," "alternative schools," or "other schools." All other locations are classified as "non-schools."

4 Cost types are classified as either "central" or "school." "Non-school" education levels will be "central" cost types. All other education levels are "school" cost types.

5 Total expenditures excluding transfers from all funds for each location.

6 Total expenditures for all LEA funds included in the audit. This total MUST RECONCILE with the total for year-end adjusted General Ledger expenditures submitted by the district.

7 Expenditures for Special Revenue and Special Revenue EIA Funds should be reported separately.

Multi-District Career / Technology Center Location Reconciliation Schedule

NAME OF DISTRICT SERVED	NAME OF SCHOOL SERVED	NUMBER OF STUDENTS SERVED[1]
District 1	Washington High	74
District 2	Jefferson High	45
District 3	Lincoln High	61
	TOTAL STUDENTS SERVED	180

The above expenditures are reconciled to the district's financial statements as follows:

General Fund (Subfunds 100s)	$1,659,742
Special Revenue Fund (Subfunds 200s, 800s, 900s)	492,654
Special Revenue EIA Fund (Subfunds 300s)[2]	135,612
Debt Service Fund (Subfunds 400s)	366,228
Capital Projects Fund (School Building) (Subfunds 500s)	0
Proprietary Fund (Food Service) (Subfunds 600s)	0
Trust and Agency Fund (Pupil Activity) (Subfunds 700s)	16,921
	f$2,304,929[3]

1 Provide number of students served by location at the 135th day. If average daily membership is not available, an unduplicated headcount is acceptable.

2 Expenditures for Special Revenue and Special Revenue EIA Funds should be reported separately.

3 Total expenditures/disbursements from all funds excluding transfers.

Single Audit

The South Carolina Department of Education (SCDE) shall review the audit reports to ensure that the LEA has internal control systems that provide reasonable assurance that it is managing federal financial assistance programs in compliance with applicable laws and regulations.

Determination of Major Programs

Under the Single Audit Act, the auditor shall determine and report on whether the recipient has complied with laws and regulations that may have a material effect on each major federal financial assistance program. The Single Audit Act Amendments of 1996 revised the definition of a **major program** to incorporate the use of risk-based criteria as prescribed by the OMB. 2 CFR Part 200 requires that specific items be considered in assessing risk for major program determination. These criteria include

A. **A review of the current and prior years' audit experience.** A review of the internal control and compliance results is required to help determine the level of risk. If prior audit experience shows weaknesses or deficiencies, these factors must be considered in the risk assessment.

B. **The oversight by federal agencies and pass-through entities.** If the oversight exercised by the federal agencies and pass-through entity is fairly comprehensive, a lower level of risk would be assigned than if there was very little oversight responsibility.

C. **The inherent risk of the federal program**. A review of the complexity of the program requirements and the method of distributing funds should be considered. Also, significant changes in program laws, regulations, or provisions of federal contracts or grant agreements as well as a new program that is being administered for the first time in a school district may increase risk.

Under the **previous law,** which used only the dollar threshold to determine major programs, the OMB found that only 20 percent of all federal programs were being tested, but the testing accounted for 90 percent of total federal dollars. Using the **new risk-based approach**, 100 percent of federal programs are subject to testing. The OMB sees this approach as a significant improvement in audit coverage over federal programs.

The first step in determining which programs are to be tested as **major** programs is to identify **all** types of federal programs. 2 CFR Part 200 has established that the auditor uses $750,000 when total federal program expenditures are equal to or greater than $750,000 and less than $25 million as the criteria for identifying Type A programs. 2 CFR Part 200 has established that the auditor uses 3 percent of all federal program expenditures for total federal awards that exceed $25 million but less than or equal to $100 million. There are different amounts established in 2 CFR Part 200 for increments of total federal expenditures over $100 million. Currently, none of our school districts exceed this amount, so the $100 million maximum is the relevant level for testing.

How to Determine Major Programs

A. Add multiple awards with the **same Assistance Listing Number** (or multiple awards designated as "other clusters" in the OMB Compliance Supplement) including direct and pass-through awards, to determine if the expenditure threshold has been met for Type A programs. The OMB Compliance Supplement designates the food service programs as "other clusters." (Using the Schedule of Expenditures of Federal Awards on pages 84-85 as an example, the Title I programs and food service programs would qualify under the above criteria.)

B. **FOR THE FOOD SERVICE FUND ONLY**, expenditures are not segregated by funding source (federal, state, or local). Therefore, regardless of fund source, **expenditures** for the National School Lunch Program (Assistance listing number 10.555), School Breakfast Program (Assistance listing number 10.553), and Food Distribution/Commodities program (included with Assistance listing number 10.553, 10.555) will be combined as one program for "Major Program" determination. Other USDA programs in this cluster include Special Milk Program for children (Assistance listing number 10.556), and the Summer Food Service Program for Children (Assistance listing number 10.559). Even though these programs are combined for major program determination, total expenditures for each program must be presented in the SEFA by Assistance listing number and SCDE subfund code. For additional guidance on determining federal awards expended, see Section 200.502 of 2 CFR Part 200.

All other federal programs administered by the school districts are identified as Type B programs.

Type A Programs

All **Type A** programs must be tested unless the program is determined to be low risk. 2 CFR Part 200 specifies the following criteria to determine a low level of risk for **Type A** programs:

a. the program must have been audited as a major program in at least one of the two most recent audit periods, and

b. there must have been no internal control deficiencies which were identified as material weaknesses in the auditor's report on internal control for major programs as required under Section 200.515; a modified opinion on the program in the auditor's report on major programs as required under Section 200.515, or known or likely questioned costs that exceed 5 percent of the total Federal awards expended for the program in the **most recent** audit period.

In addition, a **Type A** program can be determined to be low risk based on the professional judgment of the auditor after consideration of areas discussed in Section __.520(c)(1).

The OMB allows a federal agency to request that certain programs not be assessed as low-risk programs. For example, a federal agency may be required to audit a large **Type A** program as major every year in order to comply with 31 U.S.C. 3515. If the OMB approves the agency's request, the agency must notify the recipient and the auditor, if known, at least one hundred eighty (180) calendar days prior to the end of the fiscal year to be audited.

In addition, 2 CFR Part 200 specifies that a grouping of closely related programs that share common compliance requirements, known as a **cluster of programs,** shall be considered as one program for determining major programs. These might include research and development (R&D), student financial aid (SFA), and “other clusters.” Other clusters are designated by the OMB in the Compliance Supplement or designated by a state for federal awards. The school food service programs have been designated by the OMB as a cluster of programs. The independent auditor should refer to the OMB Compliance Supplement to determine which federal awards must be considered as “other clusters” for program testing.

Type B Programs

Once you have identified the Type A programs and assessed the level of risk, you must determine which **Type B** programs are **high risk** by

a. using current and prior year audit experience,
b. reviewing the amount of oversight exercised by the federal and pass-through entity,
c. considering the inherent risk of the federal program, and
d. using your professional judgment.

The auditor is not required to identify more high-risk **Type B** programs than at least one fourth the number of low-risk Type A programs identified as low-risk. When identifying **Type B** programs to risk-assess, the auditor is encouraged to use an approach which provides an opportunity for different high-risk **Type B** programs to be audited as major over a period of time. The auditor is only required to perform risk assessments on **Type B** programs that exceed 25% of the Type A threshold.

If an auditee does not have any Type A programs, then the auditor does not need to perform risk assessment on **Type B** programs. The auditor should skip Step 3 in Section __.518 of 2 CFR Part 200 and go to Step 4, paragraph (f), to determine what programs are needed to meet the percentage-of-coverage rule.

When all programs are identified and risk assessment has been completed, major programs are identified as:

a. **all Type A** programs, unless the program is determined to be low risk;
b. **all high-risk Type B** programs:
    - at least one-fourth the number of **low-risk Type A programs**;
c. any programs to be audited as major upon request of a federal agency; and
d. **any other programs needed** to meet the percentage-of-coverage rule must be tested.

Percentage-of-Coverage Rule
The percentage-of-coverage rule requires the auditor to audit as major programs federal programs with federal awards expended that, in the aggregate, encompass

- at least 40 percent of total federal awards expended (see Section __.518(f) of 2 CFR Part 200) **OR**
- 20 percent of the total federal awards expended if the school district is determined to be a low-risk auditee.

The auditor must include in the audit documentation the risk analysis process used in determining major programs.

Low-Risk Auditee/School District

To determine if the school district is a low-risk auditee, 2 CFR Part 200 establishes the following guidance:

A. The entity/school district must have single audits conducted on an annual basis, including submitting the data collection form and the reporting package to the FAC within the timeframe specified in Section 200.512. A non-federal entity that biennial audits does not qualify as a low-risk auditee.
B. The entity/school district must have unmodified opinions on the financial statements and the Schedule of Expenditures of Federal Awards (SEFA).
C. The entity/school district must not have any material weaknesses in internal controls.
D. The auditor must not have reported a substantial doubt about the auditee's ability to continue as a going concern.
E. The entity/school district must not have audit findings for Type A programs for either of the preceding two years for
    - internal control deficiencies that were identified as material weaknesses in the auditor's report on internal control for major programs as required under Section 200.515 and
    - a modified opinion on a major program in the auditor's report on major programs as required under Section 200.515, **OR**
    - known or likely questioned cost in excess of 5 percent of total federal expenditures for a Type A program.

Internal Control

2 CFR Part 220.61 includes the following definition of the term ***internal control***:

> a process, implemented by a non-Federal entity, designed to provide reasonable assurance regarding the achievement of objectives in the following categories:
>
> (1) Effectiveness and efficiency of operations;

(2) Reliability of reporting for internal and external use; and

(3) Compliance with applicable laws and regulations.

For ***internal control pertaining to the compliance requirements for federal programs*** (internal control over federal programs), the 2 CFR Part 200 presents the following definition:

> A process—implemented by a non-Federal entity—designed to provide reasonable assurance regarding the achievement of the following objectives for Federal awards:
>
> (1) Transactions are properly recorded and accounted for, in order to:
>   i. Permit the preparation of reliable financial statements and Federal reports;
>   ii. Maintain accountability over assets; and
>   iii. Demonstrate compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.
>
> (2) Transactions are executed in compliance with:
>   i. Federal statutes, regulations, and the terms and conditions of the Federal award that could have a direct and material effect on a federal program; and
>   ii. Any other Federal statutes and regulations that are identified in the Compliance Supplement.
>
> (3) Funds, property, and other assets are safeguarded against loss from unauthorized use or disposition.

Review Made as Part of the Audit of the Financial Statements
Generally accepted auditing standards (GAAS) require the auditor to obtain an understanding of the internal control structure that is sufficient to plan an audit and assess control risk for the assertions made. The understanding is to identify the types of potential misstatements, to consider the factors that may affect the risk of material misstatement, and to design effective substantive tests.

Review Made as Part of the Audit of Federal Financial Assistance Programs
In addition to the requirements of the generally accepted government auditing standards (GAGAS), 2 CFR Part 200 requires the auditor to perform procedures to obtain an understanding of internal controls over federal programs sufficient to plan the audit to support a low assessed level of control risk for major programs.

According to Section __.514(c) of 2 CFR Part 200, the auditor is required to plan the testing of internal controls over compliance for major programs to support a low assessed level of control risk for the assertions relevant to the compliance requirements for each major program and to perform testing of internal control as planned.

When internal controls over some or all of the compliance requirements for a major program are likely to be ineffective in preventing or detecting noncompliance, the auditor must report significant deficiencies or material weaknesses, assess the related control risk at the maximum, and consider whether additional compliance tests are required because of ineffective internal controls.

Compliance Testing

In performing an audit in accordance with GAGAS, the auditor assumes responsibilities beyond those of an audit conducted in accordance with generally accepted auditing standards.

In addition to the requirements of GAGAS, the auditor is required to determine whether the auditee has complied with laws, regulations, and the provisions of contracts or grant agreements that may have a direct and material effect on each of its major programs.

The principal compliance requirements common to most federal programs and the programmatic compliance requirements of the largest federal programs are included in the latest update of the OMB Compliance Supplement prepared by the Office of Management and Budget.

For the compliance requirements related to federal programs contained in the OMB Compliance Supplement, an audit of these compliance requirements generally will meet the requirements of 2 CFR Part 200. However, when there have been changes to the compliance requirements and the changes are not reflected in the OMB Compliance Supplement, the auditor shall determine the current compliance requirements and modify the audit procedures accordingly. For those federal programs not covered in the OMB Compliance Supplement, the auditor should use the types of compliance requirements (e.g., cash management, federal financial reporting, allowable costs/cost principles, types of services allowed or disallowed, eligibility, and matching) contained in the OMB Compliance Supplement as guidance for identifying the types of compliance requirements to test and should determine the requirements governing the federal program by reviewing the provision of contracts and grant agreements and the laws and regulations referred to in such contracts and grant agreements. The auditor should consult with the applicable federal or state agency to determine the availability of agency-prepared supplements or audit guides.

The compliance testing shall include tests of transactions and such other auditing procedures necessary to provide the auditor sufficient evidence to support an opinion on compliance.

The auditor should exercise professional judgment in the selection and testing of representative samples of each major program. When making this selection of representative samples, one should consider the following factors:

- the adequacy of any existing internal control,
- the amount of program expenditures,
- program newness to the LEA,
- prior experience with the program,

- program extent in contracting for goods and services,
- the level of existing oversight by the SCDE, and
- the expectation of adherence to laws and regulations.

The Single Audit Act requirement that transactions related to nonmajor programs selected in connection with the examination of basic financial statements and the study of internal controls be tested for compliance with federal laws and regulations **has been eliminated**.

Compliance requirements for the majority of federal programs administered by the SCDE have been incorporated into this guide. The auditor should research the applicable statutes, the code of federal regulations, other grant documents, and appropriate manuals if the "Compliance Supplement" section of this guide does not include a specific program to be reviewed.

Findings and Questioned Costs

The object of testing compliance with laws and regulations is to express an opinion on whether the LEA has complied, **in all material respects**, with laws and regulations, noncompliance with which ***could*** **have a material effect** on federal programs. Although the independent auditor's opinion relates only to **material noncompliance**, the Single Audit Act Amendments of 1996 require that **all instances of noncompliance and questioned costs greater than $10,000 be identified**. (For fiscal years beginning after December 26, 2014, the 2 CFR Part 200 increased the threshold to $25,000.)

Instances of noncompliance and questioned costs for federal award programs are to be reported in a Schedule of Findings and Questioned Costs. **This schedule is REQUIRED and should state "NONE" if there are no findings.**

Listed findings should be organized so that they can readily be related back to the supplementary Schedule of Expenditures of Federal Awards and should identify the Assistance listing number to which they relate. Findings that produce questioned costs should be described completely and clearly so that the program manager can understand the nature of and the reason for the noncompliance and can determine the relative magnitude of the finding. Guidance on the preparation of the schedule may be found in *GAS* (the "yellow book"), Chapter 5.

2 CFR Part 200 requires the auditor to provide information from the audit of the financial statements performed in accordance with GAGAS in the Schedule of Findings and Questioned Costs. As prescribed, the Schedule of Findings and Questioned Costs should present material findings and noncompliance as well as instances of noncompliance and questioned costs greater than $25,000. The schedule should include the following three components:

a. a summary of the auditor's results that includes
    - the type of report the auditor issued on the financial statements of the auditee (i.e., unmodified opinion, modified opinion, adverse opinion, or disclaimer of opinion);

- where applicable, a statement about whether significant deficiencies or material weaknesses in internal controls were disclosed by the audit of the financial statements;
- a statement as to whether the audit disclosed any noncompliance that is material to the financial statements of the auditee;
- where applicable, a statement about whether significant deficiencies or material weaknesses in internal controls over major programs were disclosed by the audit;
- the type of report the auditor issued on compliance for major programs (i.e., unmodified opinion, modified opinion, adverse opinion, or disclaimer of opinion);
- a statement as to whether the audit disclosed any audit findings that the auditor is required to report;
- the identification of major programs;
- the dollar threshold used to distinguish between Type A and Type B programs; and
- a statement as to whether the auditee qualified as a low-risk auditee;

b. findings and questioned costs for the financial statement that are required to be reported in accordance with GAGAS; and

c. findings and questioned costs for federal awards that shall include

- audit findings (e.g., internal control findings, compliance findings, questioned costs, fraud) that relate to the same issue should be presented as a single audit finding (where practical, audit findings should be organized by federal agency or pass-through entity); and
- audit findings that relate to both the financial statements and the federal awards should be reported in both sections. However, the reporting in one section of the schedule may be in summary form with a reference to a detailed reporting in the other section of the schedule.

Audit Findings

2 CFR Part 200 specifies the following types of audit findings that the auditor is required to report in the Schedule of Findings and Questioned Costs for federal award programs:

A. **Significant deficiencies and material weaknesses in internal controls over major programs and significant instances of abuse relating to major programs.** The auditor’s determination of whether a deficiency in internal control is a significant deficiency or material weakness for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program or an audit objective identified in the OMB Compliance Supplement.

B. **Material noncompliance with the provisions of Federal statutes, regulations, or the terms and conditions of Federal awards related to a major program.** The auditor's determination of whether a noncompliance with the provisions of Federal statutes, regulations, or terms and conditions of Federal awards is material for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the OMB Compliance Supplement.

C. **Known questioned costs that are greater than $25,000 for a type of compliance requirement for a major program.** Known questioned costs are those specifically identified by the auditor. In evaluating the effect of questioned costs on the opinion on compliance, the auditor considers the best estimate of total costs questioned (likely questioned costs), not just the questioned costs specifically identified (known questioned costs). The auditor shall also report known questioned costs when likely questioned costs are greater than $25,000 for a type of compliance requirement for a major program. In reporting questioned costs, the auditor must include information to provide proper perspective for judging the prevalence and consequences of the questioned costs.

D. **Known questioned costs that are greater than $25,000 for a federal program that is not audited as a major program.** Except for audit follow-up, the auditor is not required under this part to perform audit procedures for such a federal program; therefore, the auditor will normally not find questioned costs for a program that is not audited as a major program. However, if the auditor does become aware of questioned costs for a federal program that is not audited as a major program (i.e., as part of audit follow-up or other audit procedures) and the known questioned costs are greater than $25,000, then the auditor shall report this as an audit finding.

E. The circumstances concerning **why the auditor's report on compliance for each major programs is other than an unmodified opinion,** unless such circumstances are otherwise reported as audit findings in the Schedule of Findings and Questioned Costs for federal awards.

F. **Known or likely fraud affecting a federal award unless such fraud is otherwise reported as an audit finding in the Schedule of Findings and Questioned Costs for Federal awards.** This paragraph does not require the auditor to report publicly information which could compromise investigative or legal proceedings or to make an additional reporting when the auditor confirms that the fraud was reported outside the auditor's reports under the direct reporting requirements of GAGAS.

G. Instances where the results of audit follow-up procedures disclosed that the **summary schedule of prior audit findings prepared by the auditee materially misrepresents the status of any prior audit finding.**

Audit Finding Detail

Audit findings must be presented in sufficient detail and clarity for the auditee to prepare a corrective action plan and take corrective action and for Federal agencies and pass-through entities to arrive at a management decision. The following specific information should be included, as applicable, in audit findings:

A. Federal program and specific federal award identification including the Assistance Listing title and number, federal award identification number and year, name of federal agency, and name of the applicable pass-through entity. When information such as the Assistance Listing title and number or federal award number is not available, the auditor should provide the best information available to describe the federal award.

B. The criteria or specific requirement upon which the audit finding is based, including the Federal statutes, regulations, or terms and conditions of the Federal awards.

C. The condition found, including facts that support the deficiency identified in the audit finding.

D. A statement of cause that identifies the reason or explanation or the factors responsible for the difference between the situation that exists (condition) and the required or desired state (criteria), which may also serve as a basis for recommendations for corrective action.

E. The possible asserted effect to provide sufficient information to the auditee and federal agency, or pass-through entity in the case of a subrecipient, to permit them to determine the cause and effect to facilitate prompt and proper corrective action.

F. Identification of questioned costs and how they were computed.

G. Information to provide proper perspective for judging the prevalence and consequences of the audit findings, such as whether the audit findings represent an isolated instance or a systemic problem. Where appropriate, instances identified should be related to the universe and the number of cases examined and be quantified in terms of dollar value.

H. Identification of whether the audit finding was a repeat of a finding in the immediately prior audit, and if so, any applicable prior audit finding numbers.

I. Recommendations to prevent future occurrences of the deficiency identified in the audit finding.

J. Views of responsible officials of the auditee.

K. Each audit finding in the Schedule of Findings and Questioned Costs should include a reference number to allow for easy referencing of the audit findings during follow-up.

Government auditing standards also require that auditors consider the results of previous audits and follow up on known significant deficiencies and material weaknesses and recommendations that directly relate to the objectives of the audit being undertaken. **If there are no prior year**

findings, the schedule should state "None." See page 83 for items required in the Summary Schedule of Prior Audit Findings.

Auditor's and Auditee's Reports and Schedules

The Single Audit Act Amendments and revised 2 CFR Part 200 require the auditor to report on internal control structure, on matters pertaining to compliance with laws and regulations, and on the supplementary Schedule of Expenditures of Federal Awards. The following reports should be issued in conjunction with an audit of an LEA.

Required Reports

The auditor's reports shall state that the audit was conducted in accordance with 2 CFR Part 200 and shall include the following:

A. An opinion (or disclaimer of opinion) as to whether the financial statements are presented fairly in all material respects in conformity with generally accepted accounting principles and an opinion (or disclaimer of opinion) as to whether the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the financial statements as a whole.

B. A report on internal controls over financial reporting and compliance with which could have a material effect on the financial statements. This report must describe the scope of testing of internal control compliance and the results of the tests and, where applicable, it shall refer to the separate Schedule of Findings and Questioned Costs.

C. A report on compliance for each major program and report and internal control over compliance. This report must describe the scope of testing of internal control over compliance, include an opinion or modified opinion as to whether the auditee complied with Federal statutes, regulations, and the terms and conditions of Federal awards which could have a direct and material effect on each major program and refer to the separate Schedule of Findings and Questioned Costs.

D. Schedule of Findings and Questioned Costs which must include three components:
   (1) A summary of the auditor's results;
   (2) Findings related to the financial statements which are required to be reported in accordance with generally accepted governmental auditing standards; and
   (3) Findings and questioned costs for Federal awards.

Supplementary Schedule of Expenditures of Federal Awards (SEFA)

Corrective Action Plans

The Single Audit Act and 2 CFR Part 200 require the district's management to submit to the pass-through entity (the SCDE), along with the single audit reports, a plan for corrective action to remedy any material weakness in the internal control structure or material instances of noncompliance found during the audit. In accordance with the 2 CFR Part 200, the corrective action plan (CAP) must address each audit finding that affects federal awards listed in the Schedule of Findings and Questioned Costs. The CAP must include the reference numbers the auditor assigns to audit findings, list the name(s) of the contact person(s) responsible for corrective action, describe the corrective action planned, and state the anticipated completion date. If the auditee does not agree with the audit findings or believes that corrective action is not required, then the CAP must include an explanation and specific reasons.

The CAP and an accompanying summary schedule of prior audit findings (see below) must be submitted to the SCDE by the due date of the audit.

Summary Schedule of Prior Audit Findings

2 CFR Part 200 requires that management (the auditee) prepare the summary schedule of prior audit findings, which must include the reference numbers the auditor assigns to audit findings. Since the schedule may include audit findings from multiple years, it must include the fiscal year in which the finding initially occurred.

The summary schedule of prior audit findings should report the status of all audit findings included in the prior audit's Schedule of Findings and Questioned Costs. The schedule must also include audit findings reported in the prior audit's schedule except audit findings listed as corrected, no longer valid, or not warranting further action.

A. When audit findings are fully corrected, the summary schedule of prior audit findings need only list the audit findings and state that corrective action was taken.

B. When audit findings are not corrected or are only partially corrected, the summary schedule of prior audit findings must describe the reasons for the finding's recurrence and planned corrective action and any partial corrective action taken.

C. When corrective action taken is significantly different from corrective action previously reported in a corrective action plan or in the Federal agencies or pass-through entity's management decision, the summary schedule of prior audit findings must provide an explanation.

D. When the auditee believes the audit findings are no longer valid or does not warrant further action, the reasons for this position must be described in the summary schedule. A valid reason for considering an audit finding as not warranting further action is that a**ll of the following** have occurred:

   - Two years have passed since the audit report in which the finding occurred was submitted to the Federal Audit Clearinghouse;
   - The Federal agency or pass-through entity is not currently following up with the auditee on the audit finding; and
   - A management decision was not issued.

Schedule of Expenditures of Federal Awards

In accordance with 2 CFR Part 200, the auditee must also prepare the Schedule of Expenditures of Federal Awards (SEFA) for the period covered by the auditee's financial statements, which must include the total Federal awards expended. At a minimum, the schedule must

a. list individual federal programs by federal agency. For a cluster of programs, provide the cluster name, list individual programs within the cluster of programs, and provide the applicable Federal agency name;

b. state the name of the pass-through entity and identifying number assigned by the pass-through entity for federal awards received as a subrecipient;

c. provide total federal awards expended for each individual federal program and the Assistance Listing number or other identifying number when the Assistance Listing number information is not available **(for guidance on determining federal awards expended, see Section ___.200.502 2 CFR Part 200);**

d. include the total amount provided to subrecipients from each Federal program;

e. for loans or loan guarantee programs, identify in the notes to the schedule the balances outstanding at the end of the period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule; and

f. include notes that describe the significant accounting policies used in preparing the schedule and note whether or not the non-Federal entity elected to use the 10% de minimis cost rate.

All federal programs should be individually identified, including those completed or terminated during the audit period. The LEA subfund codes represent standard codes where applicable. For FEMA claims, use total expenditure amounts on project reports.

Information must be provided for each individual project or subprogram administered under each "Program Title."

In addition, the SCDE requires that standard subfund codes be included for each federal program listed on the SEFA.

An example of the **Schedule of Expenditures of Federal Awards** is provided on the following page.

Anywhere School District
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 20XX

LEA Subfund Code	Federal grantor/ Pass-through grantor/ Program Title	Assistance Listing Number	Pass-through Grantor's Identifying Number	Total Expenditures
	U.S. DEPARTMENT OF AGRICULTURE			
	Passed through SCDE:			
	Child Nutrition Cluster			
6xx	School Breakfast Program	10.553	NA	100,000
6xx	School Lunch Program	10.555		500,000
6xx	Summer Food Service Program for children	10.559		$10,000
	Total Child Nutrition Cluster			$610,000
	Direct Programs:			
2xx	National Forest Funds	10.666	NA	$32,000
		TOTAL U.S. DEPARTMENT OF AGRICULTURE		**$642,000**
	U.S. DEPARTMENT OF EDUCATION			
	Passed through SCDE:			
201	Title I Grants to LEAs	84.010	21 Title I	$400,000
	Special Education Cluster			
205	IDEA Preschool Grant	84.173	21 IDEA	200,000
203	IDEA	84.027	21 IDEA	230,000
	Total Special Education Cluster			$430,000
207	CTE (subprogram 04)	84.048	21 CATE	$120,000 CTE
207	CTE (subprogram 20)	84.048	21 CATE	15,000 CTE
207	CTE (subprogram 26)	84.048	12 CATE	1,000 CTE
207	CTE (subprogram 41)	84.048	21 CATE	15,000 CTE
207	CTE (subprogram 47)	84.048	21 CATE	1,000 CTE
	TOTAL 84.048			**$152,000**
241	Title-V	84.298	21 Title V	121,000
		TOTAL U.S. DEPARTMENT OF EDUCATION		**$1,103,000**
	OTHER FEDERAL ASSISTANCE			
	U.S. DEPARTMENT OF DEFENSE			
	Direct Programs:			
2xx	Air Force ROTC		NA	$20,000
	TOTAL OTHER FEDERAL ASSISTANCE			**$20,000**
	TOTAL FEDERAL ASSISTANCE EXPENDED			**$1,765,000**

See previous section of audit guide for minimum requirements for schedule and note disclosures.

A. The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal award programs of the Anywhere School District for the year ended June 30, 20XX and is presented on the modified accrual basis of accounting.

B. Of the federal expenditures presented in the accompanying schedule, Anywhere School District provided federal awards of $60,000 to sub-recipients from Title I and $25,000 from IDEA.

C. Anywhere School District used the restricted indirect cost rate for its programs and did not elect to use the 10% de minimis cost rate as covered in 2 CFR Part 200.414.

Assistance Listing Cross-Reference

To assist the auditor in obtaining the appropriate Assistance Listing number for federal funds that pass through the South Carolina Department of Education to the LEAs, a cross-reference of programs by Assistance Listing (Catalog of Federal Domestic Assistance) number is provided here.

2023-24 Assistance Listing CROSS-REFERENCE

PAYMENT TO COUNTIES GRANT NUMBER	PROGRAM DESCRIPTION	FEDERAL GRANTOR	ASSISTANCE LISTING NUMBER
H630100021	Fresh Fruit and Vegetable Program	USDA	10.582
H630100037	Charter Schools	ED	84.282A
H630100067	English Language Acquisition: State Formula Grant Program	ED	84.365
H630100068	Improving Teacher Quality State Grants	ED	84.367
H630100069	After School Learning Center 21st Century	ED	84.287
H630100070	Rural and Low-Income Schools (REAP)	ED	84.358
H630100082	Math & Science Partnerships	ED	84.366
H630100096	South Carolina Early Learning Extension	ED	84.372
H630100104	School Improvement	ED	84.377
H630100130	Teacher Incentive – 3	ED	84.374
H630100135	School Food Equipment	USDA	10.579
H630100164	SC AWARE	US Dept. Health & Human Services	93.243
H630101001	Title I Grants to LEAs (Includes Master Teacher Program)	ED	84.010
H630101002	Title I, Part C Education of Migratory Children Program	ED	84.011A
H630101003	Title IV Student Support and Academic Enrichment	ED	84.424
H630101004	Title I Neglected and Delinquent	ED	84.013
H630101008	Handicapped Preschool Grants	ED	84.173

Payment to Counties Grant Number	Program Description	Federal Grantor	Assistance Listing Number
H630101009	IDEA Children with Disabilities (Handicapped) State Grants (Including Professional Development)	ED	84.027
H630101010	Adult Education Grant	ED	84.002
H630101032	National School Lunch Program - Combined (Lunch & Breakfast)	USDA	10.555
H630101071	Perkins, Basic	ED	84.048
H630101089	Education for Homeless Children and Youth (McKinley-Vento Homeless Assistance Act)	ED	84.196A
H63010426722	CN Emergency Operational Costs Reimbursement (Healthy Meals-USDA)	USDA	10.555
H63010497520	SC CARES (COVID – 19 Emergency Funding)	ED	84.425D
H63010497522	ESSER II	ED	84.425D
H63010497523	ESSER III	ED	84.425U
H63010HCY7	ARP-Education for Homeless Children & Youth	ED	84.425U
H63010ARP8	ARP – IDEA Preschool	ED	84.425U
H63010ARP9	ARP – IDEA Children with Disabilities	ED	84.425U
H630105638	School Breakfast Program Expansion (SBPE)	USDA	10.579
H63010EANS	Emergency Assistance for Non-Public Schools	ED	84.425R
H630107655	Supply Chain Assistance	USDA	10.555

SCDE contact: Sequoyah Burden Williams
803-734-8488
sburden@ed.sc.gov

OMB COMPLIANCE SUPPLEMENT FOR SINGLE AUDITS OF LOCAL GOVERNMENTS

The 2024 update of the OMB Compliance Supplement is effective for audits of fiscal years beginning after June 30, 2023. The U. S. Office of Management and Budget (OMB) has prepared the 2024 Compliance Supplement. This section presents information on compliance as outlined in the latest update of the OMB Compliance Supplement. The following compliance section includes program objectives, program procedures, compliance requirements, and suggested audit procedures as interpreted by program directors in the South Carolina Department of Education (SCDE).

Each requirement is accompanied by suggested audit procedures that can be used to test for compliance. These are not the only procedures an auditor can use, nor are they mandatory procedures. Auditors may apply professional judgment and use procedures of their choice to determine adequacy, timeliness, the extent of reviews, and tests performed, as long as the procedures used support the opinion issued on compliance (or noncompliance) with the specified requirements for items tested.

If during the course of an examination you encounter federal projects that are administered by the SCDE but are not addressed in the OMB Compliance Supplement, please contact the Office of Auditing Services.

OMB Compliance Reports

Several statutory and regulatory requirements are applicable to all or most federal assistance programs. Requirements that involve significant national policy and for which noncompliance could have a material impact on an organization's financial statements are presented in the Compliance Supplement for single audits issued by the OMB. The 2024 update of this supplement is effective for audits conducted after June 30, 2023. The supplement is available at: https://www.whitehouse.gov/omb/office-federal-financial-management/current-compliance-supplement/. Other internet addresses that are useful in obtaining OMB updates to the Compliance Supplement and single audit information are given in Appendix E of this guide. **It is incumbent upon the independent auditor to follow the most current authoritative references for reporting purposes.**

SCDE Financial Reports

Compliance Requirement: Periodic submission of expenditure reports are used to obtain most federal financial assistance that passes through the SCDE to the local educational agency (LEA).

Suggested Audit Procedures

- Review procedures for preparing SCDE financial reports and evaluate for adequacy.
- Sample SCDE financial reports for each material program and review for completeness and timeliness of submission.
- Trace data to the supporting documentation (e.g., worksheets, ledgers).

- Review adjustments made to general ledger amounts that affect financial reports sent to the SCDE and evaluate for propriety.
- Review the LEA's list of payments posted to SCDE Grants Accounting Section for reconciliation to the general ledger amounts. (See Appendix F for a liftable letter that can be used in requesting a list of payments for previous school/fiscal year.)

SCDE contact: Sequoyah Burden Williams
803-734-8488
sburden@ed.sc.gov or GrantsAccounting@ed.sc.gov

Support of Federal Salaries and Wages

Compliance Requirement: Section 200.430 of 2 CFR Part 200 states standards for documentation for personnel expenses for the support of federal salaries and wages. The following is an excerpt of those requirements:

A. Charges to federal awards for salaries and wages, whether treated as direct or indirect costs, must be based on records that accurately reflect the work performed. Records must:

    1. Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;
    2. Be incorporated into the official record of the non-federal entity;
    3. Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities;
    4. Encompass both federally assisted and all other activities compensated by the non-federal entity on an integrated basis, buy may include the use of subsidiary records as defined in the non-federal entity's written policy;
    5. Comply with the established accounting policies and practices of the non-federal entity; and
    6. Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one federal award; a federal award and non-federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity.

B. The SCDE Assurances and Terms and Conditions for Federal Subawards states that the applicant will also comply with the Office of Management and Budget 2 CFR Part 200 Subpart E-Cost Principles related to the allowability, reasonableness, and allocability of costs consistent with the approved budget and also by maintaining required support for salaries and wages. Required support includes certifications and/or personnel activity records depending upon the amount of time spent on cost objectives.

    1. Where employees are expected to work solely on a single federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification.

These certifications are to be prepared at least semi-annually and will be signed by the employee or supervisory official having first-hand knowledge of the work performed by the employee.

2. Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by a personnel activity report (PAR). This is required when employees work on

   - More than one federal award,
   - A federal award and a non-federal award,
   - An indirect cost and a direct cost activity,
   - Two or more indirect activities which are allocated using different allocation bases, and
   - An unallowable activity and a direct or indirect cost activity.

   PARs must meet the following standards:

   - They must reflect an after the fact distribution of the actual activity of each employee.
   - They must account for the total activity for which the employee is compensated.
   - They must be prepared at least monthly and coincide with one or more pay periods.
   - They must be signed by the employee.

3. Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to federal awards but may be used for interim accounting purposes, provided that:

   - The governmental unit's system for establishing the estimates produces reasonable approximations of the activity actually performed;
   - At least quarterly, comparisons of actual costs to budgeted distributions based on the monthly activity reports are made. Costs charged to federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the differences between budgeted and actual costs are less than ten percent; and
   - The budget estimates or other distribution percentages are revised at least quarterly, if necessary, to reflect changed circumstances.

C. Salaries and wages of employees used in meeting cost sharing or matching requirements of federal awards must be supported in the same manner as those claimed as allowable costs under the federal awards.

Suggested Audit Procedures

1. Determine if salaries were charged to the federal program by reviewing the general ledger for the program.

2. Request a listing of each employee whose salary was charged in whole or in part to the program.
3. Review the employee's personnel file for the required semi-annual certifications and PARs and ensure that the documents meet the standards required by 2 CFR Part 200 and the SCDE Assurances and Terms and Conditions for Federal Subawards. (Also, refer to the SCDE Guidelines for Retaining Documentation to Support Expenditures memorandum for additional information on SCDE's requirements for semi-annual certifications and PARs.)
4. If budget estimates were used, test to ensure that comparison of actual costs to budgeted distributions were made and the proper adjustments were made in the entity's system if necessary.
5. Sample Semi-Annual Certification and PAR below:

Semi-Annual Certification
(Staff Working Solely on one Cost Objective)

This is to certify that Jean Smith has worked 100% of his/her time for the period January 1, 2023 through June 30, 2023 on the 21st Century cost objective.

____
Signature of Employee

____
Printed Name of Employee

____
Position Title

____
Date

____
Signature of Supervisor

____
Printed Name of Supervisor

____
Date

TIME AND EFFORT LOG

Name First/Last

Title ______________________

Month July ______ Year 2019

Signature ______________________

Supervisor's Initial ______________________

DIRECT TIME	Account for all time worked per day.																		(Minimum of 1/4 hour increments)													TOTAL	TOTAL
PROGRAM NAME	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	HOURS	%
Insert federal award funding title																																	#DIV/0!
																																	#DIV/0!
Insert other funding																																	#DIV/0!
source(s) below:																																	#DIV/0!
General Funds																																0.0	#DIV/0!
Special Education																																0.0	#DIV/0!
																																	#DIV/0!
																																	#DIV/0!
																																	#DIV/0!
																																	#DIV/0!
																																	#DIV/0!
																																	#DIV/0!
																																	#DIV/0!
																																	#DIV/0!
																																	#DIV/0!
SUBTOTAL	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	#DIV/0!
INDIRECT TIME																																	
Sick Leave																																	#DIV/0!
Holiday																																	#DIV/0!
Annual Leave																																	#DIV/0!
Prof. Development																																	#DIV/0!
Other (Describe)																																	#DIV/0!
SUBTOTAL	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	#DIV/0!
GRAND TOTALS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	#DIV/0!

Charges to federal awards for salaries and wages must be based on records that accurately reflect the work performed. (2 CFR 200.430-431)
Time must be documented in hours, not percent.
This form is to be completed only by staff that are "split-funded": partially funded through Title I and partially funded through another funding source (general funds, special education funds, Title III, etc.)

NOTE: When determining if a PAR or semi-annual certification is required, remember to not only look at funding source but look at job function as well. For example, a special education teacher works solely in the special education classroom all day. However, the teacher's salary is funded 50% with state funds and 50% federal funds. The teacher has one function. Therefore, semi-annual certification is required, not the PAR.

SCDE Contact: Hershula D. Davis
803-734-6022
hdavis@ed.sc.gov

Commercial Driver's License (CDL) Drug and Alcohol Testing Program

(Code of Federal Regulations, Title 49, Subtitle B, Chapter III, Subchapter B, Section 383 and 391 et al., Federal Highway Administration, Department of Transportation)

(To be tested for all districts)

I. Program Objective

The objective of the commercial driver's license (CDL) drug and alcohol testing program is to reduce or prevent school bus collisions, fatalities, and injuries by requiring CDL operators (school bus drivers) to participate in an ongoing drug and alcohol abuse awareness education program and drug and alcohol testing program.

II. Program Purpose

The purpose of the CDL drug and alcohol testing is to prevent the misuse of alcohol or the use of controlled substances by school bus drivers and other school bus transportation safety-sensitive employees who are charged with the responsibility of ensuring the safe transport of students to and from school and school-related activities. This program is based upon state and federal laws, requiring school district bus drivers to participate in a drug and alcohol testing program encompassing the following areas:

- pre-employment testing,
- post-accident testing,
- random testing,
- reasonable suspicion testing,
- return-to-duty testing, and
- follow-up testing.

III. Compliance Requirements

The local school district or district contractor, as the employer, and in accordance with state and federal laws, is the administrative entity of the Drug and Alcohol Testing program for its CDL employees (school bus drivers). Districts are required to maintain drug and alcohol testing programs that comply with the following procedures:

A. Each district shall ensure that all alcohol or controlled substances testing is conducted in compliance with federal law and procedures. (49 CFR §382.105 Testing procedures)

B. Before performing an alcohol or controlled substances test, the district shall notify a prospective driver (school bus driver) that the alcohol or controlled substances test is required. (49 CFR §382.113 Requirement for notice)

C. Prior to the first time a driver performs safety-sensitive functions (driving a school bus) for an employer, the driver shall undergo testing for controlled substances as a condition of employment. (49 CFR §382.301 Pre-employment testing)

D. As soon as practicable following an occurrence involving a commercial motor vehicle (school bus) operating on a public road, the district shall test each surviving driver for alcohol and controlled substances: (49 CFR §38 2.303 Post-accident testing)

   1) who was performing safety-sensitive functions (driving a school bus) with respect to the vehicle, if the accident involved the loss of human life; or

   2) who receives a citation under state or local law for a moving traffic violation arising from the accident, if the accident involved:

      a) bodily injury to any person who, as a result of the injury, immediately receives medical treatment away from the scene of the accident; or

      b) one or more motor vehicles incurring disabling damage as a result of the accident, requiring the motor vehicle to be transported away from the scene by a tow truck or other motor carrier vehicle.

E. Random testing for controlled substances and alcohol shall be conducted as follows: **(49 CFR §382.305)**

   1) Employers shall conduct random controlled substances testing of all safety-sensitive employees (school bus drivers) at a minimum annual percentage rate established by the Federal Motor Carrier Safety Administration (FMCSA) Administrator for the average number of bus driver positions. This rate will become applicable starting January 1 of the calendar year following publication in the Federal Register. For the 2023 and 2024 calendar years, that rate is 50%.

   2) Employers shall conduct random alcohol testing of all safety-sensitive employees (school bus drivers) at the minimum annual percentage rate established by the FMCSA Administrator for the average number of bus driver positions. This rate will become applicable starting January 1 of the calendar year following publication in the Federal Register. For calendar year 2023 and 2024, the rate is 10%.

   3) An employer may use a service agent (e.g., a C/TPA (Consortium/Third-Party Administrator)) to perform random selections as part of a larger random testing pool of covered employees. However, the employer must ensure that the service agent is testing at the appropriate percentage established for the industry (school bus drivers, as stated in paragraphs a) and b) of this section) and that only covered employees are in the random testing pool.

F. Reasonable suspicion testing shall be conducted as follows:

   1) An employer shall require a school bus driver to submit to an alcohol test when the employer has reasonable suspicion to believe that the driver is using alcohol while performing, or is about to perform, a safety-sensitive function (driving a school bus).

   2) An employer shall require a driver to submit to a controlled substances test when the employer has reasonable suspicion to believe that the school bus driver has violated

the prohibitions concerning controlled substances use while performing or is about to perform a safety-sensitive function (driving a school bus).

G. Return-to-duty testing shall be conducted as follows: (49 CFR §382.309)

   1) The employer shall ensure that before a school bus driver returns to duty requiring the performance of a safety-sensitive function (driving a school bus) after engaging in prohibited conduct, the driver shall undergo a return-to-duty alcohol test.

   2) The employer shall ensure that before a school bus driver returns to duty requiring the performance of a safety-sensitive function (driving a school bus) after engaging in prohibited conduct, the driver shall undergo a return-to-duty controlled substances test with a verified negative result for controlled substances use.

H. Following a determination that a school bus driver is in need of assistance in resolving problems associated with alcohol misuse and/or use of controlled substances, each employer shall ensure that the school bus driver is subject to unannounced follow-up alcohol and/or controlled substances testing as directed by a substance abuse professional. **(49 CFR §382.311 Follow-up testing)**

IV. Reporting Requirements

The employer shall maintain records of its alcohol misuse and controlled substances use prevention programs. The records shall be maintained in a secure location with controlled access. (49 CFR §382.401 Retention of records) Additionally, the employer shall obtain and review the motor vehicle record for each driver (49 CFR §391.25 Annual inquiry and review of driving records):

A. Each motor carrier shall, at least once every 12 months, make an inquiry to obtain the motor vehicle record of each driver it employs.

B. Each motor carrier shall, at least once every 12 months, review the motor vehicle record of each driver it employs.

C. Recordkeeping-

   1) A copy of the motor vehicle record required by paragraph (a) of this section shall be maintained in the driver's qualification file.

   2) A note, including the name of the person who performed the review of the driving record required by paragraph (b) of this section and the date of such review, shall be maintained in the driver's qualification file.

V. Suggested Audit Procedures

Review all district records pertaining to drug and alcohol testing. Verify that the district has a current contract with a provider of drug and alcohol testing services, and can produce the following record files on demand:

A. documentation of agreement/contract between the district or district’s contractor and a drug and drug testing provider for drug and alcohol testing services,

B. consolidated annual calendar-year summaries of test results,

C. documents relating to the random selection process,

D. documents generated in connection with decisions to administer reasonable-suspicion alcohol or controlled substances tests,

E. documents generated in connection with decisions of post-accident tests,

F. documentation verifying that a minimum of 50 percent of average driving force were tested for controlled substances,

G. documentation verifying that a minimum 10 percent of average driving force was randomly tested for alcohol,

H. documentation verifying that the legally required post-accident tests were conducted

I. documentation verifying that the legally required motor vehicle record inquiries were made, and

J. documentation verifying that the legally required motor vehicle record inquiries were reviewed.

SCDE contact: Mike Bullman
803-734-8248
mbullman@ed.sc.gov

Federal Program Compliance
Adult Education Program, Assistance Listing Number 84.002

I. Program Objective

The program of adult education is provided in order to: (1) assist adults to become literate and obtain the knowledge and skills necessary for employment and self-sufficiency; (2) assist adults who are parents to obtain the educational skills necessary to become full partners in the educational development of their children; and (3) assist adults in the completion of a secondary school credential.

II. Program Procedures

Individuals must be at least eighteen years of age or older, except where the local board assigns students less than eighteen years of age who are not officially in membership in a regular school. No one under the age of sixteen years of age can enter an adult education program.

III. Compliance Requirements and Suggested Audit Procedures

A. Types of Services Allowed or Disallowed

Compliance Requirement: Federal adult education funds can be expended only for the types of services specified in the approved project proposal, including instructional and administrative salaries, operation and maintenance, fringe benefits, travel, instructional supplies/materials, and capital outlay.

Suggested Audit Procedures

- Review grant award and ascertain allowable services.
- Review expenditure and related records.

B. Matching, Level of Effort, and/or Earmarking Requirements

Compliance Requirement: Local administrative costs may not exceed 5 percent of the federal adult education funds.

Suggested Audit Procedure(s)

Review district's adult education expenditure reports to determine that no more than 5 percent were used for administrative purposes.

SCDE contact: Michael King
803-734-8300
mrking@ed.sc.gov

Breakfast and Lunch Programs, National School

[Assistance Listing Numbers 10.553 (Breakfast),*10.555,*10.559,
Includes Non-Cafeteria Business Enterprises]

The South Carolina Department of Education requires that the Food Distribution/Commodities program, the School Breakfast Program, the School Lunch Program, and Summer Food Service Program be combined for the compliance testing of the food service program.

I. Program Objective

The two objectives of the National School Breakfast and National School Lunch Programs are to use cash grants and food donations to assist in making breakfast and lunch available for school children and to encourage the consumption of agricultural commodities and other foods.

II. Program Procedures

The programs are operated at the local level by a school food authority (SFA), which is reimbursed by the state at rates prescribed by the federal government. Payments are made for breakfasts, lunches, and snacks served to children based on prescribed rates multiplied by the number and category of meals served. Commodities are distributed to SFA's based on projected levels of service.

III. Compliance Requirement(s) and Suggested Audit Procedure(s)

A. Eligibility

Compliance Requirement: The SFA must properly approve applications submitted in accordance with federal eligibility standards (7 C.F.R. §245.6(b)).

Suggested Audit Procedure(s)

1) Ascertain that eligibility guidelines were submitted to the local media with proof of submission, not necessarily publication, as the minimum requirement.
2) Ascertain that application approval is based upon the household size and income guidelines prescribed by the United States Department of Agriculture for the applicable audit year. If direct certification is used, appropriate documentation is available from the Department of Social Services/Department of Education match.
3) Ascertain that sponsors receiving Federal funds to expenditures are allowable of costs:

   a. Is the expenditure necessary and reasonable for proper and efficient administration of the Program?
   b. Is the expenditure allocable to Federal awards for the administration of the Program?
   c. Is the expenditure authorized and not prohibited under State or local laws?

4) For purposes of validating the accuracy of eligibility applications, it is suggested that the USDA “Alternate One” 3% random sample method used by SFAs for their Verification process be used to determine the minimum number of applications to review.
5) As appropriate, the auditor may test up to 25% of applications processed by the SFA.
6) For the selected applications, assure they are complete and verify them for accuracy. A complete application must have the following information:
    a. The name(s) of the child or the children in the household ;
    b. *the total household income (weekly, bi-weekly, bi-monthly, monthly and annually) shown by person, source, and amount;
    c. *the names of all adult household members;
    d. *the last four digits of the SSN of the adult signing the application;
    e. the signature of an adult member of the household; and
    f. a determination by the designated SFA representative as to whether an application is free, reduced, or denied.

    ***Please note:** When a Supplemental Nutrition Assistance Program (SNAP) (food stamps) or a Temporary Assistance to Needy Families (TANF) case number is provided, items b, c, and d are not required.
7) If a SFA has been noted as being approved for community eligibility, traditional eligibility applications are not required for students in the participating schools. The auditor should verify the Identified Student Percentage (ISP) used by the SFA to calculate the CEP claiming rate, to include a review of supporting documentation for 10% of the students included in the ISP calculation.
    a. Meals served are delineated by school each month in support of the consolidated financial claims report submitted via the South Carolina Automated Payment System (SCAPS). In another sample of schools (see preceding schedule) determine the number of free and reduced price meals claimed for reimbursement and determine whether it exceeds the number of approved applications by accepting the number of free and reduced applications and/or direct certification documents on file and comparing on a daily basis to the number of meals claimed, making use of the web-based claim system for food service (SCAPS), and daily participation forms (or equivalent source documents).

B. Reporting Requirements

Compliance Requirement: The SFA must use program funds for program purposes (7 C.F.R. § 210.7(b)). The SFA must account for all revenues and expenses of the nonprofit school food service as prescribed by the state's financial management system (7 C.F.R. §§ 210.14(a–1) and 220.13(i)).

Suggested Audit Procedure(s)

1) Ascertain that expenses are for program purposes:
    a. Salary expenses are for persons who are school food service employees.
    b. Indirect costs are not charged to direct program expenditures.

       If the school district elects to recover any portion of the indirect cost attributable to the school food service, use Account 432-791, Indirect Cost, as a transfer to the General Fund. Ascertain that the charge is a direct expense to the School Food Service Fund as designated in the revised chart of accounts for the School Food Service Fund and not through the transfer account.
2) Ascertain that all school food service assets and liabilities are segregated on the balance sheet when this fund is reflected as a Special Revenue Fund.
3) Ascertain that revenues and expenses recorded on the General Ledger in appropriate categories are equal to amounts that have been recorded in South Carolina Automated Payment System (SCAPS) and on the claim reports that have been forwarded to the South Carolina Department of Education (SCDE). If any adjusting entries are recorded in the General Ledger at the year end, these adjustments should be forwarded as soon as possible by the SFA to the SCDE.
4) Ascertain that the value of supplies and food (purchased plus commodities) remaining on hand at year-end has been properly recorded as assets on the Balance Sheet of the SFA. If the year-end balance on hand is immaterial, the inventory/commodities can be expensed when received.
5) Determine that the district complies with the legislative Proviso 1.5 (Appendix G), which states that "Once a district has expended all state allocated funds for fringe benefits, the district may utilize food service revenues to fund a proportionate share of fringe benefits costs for food service personnel." Test for compliance with Proviso 1.5 to ensure the Food Service Fund is being charged only its proportional share of the cost of fringe benefits unfunded by the state. Refer to School Food Services Memorandum No. 23 (Appendix H) dated June 30, 1989, for guidance on the proper allocation of fringe benefits to the Food Service Fund.
6) If a district has contracted with a management company but retains its employees, ascertain where the fringe benefit expense for these employees has been charged. Test for compliance with Proviso 1.5 to ensure the Food Service Fund is being charged only its proportional share of the cost of fringe benefits unfunded by the state. Refer to School Food Services Memorandum No. 23 (Appendix H) dated June 30, 1989, for guidance on the proper allocation of fringe benefits to the Food Service Fund. Ensure that if the district's accounting system is designed to charge salaries plus fringe benefits to the School Fund Service Fund, the following three criteria are met:

a. A transfer of revenue from the General Fund to the School Food Service Fund equals the fringe benefit charged minus the shortfall portion.

b. This transfer is made at the same time the fringe benefits are charged to the School Food Service Fund.

c. Indirect cost is claimed only on the shortfall portion of fringe benefits paid from the School Food Service Fund.

Please note that fiscal year 2015-16 was the last fiscal year that a separate food service indirect cost rate was calculated. Please ensure that you have adjusted your chart of accounts in accordance with correspondence distributed by the SCDE in regard to new accounts that have been established for Food Service Direct Purchased Services.

If the Food Service Fund reflects indirect cost expenses, ensure that no prior year indirect cost is charged to the School Food Service Fund.

7) Identify the actual rate charged. As there is no longer a separate food service indirect cost rate, the rate may vary from zero to the maximum unrestricted rate. The actual rate charged must be reported to SCDE no later than November 1 of each year.

8) Ascertain that the negotiated indirect cost rate for food service includes only shared costs and that none of the included costs are direct costs of food service. The negotiated indirect cost rate must be applied to specific cost categories and not used when costs are directly billed to school food service. Confirm that the school district has complied with the cost allocation plan as outlined in 2 CFR Part 200. Refer to School Food Service Memorandum No. 15 (Appendix I) for guidance on applying the indirect cost rate for the Food Service Program in accordance with 2 CFR Part 200.

9) Ascertain that item “State Costs” on the reimbursement claim reflects only funds paid from the state allocation. (Revision to this item as well as other revisions should be submitted to the SCDE by the SFA as soon as the district’s school food service portion of the audit is completed.) Identify and document the amount of fringe benefits paid for food service employees from the state allocation.

10) Ascertain if the SFA has allowed the Food Service Fund to make “loans” for use in other school system operations. USDA requirements allow borrowing from the Food Service Fund only if the following conditions are met:

a. The SFA has accumulated excess net cash resources with the approval of the state agency (SA) for the purpose of meeting a defined future program need.

b. All of the SFA’s current food service program needs are fully funded.

c. The loan is formally established at a competitive interest rate and is made for a short duration of time (no more than one year).

d. The SFA seeks and receives prior SA approval for each loan and notifies the SA when repayment is completed.

    e. Duration and repayment must be in accordance with planned use (i.e., purchase of equipment). Note, however, that if the loan is not repaid on schedule, the loaned funds would be considered misappropriated funds and the SCDE would take corrective measures that could include the suspension of reimbursement.

11) Ascertain that interest due to the school food service is in compliance with USDA regulations as outlined in Food Service Memorandum (Appendix J), dated March 19, 1999.

School Food Authority Responsibilities-Paid Lunch Equity (PLE) Tool

Section 205 of the Healthy Hunger Free Kids Act (HHFKA) requires School Food Authorities (SFAs) that, on average, charge for paid lunches less than the difference between the federal reimbursements for free and paid lunch, to either gradually adjust paid lunch prices upward or provide non-federal funds to cover the difference. This requirement is intended to ensure that SFAs provide sufficient funds to their food service account for paid lunches. The U. S. Department of Agriculture (USDA) has provided a PLE tool to assist SFAs in making their price adjustment calculations. The PLE tool can be found on the USDA's HHFKA Implementation Web page at https://www.fns.usda.gov/cn/guidance-paid-lunch-equity-and-revenue-nonprogram-foods

Effective July 1, 2011, all SFAs participating in the National School Lunch Program (NSLP) are required annually to establish paid meal prices in accordance with the procedures in the HHFKA. State agencies are required to monitor that SFAs are making accurate calculations and adjusting prices according to Section 205 of the HHFKA.

School Food Authority Responsibilities-Nonprogram Food Revenue Tool

Section 206 of the Healthy, Hunger-Free Kids Act (HHFKA) of 2010 requires all food sold in a school and purchased with funds from the non-profit school food service account, other than meals and meal supplements reimbursed by the USDA, must generate revenue at least equal to the cost of such foods.

The Nonprogram Food Revenue Tool was created to help SFAs calculate the amount of revenue required to meet the new requirements in Section 206 of the Healthy, Hunger-Free Kids Act of 2010 under Title 7, Code of Federal Regulations, Section 210.14 (f).

The SFA must collect the cost of both program and nonprogram food and the total revenue for the previous school year. Based on these amounts, the tool will calculate the minimum amount of revenue from nonprogram foods that is required to meet this requirement. The tool will also calculate the additional revenue, if any, needed to comply with the federal regulations in Section 206 of the HHFKA of 2010.

As a reminder the Consolidated Appropriations Act, 2022: Effect on Child Nutrition Programs https://www.fns.usda.gov/cn/consolidated-appropriations-act-2023-effect-programs) notifying States that as required by the 2023 Appropriations Act, any SFA with a positive or zero balance in its nonprofit school food service account as of December 31, 2021, is exempt from PLE pricing requirements found at 7 CFR 210.14(e) for school year (SY) 2023-24.
Note: SFAs operating SSO only during SY 2021-22 do not need to follow PLE requirements for SY 2021-22 per Child Nutrition Waiver #97 - Nationwide Waiver to Provide Flexibility for School Meal Programs Administrative Reviews of School Food Authorities Operating Only the Seamless Summer Option in School Year (SY) 2021-2022 https://www.fns.usda.gov/cn/covid-19-child-nutrition-response-97

If SFAs do not have pricing/sales data from October 2020, they may input October 2019 pricing/sales data into the PLE tool.

The USDA's Policy Memo SP 11-2023 – Paid Lunch Equity: Guidance for School Year 2023-24 (see Appendix R) is located at https://www.fns.usda.gov/cn/paid-lunch-equity-guidance-sy-2023-24

The USDA's Policy Memo SP 20-2016 – Nonprofit School Food Service Account, Nonprogram Food Revenue Requirements (Appendix S) at https://www.fns.usda.gov/cn/nonprofit-school-food-service-account-nonprogram-food-revenue-requirements

Reference: U.S. Department of Agriculture (USDA) Interim Rule: School Food Service Account Revenue Amendments Related to the Healthy, Hunger-Free Kids Act of 2010 (June 17, 2011); USDA Policy Memos SP 39-2011 - Revised (October 24, 2011); USDA SP 15-2012 (February 15, 2012); USDA SP 18-2012 (February 24, 2012); and USDA SP 22-2012 (March 19, 2012); USDA SP 28-2012 (April 20, 2012), USDA SP 34-2013 (April 17, 2013), USDA SP 58-2013 (September 10, 2013), USDA SP 1-2014 (November 6, 2014), USDA SP 15-2014 (December 18, 2013)

Guidelines For Non-Cafeteria Business Enterprises Conducted By Child Nutrition Programs

Child nutrition programs may engage in business enterprises outside the cafeteria (canteens, school stores, catering, vending, etc.). However, revenue and expenses (food, supplies, dedicated equipment, labor, and administration) associated with these enterprises must be documented separately from regular child nutrition program activities. There should also be clear operating guidelines that include appropriate cash management protocols and monitoring procedures.

The operation of these business enterprises must be conducted in such a manner that they are not financially subsidized by revenue (USDA reimbursements and student/adult cash payments) and/or associated profit from regular cafeteria operations. Beyond a review of local financial records, validation of this condition can be made through a review of the USDA Non-Program Revenue Calculator that must be completed annually.

In cases where a business enterprise involves revenue sharing with any other entity outside of the child nutrition program, the following additional requirements apply:

1. There must be a clear written agreement that specifies roles and responsibilities, as well as the distribution of revenue and/or associated profit.
2. The CNP must be indemnified against any losses.

SCDE contact:	Donna Davis 803-734-0080 ddavis@ed.sc.gov

Strengthening Career and Technical Education for the 21st Century Act (Perkins V)

Reauthorizes the Carl D. Perkins Career and Technical Education Act of 2006 (Perkins IV) Assistance Listing Number 84.048

I. Program Objectives

The purpose of Perkins V - Strengthening Career and Technical Education for the 21st Century Act: "Perkins is dedicated to increasing learner access to high-quality Career Technical Education (CTE) programs of study. With a focus on systems alignment and program improvement, Perkins is critical to ensuring that programs are prepared to meet the ever-changing needs of learners and employers. Perkins reflects the 100-year federal commitment to CTE by providing federal support for CTE programs and focuses on improving the academic and technical achievement of CTE students, strengthening the connections between secondary and postsecondary education and improving accountability. Perkins affords states and local communities the opportunity to implement a vision for CTE that uniquely supports the range of educational needs of students — exploration through career preparation — and balances those student needs with the current and emerging needs of the economy."

II. Program Procedures for Title I Secondary Funds (Assistance listing number 84.048A)

Funds are forwarded to each state education agency (SEA) based on statutory formula for allocation to local education agencies (LEA). Funds are then granted to LEAs that have approved project applications on file with the SEA describing the activities to be undertaken with the career and technical education funds.

III. Compliance Requirement(s) and Suggested Audit Procedure(s)

A. Types of Services Allowed or Disallowed

Compliance Requirement: An LEA may use Perkins V Title I Secondary Programs funds only for services and activities (a) that are specified in Perkins V and outlined in the Local Application Instructions, Career and Technical Education Local Application for fiscal year - 2023-2024, (b) that comply with all applicable Perkins V requirements (Pub. L. No. 115-224), and (c) that are included in an application approved by the SEA.

Suggested Audit Procedure(s)

1) Review the approved project application including all amendments to determine approved activities for uses of funds.
2) Review expenditures and supporting documentation to ascertain if funds were expended for approved activities.
3) Review approved CTE programs/courses found in Appendix C of the Student Reporting Procedures Manual.

   https://ed.sc.gov/instruction/career-and-technical-education/performance-accountability/cte-data-collection-and-reporting/2022-23-srpg/

   Compare these approved programs/courses with those funded with Perkins funds to determine that these funds were only used for CTE approved programs/courses.

B. Supplement, Not Supplant

Compliance Requirement: An LEA may use Perkins V funds only to supplement and not to supplant nonfederal funds expended to carry out career and technical education activities. (Pub. L. No. 115-224; Title III, Part A, Section 311(a) of Perkins IV)

Suggested Audit Procedure(s)

1) Review financial and pupil records to determine the expenditures for children participating in programs financed by Perkins V funds.
2) Ascertain the amount financed with federal funds.
3) Identify career and technical education services provided to all children with state and local funds.
4) Determine whether Perkins V funds were used to provide services that supplement or were in addition to services that would be provided with state and local funds.

C. Non-commingling of Funds

Compliance Requirement: Federal funds allotted to an LEA shall not be commingled with state or local funds so as to lose their identity as federal funds. A separate ledger account shall be maintained in the Special Revenue Fund by project number to assure that each expenditure of federal funds can be identified as such.

Suggested Audit Procedure(s)

Review the financial records to ensure that funds received by the LEA under Perkins V are recorded by project number in the Special Revenue Fund and not commingled with state and local funds.

IV. Program Procedures for Title I Postsecondary Funds (Assistance listing number 84.048A)

Funds are forwarded to each SEA based on statutory formula for allocation to technical colleges. Funds are then granted to technical colleges that have approved project applications on file with the SEA describing the activities to be undertaken with the Career and Technical Education and Student Transition Services funds.

A. Types of Services Allowed or Disallowed

Compliance Requirement: An LEA may use Perkins V Title I Postsecondary funds only for services and activities that comply with all applicable Perkins V requirements (Pub. L. No. 115-224) and are included in technical college application approved by the State Board for Technical and Comprehensive Education.

Suggested Audit Procedure(s)

1) Review the technical college application to determine approved activities for uses of post-secondary funds.
2) Review expenditures and supporting documentation to ascertain if funds were expended for approved activities.

SCDE contact: Maria Swygert
803-734-8456
nmswyger@ed.sc.gov

Elementary and Secondary School Emergency Relief Fund (ESSER)

Assistance Listing Number 84.425D and 84.425U

I. Program Objective

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security (CARES) Act was signed into law. As part of the CARES Act, Congress set aside approximately $13.2 billion of the $30.75 billion allotted to the Education Stabilization Fund for the Elementary and Secondary School Emergency Relief (ESSER) Fund. Formula grants were awarded to SEAs for the purpose of providing LEAs with emergency relief funds to address the impact that the Novel Coronavirus Disease 2019 (“COVID-19”) has had, and continues to have, on elementary and secondary schools across the nation. This includes developing and implementing plans for educational services and continued learning whether campuses are open or closed.

On December 27, 2020, the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSA) was signed into law. The United States Department of Education provided an additional $54.3 billion for the Elementary and Secondary School Emergency Relief Fund (ESSER II Fund). This legislation awarded grants to SEAs for the purpose of providing LEAs with emergency relief funds to address the impact that COVID-19 has had, and continues to have, on elementary and secondary schools across the nation.

On March 11, 2021, the American Rescue Plan was signed into law. The United States Department of Education provided an additional $121.9 billion for the Elementary and Secondary Emergency Relief Fund (ESSER III or ARP ESSER). This legislation was awarded to help schools return safely to in-person instruction, maximize in-person instructional time, sustain the safe operation of schools, and address the academic, social, and emotional and mental health impacts of the COVID-19 pandemic on the nation's students.

II. Program Procedures

South Carolina received $216,311,158 in ESSER I funds from the CARES Act, of which 90 percent ($194,680,042) was passed through to school districts with amounts determined in proportion to the amount of Title I, Part A funds received by the LEA in summer 2019 from Every Student Succeeds Act (ESSA).

South Carolina received $940,420,782 in ESSER II funds from the Act and 90 percent ($846,704) was passed through to school districts with amounts determine in proportion to the amount of Title I, Part A funds received in Summer 2020 under the Every Student Succeeds Act (ESSA).

South Carolina received $2,112,051,487 in ARP ESSER funds of which 90 percent ($1,900,846,338) flowed through to school districts.

1. LEAs must complete a spending plan for approval by the SCDE for funds received under the ESSER I, ESSER II, or ARP ESSER grant. ESSER I subgrant funds can be used for expenses caused or impacted by the COVID-19 pandemic dating back to March 13, 2020. Pre-award expenses were also permitted under ESSER II and ARP ESSER.

III. Compliance Requirement(s) and Suggested Audit Procedure(s)

A. Activities Allowed or Unallowed

Compliance Requirement: The LEA must use ESSER funds for the following allowable activities:

LEAs that receive funds under the CARES Act (ESSER I) may use funds for the following 12 allowable activities/funding categories to prevent, prepare for, and respond to coronavirus:

1. Any activity authorized by the ESEA of 1965, including the
   a. Individuals with Disabilities Act (20 U.S.C. 1400 et seq.) ("IDEA"),

b. Adult Education and Family Literacy Act) 20 U.S.C. 1400 et seq.)

c. Carl D. Perkins Career and Technical Education Act of 2006 (20 U.S.C. 2301 et seq.) ("The Perkins Act"), and

d. Subtitle B of Title VII of the McKinney-Vento Homeless Assistance Act (42 U.S.C. 11431 et seq.)

2. Coordination of preparedness and response efforts of local educational agencies with State, local, Tribal, and territorial public health departments, and other relevant agencies, to improve coordinated responses among such entities to prevent, prepare for, and respond to coronavirus.
3. Providing principals and other school leaders with the resources necessary to address the needs of their individual schools.
4. Activities to address the unique needs of low-income children or students, children with disabilities, English learners, racial and ethnic minorities, students experiencing homelessness, and foster care youth, including how outreach and service delivery will meet the needs of each population.
5. Developing and implementing procedures and systems to improve the preparedness and response efforts of local educational agencies.
6. Training and professional development for staff of the local educational agency on sanitation and minimizing the spread of infectious diseases.
7. Purchasing supplies to sanitize and clean the facilities of a local educational agency, including building operated by such agency.
8. Planning for and coordinating during long-term closures, including for how to provide meals to eligible students, how to provide technology for online learning to all students, how to provide guidance for carrying out requirements under the Individuals with Disabilities Education Act (20 U.S.C. 1401 et seq.) and how to ensure other educational services can continue to be provided consistent with all Federal, State, and local requirements.
9. Purchasing educational technology (including hardware, software, and connectivity) for students who are served by the local educational agency that aids in regular and substantive educational interaction between students and their classroom instructors, including low-income students and students with disabilities, which may include assistive technology or adaptive equipment.
10. Providing mental health services and supports.
11. Planning and implementing activities related to summer learning and supplemental afterschool programs, including providing classroom instruction or online learning during the summer months and addressing the needs of low-income students, students with disabilities, English learners, migrant students, students experiencing homelessness, and children in foster care.
12. Addressing learning loss among students, including low-income students, children with disabilities, English learners, racial and ethnic minorities, students experiencing

homelessness, and children and youth in foster care, of the local educational agency, including by:

   a. Administering and using high-quality assessments that are valid and reliable, to accurately assess student's academic progress and assist educators in meeting student's academic needs, including through differentiating instruction.
   b. Implementing evidence-based activities to meet the comprehensive needs of students;
   c. Providing information and assistance to parents and families on how they can effectively support students, including in a distance learning environment; and
   d. Tracking student attendance and improving student engagement in distance education.

NOTE: An LEA that receives ESSER I funds under the CARES Act must provide equitable services to students and teachers in the same manner as provided under section 1117 of Title I, Part A of the ESEA.

In addition, the following activities are allowable under both CARES (ESSER 1) and CRRSA (ESSER II).

13. School facility repairs and improvements to enable operation of schools to reduce risk of virus transmission and exposure to environmental health hazards, and to support student health needs.
14. Inspecting, testing, maintenance, repair, replacement, and upgrade projects to improve the indoor air quality in school facilities, including mechanical and non-mechanical heating, ventilation, and air conditioning systems, filtering, purification and other air cleaning, fans, control systems, and window and door repair and replacement.
15. Developing strategies and implementing public health protocols including, to the greatest extent practicable, policies in line with guidance from the Centers for Disease Control and Prevention for the reopening and operation of school facilities to effectively maintain the health and safety of students, educators, and other staff.
16. Other activities that are necessary to maintain the operation of and continuity of services in local educational agencies and continuing to employ existing staff of the LEA.

NOTE: ESSER II is not subject to the equitable services requirement.

B. Activities allowed under ARP ESSER III include:

1. Any activity authorized by the following
   a. Elementary and Secondary Education Act of 1965 ("ESEA")
   b. Individuals with Disabilities Education Act (20 U.S.C. 1400 et seq.)
   c. Adult Education and Family Literacy Act (20 U.S.C. 1400 et seq.),

    d. Carl D. Perkins Career and Technical Education Act of 2006 (20 U.S.C. 2301 et seq.) (‘‘the Perkins Act’’), and

2. Coordination of preparedness and response efforts of local educational agencies with state, local, Tribal, and territorial public health departments, and other relevant agencies, to improve coordinated responses among such entities to prevent, prepare for, and respond to coronavirus.
3. Activities to address the unique needs of low-income children or students, children with disabilities, English learners, racial and ethnic minorities, students experiencing homelessness, and foster care youth, including how outreach and service delivery will meet the needs of each population.
4. Developing and implementing procedures and systems to improve the preparedness and response efforts of local educational agencies.
5. Training and professional development for staff of the local educational agency on sanitation and minimizing the spread of infectious diseases.
6. Purchasing supplies to sanitize and clean the facilities of a local educational agency, including buildings operated by such agency.
7. Planning for, coordinating, and implementing activities during long-term closures, including providing meals to eligible students, how to provide technology for online learning to all students, providing guidance for carrying out requirements under the Individuals with Disabilities Education Act (20 U.S.C. 1401 et seq.) and providing other educational services can continue to be provided consistent with all federal, state, and local requirements.
8. Purchasing educational technology (including hardware, software, and connectivity) for students who are served by the local educational agency that aids in regular and substantive educational interaction between students and their classroom instructors, including low-income students and children with disabilities, which may include assistive technology or adaptive equipment.
9. Providing mental health services and support, including through the implementation of evidenced based full-service community schools.
10. Planning and implementing activities related to summer learning and supplemental afterschool programs, including providing classroom instruction or online learning during the summer months and addressing the needs of low-income students, children with disabilities, English learners, migrant students, students experiencing homelessness, and children in foster care.
11. Addressing learning loss among students, including low-income students, children with disabilities, English learners, racial and ethnic minorities, students experiencing homelessness, and children and youth in foster care, of the local educational agency, including by—
    a. Administering and using high-quality assessments that are valid and reliable, to accurately assess students’ academic progress and assist educators in meeting students’ academic needs, including through differentiating instruction;

   b. Implementing evidence-based activities to meet the comprehensive needs of students;
   c. Providing information and assistance to parents and families on how they can effectively support students, including in a distance learning environment; and
   d. Tracking student attendance and improving student engagement in distance education.
12. School facility repairs and improvements to enable operation of schools to reduce risk of virus transmission and exposure to environmental health hazards, and to support student health needs.
13. Inspection, testing, maintenance, repair, replacement, and upgrade projects to improve the indoor air quality in school facilities, including mechanical and non-mechanical heating, ventilation, and air conditioning systems, filtering, purification and other air cleaning, fans, control systems, and window and door repair and replacement.
14. Developing strategies and implementing public health protocols including, to the greatest extent practicable, policies in line with guidance from the Centers for Disease Control and Prevention for the reopening and operation of school facilities to effectively maintain the health and safety of students, educators, and other staff.
15. Developing strategies and implementing public health protocols including, to the greatest extent practicable, policies in line with guidance from the Centers for Disease Control and Prevention for the reopening and operation of school facilities to effectively maintain the health and safety of students, educators, and other staff.
16. Other activities that are necessary to maintain the operation of and continuity of services in local educational agencies and continuing to employ existing staff of the local educational agency.

In addition, an LEA may use ARP ESSER subaward funds for the broad range of activities listed in section 18003 (d) of the CARES Act, section 313 (d) of the CRRSA Act, and section 2001 (e) of the ARP Act. ARP ESSER is not subject to the equitable services provision.

Suggested Audit Procedure(s)

- Review the approved spending plan submitted by the LEA to the SCDE.
- Determine that expenditures incurred under the grant are allowable expenditures and were approved in the spending plan submitted to the SCDE.
- Determine if expenditures are necessary and reasonable in cost.

C. Allowable Costs/Cost Principles Requirements

Compliance Requirement: Determine that direct costs charged to the ESSER grant are specifically identifiable under the grant. Determine that the district did not charge indirect costs for expenditures identified as direct costs.

Suggested Audit Procedure(s)

- Ascertain that expenses are for program purposes and are allowable under the cost principles in 2 CFR Part 200.
- If indirect costs are charged to a grant, ensure that the indirect cost rate charged does not exceed the approved unrestricted indirect cost rate for a district.

D. Equipment/Real Property Management

Compliance Requirement: Subrecipients of States who are local governments of Indian tribes shall use State laws and procedures for equipment acquired under a subgrant from a State. Equipment records shall be maintained, a physical inventory of equipment shall be taken annually, and an appropriate control system should be used to safeguard equipment. When equipment with a current per unit fair market value of $5,000 or more is no longer needed for a Federal program, it may be retained or sold with the Federal agency having a right to a proportionate amount of the current fair market value. With prior approval from the federal awarding agency or the pass-through entity, districts may use ESF funds to purchase real property and perform construction for improvements to land, buildings, or equipment that meet the overall purposes of the ESF program, which is “to prevent, prepare for, and respond to” the COVID-19 pandemic. If funds are used for construction costs, subrecipients must comply with the applicable federal regulations.

Suggested Audit Procedure(s)

- Obtain a copy of the entity’s policies and procedures for equipment management and ascertain if they comply with the federal and state policies and procedures.
- Review inventory records and select a sample of equipment purchased with
- ESSER funds to trace and agree to the general ledger and asset listing. Ensure asset listings meet the standards noted in 2 CFR 200.313(d)(1).
- Ensure expenditures for equipment and other capital expenditures are approved by the pass-through entity. Construction costs must have met the approval of the SCDE Office of School Facilities.

E. Period of Performance

Compliance Requirement: ESSER I subgrant funds can be used for expenses caused or impacted by the COVID-19 pandemic dating back to March 13, 2020. Funds cannot be used for expenditures incurred after September 2022. ESSER II subgrant funds should be used in the period of availability noted in the SCDE grant award notice.

Suggested Audit Procedure(s)

- Review expenditures to ensure that pre-award costs were not incurred prior to March 13, 2020 for ESSER I.
- Review expenditures to ensure that all expenditures were incurred during the period of availability of the grant.

F. Procurement and Suspension and Debarment

Compliance Requirement: LEAs must have an approved procurement policy. Expenditures under the grant must adhere to a district's approved procurement policy. LEAs are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or disbarred by the state or federal government.

Suggested Audit Procedure(s)

- Review expenditures incurred followed the district's written procurement policy. Determine that proper approvals are present, the required number of quotes or bids were received, etc. If any sole source or emergency procurements were made, ensure that all required documentation was maintained.

SCDE contact: Tonia Mallett Smith
803-543-7900
SCESSER@ed.sc.gov

FEMA Public Assistance Program

(Assistance listing number 97.036)

I. **Program Objective**

The objective of the Public Assistance Program is to provide supplemental assistance to states, local governments, and selected nonprofit organizations for certain expenses and damages resulting from a major disaster or emergency declared by the President.

II. **Program Procedures**

Following a presidential declaration of a major disaster or an emergency, the Federal Emergency Management Agency (FEMA) provides grants for public assistance to states and Indian tribal governments. The state or tribe may use the funds to restore its own disaster-damaged projects and to provide subgrants to local governments and selected private nonprofit organizations after the FEMA regional director approves applications for assistance that are made through the Governor's authorized representative or, in the case of tribal governments, are made directly to the FEMA regional director.

III. Compliance Requirement(s) and Suggested Audit Procedure(s)

A. Types of Services Allowed or Disallowed

Compliance Requirement: Disaster assistance funds can be expended only on eligible expenses and damages and at approved rates specified in the approved grant agreement. Disaster assistance funds cannot be used for expenditures funded by federal programs. (44 CFR §206.226)

Suggested Audit Procedure(s)

- Review the approved grant agreement.
- Test the expenditure records for eligibility and compliance with Uniform Administrative Requirements and Cost Principles. (2 CFR Part 200)
- Determine the nature of expenditures and the sources of funding for disaster-related expenditures.

Compliance Requirement: Funds from insurance settlements, salvage, or other sources for specific losses must be deducted by the applicant from its claim. (44 CFR §206.250)

Suggested Audit Procedure(s)

- Review insurance policies, the minutes of legislative body meetings, and other sources likely to reveal the existence of insurance claims, salvage payments, and similar receipts.
- Test financial records to determine the manner in which such receipts were processed.
- Obtain a representation letter containing a statement that no insurance recoveries, salvage receipts, or other payments for specific losses were received other than those listed.

Compliance Requirement: Funds approved for an alternate project can be used only for alternate projects specifically approved by FEMA. While the grantee or subgrantee has flexibility to propose the type and size of "alternate projects" it wishes to construct, FEMA must review such proposed projects to ensure compliance with environmental and other special concerns. (44 CFR §206.203)

Suggested Audit Procedure(s)

- Review a sample of the alternate projects on which the claim was based and compare with the approved alternate projects.
- Ascertain the costs incurred for the alternate projects to ensure that the total cost of the projects equals or exceeds the federal, state, and local share.

Compliance Requirement: Funds approved as an improved project can be used only as a contribution for the construction of larger or improved facilities that restore at least the pre-disaster capacity of the damaged or destroyed facility. (44 CFR §206.203)

Suggested Audit Procedure(s)

- Review a sample of project reports for damaged or destroyed facilities.
- Ascertain the amount approved for improved projects.
- Ascertain the costs for new facilities.

Compliance Requirement: As a condition of receiving federal assistance for restoration of certain facilities, subgrantees are required to obtain and maintain specified types and extent of insurance. (44 CFR §206.253)

Suggested Audit Procedure(s)

- Review a sample of those projects for which insurance commitments were required.
- Determine whether the type and extent of insurance required were obtained and whether this insurance is being maintained.

Compliance Requirement: Projects must be completed with time limits established under 44 CFR § 206.204.

Suggested Audit Procedure(s)

- Review a sample of projects to determine whether they were completed within approved time limits.

B. Eligibility

The auditor is not expected to test for eligibility.

C. Matching, Level of Effort, and/or Earmarking Requirements

Compliance Requirement: Costs must be on a shared basis as specified in the federal-state agreement. (Pub. L. No. 93¬288;43 U.S.C. §5121 et seq.; 44 CFR §206.203)

Suggested Audit Procedure(s)

- Review the federal-state agreement to determine the cost-sharing requirements.
- Review financial and other records to determine the amount and nature of the state and local governments' share. (2 CFR §200.306)

D. Special Tests and Provisions Compliance Requirement

All costs of administering the Public Assistance Program at the subgrantee level are covered by a statutorily established percentage, and no costs of administering the program other than that percentage should be included in a subgrantee's claim. (44 CFR §206.228)

Suggested Audit Procedure(s)

- Review the claim to ensure that costs covered by the statutorily established administrative expenses percentage are not claimed under the public assistance program even though such costs would normally be authorized under 2 CFR Part 200 for administration of a grant.

SCEMD Contact:
Emily Bentley
SC Emergency Management Division
2779 Fish Hatchery Road
West Columbia, SC 29172-2024
803-737-8774
ebentley@emd.sc.gov

Food Distribution/Commodities*

(Assistance listing number 10.550, *The South Carolina Department of Education requires that the Food Distribution/Commodities program, the School Breakfast Program, and the School Lunch Program be combined for the compliance testing of the food service program.)

A. **Program Objective**
The objective of the Food Distribution program is to improve the diets of school children and to increase the market for domestically produced foods acquired under surplus removal or price support operations.

B. **Program Procedures**
The program involves food being made available to a designated state agency such as a state department of education for distribution to recipient agencies such as schools. The food may not be sold, exchanged, or otherwise disposed of without prior, specific approval of the United States Department of Agriculture (USDA). The Food and Nutrition Service (FNS), the administering federal agency, also provides funds to defray, in part, the operating expenses incurred in the administering of the Food Distribution Program. The states may also enter into an agreement, called a processing contract, with a commercial organization to use USDA-donated commodities to manufacture and deliver specific food products to eligible recipients.

C. Compliance Requirement(s) and Suggested Audit Procedure(s)

A. Eligibility

Compliance Requirement: Donated foods can be distributed only to recipient agencies:

- schools participating in the National School Lunch Program,
- public or private charitable institutions,
- nonprofit summer camps for children,
- agencies administering programs under Title III and Title V of the Older Americans Act,
- state correctional institutions,
- service institutions that participate in the Summer Food Service Program for Children,
- nonresidential child-care institutions participating in the Child Care Food Program, and
- disaster organizations. (Pub. L. No. 97¬35, § 803(a); 7 C.F.R. § 250.13)

Suggested Audit Procedure(s)

- Determine if the school district has transferred any donated foods to another recipient agency. All such transfers must be approved by the distributing agency.

B. Matching, Level of Effort, and/or Earmarking Requirements

There are no matching, level of effort, or earmarking requirements.

C. Special Tests and Provisions

Compliance Requirement: Recipient agencies (school districts) are required to distribute donated foods to eligible recipients (schools) in accordance with their agreement with the distributing agency. (7 C.F.R. § 250.12)

Suggested Audit Procedure(s)

- Review the agreement with the distributing agency.
- Review the system for the receipt and distribution of food and evaluate it for conformance with the agreement.
- Observe or review the manner in which food is distributed.
- Review the refund application file to assure that all refund item requests are substantiated by purchase invoices, that appropriate refund checks have been received, and that all refunds have been deposited to the school food service account.

Compliance Requirement: Recipient agencies are required to maintain accurate and complete records with respect to the receipt, disposal, and inventory of donated foods. (7 C.F.R. § 250.16)

Suggested Audit Procedure(s)

- Auditor reviews the food order receipts for the RA to determine that the online order(s) were submitted by the RA to the state distributing warehouse for the quantity or quantities indicated on the Value of Commodities Shipped Report. Individual SFA/RA invoices should match the allocated quantities and dates on the online order portal (TBA from Gold Star).
- Reports of any items that are damaged/out of date/mis-picks/spoilage should also be submitted. These reported items should match any difference noted between the ordered quantities and delivered quantities. These quantities should also show any differences between the on-hand reports and physical inventories.
- Auditors request the Value of Commodities Shipped Report from the Food Distribution program.
- The Value of Commodities Shipped Report is generated from South Carolina Automated Payment System (SCAPS).

SCDE contact: Phil Truesdale
803-206-6685
ptruesdale@ed.sc.gov

Impact Aid, Title VII

(Assistance Listing number 84.041)

I. Program Objectives

The objective of the Impact Aid Program (IAP) under Title VII of the Elementary and Secondary Education Act (ESEA), as amended by the Every Student Succeeds Act (ESSA) (Pub. L. No. 114-95), is to provide financial assistance to local educational agencies (LEAs) whose local revenues or enrollments are adversely affected by federal activities. These activities include the federal acquisition of real property (Section 7002) (20 USC 7702) or the presence of children residing on tax-exempt federal property or residing with a parent employed on tax-exempt federal property ("federally connected" children) (Section 7003) (20 USC 7703).

II. Program Procedures

Funds are provided on the basis of statutory criteria and data supplied by LEAs in applications submitted to the Department of Education (ED), with copies provided simultaneously to the state educational agency (SEA). ED makes payments directly to the LEA. Generally, payments under Section 7003 of the ESEA are based on membership and attendance counts of federally connected children, with additional funds provided for certain federally connected children with disabilities and children residing on Indian lands. Payments under Section 7002 of the ESEA are based on the estimated taxable value of eligible federal property and the applicable tax rate, and, in case of insufficient funds, upon a statutory formula that considers past year payments.

Except for the additional funds provided for federally connected children with disabilities under Section 7003(d) of the ESEA, funds provided under sections 7002 and 7003 are considered general aid and generally have no restrictions on their expenditure. Under 2 CFR 200.101(e)(2), sections 7002 and 7003(b) are not subject to subparts C (pre-federal award), D (post federal award), or E (cost principles) of 2 CFR Part 200; therefore, ED generally has no basis to sustain findings related to these subparts for funds provided under sections 7002 and 7003(b) of the ESEA.

Any formula funds that are provided under Section 7007(a) of the ESEA to certain LEAs that received Section 7003 payments must be used for construction, as defined in the statute. Any discretionary construction grant funds that are provided under Section 7007(b) of the ESEA to certain LEAs that received Section 7002 or 7003 payments must be used for emergency repairs or modernization, as defined in the statute and regulations.

In fiscal years where the auditee expends only Section 7002 funds from the Impact Aid program, the auditor must exclude the amount of the 7002 Impact Aid expenditures from the determination of the Type A/B program threshold. See IV, "Other Information" below for additional information on major program determination and SEFA presentation.

Source of Governing Requirements

This program is authorized by sections 7001–7014 of the ESEA, as amended, which is codified at 20 USC 7701 through 7714. Implementing regulations are 34 CFR Part 222.

Availability of Other Program Information

Additional information on this program may be found at https://impactaid.ed.gov/.

III. COMPLIANCE REQUIREMENTS

In developing the audit procedures to test compliance with the requirements for this federal program, the auditor must determine, from the following summary (also included in Part 2, "Matrix of Compliance Requirements"), which of the 12 types of compliance requirements have been identified as subject to the audit (noted with a "Y" in the summary matrix below), and then determine which of the compliance requirements that are subject to the audit are likely to have a direct and material effect on the federal program at the auditee. For each such compliance requirement subject to the audit, the auditor must use Part 3 (which includes generic details about each compliance requirement other than Special Tests and Provisions) and this program supplement (which includes any program-specific requirements) to perform the audit. When a compliance requirement is shown in the summary below as "N," it has been identified as not being subject to the audit. Auditors are not expected to test requirements that have been noted with an "N." See the Safe Harbor Status discussion in Part 1 for additional information.

A	B	C	E	F	G	H	I	J	L	M	N
Activities Allowed or Unallowed	Allowable Cost/Cost Principles	Cash Management	Eligibility	Equipment and Real Property Management	Matching, Level of Effort, Earmarking	Period of Performance	Procurement and Suspension and Debarment	Program Income	Reporting	Subrecipient Monitoring	Special Tests and Provisions
Y	Y	N	N	N	Y	N	N	N	Y	N	Y
Only 7003(d) 7007	Only 7003 (d) 7007				Only 7003 (d)				Only 7003(b) 7003(d)		N.1 Only 7002 7003 (b) 7007 N.2 Only 7003 (d)

A. Activities Allowed or Unallowed

1. *Activities Allowed*

a. *Section 7003(d) – Federally Connected Children with Disabilities* LEAs must use the payments provided under Section 7003(d) of the ESEA to conduct programs or projects for the free, appropriate public education of the federally connected children with disabilities who generated those funds. Allowable costs include expenditures reasonably related to the conduct of programs or projects for the free, appropriate public education of children with disabilities, including program planning and evaluation and acquisition costs of equipment, except when the title to that equipment would not be held by the LEA. Costs for school construction are not allowable (Section 7003 of ESEA (20 USC 7703), 34 CFR section 222.53(c)).

b. *Section 7007 – Construction* LEAs that receive payments under Section 7003 of the ESEA and that meet certain other statutory criteria may receive formula assistance under Section 7007(a) of the ESEA in any fiscal year that Congress appropriates funds under that section. LEAs must use the payments provided under Section 7007(a) for construction, as defined in Section 7013(3) of the ESEA. Under Section 7013(3), the term "construction" includes (a) preparing drawings and specifications for school facilities; (b) erecting, building, acquiring, altering, remodeling, repairing, or extending school facilities; (c) inspecting and supervising the construction of school facilities; and (d) debt servicing for such activities (sections 7007 and 7013(3) of ESEA (20 USC 7707 and 7713)). Certain LEAs that receive payments under Section 7002 or 7003 of the ESEA and that meet other statutory and regulatory criteria may receive discretionary grant assistance under Section 7007(b) of the ESEA. Selected grantees must use these funds for emergency or modernization construction grant expenditures, as specified in their grant award documents. Emergency and modernization are defined in 34 CFR section 222.176 and the allowable and unallowable uses of these funds are detailed in 34 CFR sections 222.172 through 222.174.

c. *Section 7002 – Federal Property Payments and Section 7003(b) – Basic Support Payments* Funds made available under sections 7002 and 7003(b) of the ESEA usually become part of the general operating fund of the LEAs. These funds are available as general aid for free public education and may be used for current operating expenditures or capital outlays in accordance with state laws. The auditor is not expected to perform any tests with respect to the expenditure of these funds.

B. Allowable Costs/Cost Principles

The cost principles described in 2 CFR Part 200, Subpart E, apply only to Section 7003(d) (federally connected children with disabilities) and Section 7007 (construction) funds.

Under 2 CFR 200.101(e)(2), sections 7002 (federal property payments) and 7003(b) (basic support payments) are not subject to the cost principles described in Subpart E of 2 CFR Part 200.

G. Matching, Level of Effort, Earmarking

1. Matching

Not Applicable

2. Level of Effort

2.1 Level of Effort – *Maintenance of Effort*

Not Applicable

2.2 Level of Effort – *Supplement Not Supplant*

Section 7003(d) funds may not supplant any state funds (either general or special education state aid) that were or would have been available to the LEA for the free, appropriate public education of federally connected children with disabilities counted under Section 7003(d). A reduction in the per-pupil amount of state aid for children with disabilities, including children counted under Section 7003(d), from that received in the previous year raises a presumption that supplanting has occurred. An LEA can rebut this presumption by demonstrating that the reduction was unrelated to the receipt of Section 7003(d) funds (Section 7003(d) of ESEA (20 USC 7703(d)); 34 CFR section 222.54).

3. Earmarking

Not Applicable

L. Reporting

1. Financial Reporting

Not Applicable

2. Performance Reporting

Not Applicable

3. Special Reporting

Application for Impact Aid – Section 7003 (OMB No. 1810-0687) – Each year an

LEA must submit this application, which provides the following information: counts of federally connected children in various categories, membership and average daily attendance data, and information on expenditures for children with disabilities. This form is in the Impact Aid Grant System, which does not have a public link, therefore school districts will need to provide a copy to the auditor.

Please note: As a result of the public health emergency related to the coronavirus, the Impact Aid Coronavirus Relief Act (Pub. L. No. 116-211) provides LEAs the option for their fiscal year 2022 7003 application of using the same student count data from their fiscal year 2021 application or providing new student count data as prescribed in Section 7003. Similarly, the Impact Aid Supplemental Flexibility Act (Pub. L. No. 117-83) gave LEAs the option to use the same student count data for the FY 2023 application as it used for the FY 2022 application or providing new student count data as prescribed in Section 7003.

Key line items:

1. Current year membership (enrollment) on the survey date should be tested. LEAs have the option to use the current year enrollment numbers or enrollment numbers associated with the Impact Aid Coronavirus Relief Act. Federally connected children who live on Indian lands are weighted the most in the payment formula, followed by those with parents in the Uniformed Services, and civilian children who both live on and whose parents work on Federal property. Children living in Federal low rent housing and children who only live on or whose parents only work on Federal property are weighted lower in the payment formula. The auditor should use professional judgment when determining which categories to test, taking into account the relative materiality of the weight and number of children reported in each category. (Note: Eligible LEAs submit a separate application for Section 7002 or Section 7007(b) funding. The auditor is not expected to perform any tests with respect to the Section 7002 or Section 7007(b) applications.)

4. Special Reporting for Federal Funding Accountability and Transparency Act

See Part 3.L for audit guidance.

N. Special Tests and Provisions

1. Wage Rate Requirements

Compliance Requirements Section 7007 construction funds, as well as any section 7002 or 7003(b) funds spent for construction or minor remodeling, are subject to Wage Rate Requirements (20 USC 1232b).

See Part 4, 20.001 Wage Rate Requirements Cross-Cutting Section.

2. **Required Level of Expenditure**

Compliance Requirements For each fiscal year, the amount of expenditures for special education and related services provided to federally connected children with disabilities must be at least equal to the amount of funds received or credited under Section 7003(d) of the ESEA for that fiscal year. This is demonstrated by comparing the amount of Section 7003(d) funds received or credited with the result of the following calculation:

a. Divide total LEA expenditures for special education and related services for all children with disabilities by the average daily attendance (ADA) of all children with disabilities served during the year.

b. Multiply the amount determined in paragraph a, above, by the ADA of the federally connected children with disabilities claimed by the LEA for the year.

If the amount of Section 7003(d) funds received or credited is greater than the amount Calculated above, an overpayment equal to the excess Section 7003(d) funds exists. This overpayment may be reduced or eliminated to the extent that the LEA can demonstrate that the average per pupil expenditure for special education and related services provided to federally connected children with disabilities exceeded its average per pupil expenditure for serving non-federally connected children with disabilities (Section 7003(d) of ESEA (20 USC 7703(d)); 34 CFR section 222.53(d)).

Audit Objectives Determine whether the LEA met the required level of expenditure for providing special education and related services to federally connected children with disabilities.

Suggested Audit Procedures

a. Review the LEA’s calculation to ascertain if it shows that the required level of expenditure for federally connected children was met. Check accuracy of calculation.

b. Trace amounts used in the calculation of supporting records.

c. If the LEA’s calculation shows that an overpayment was made, verify that the average per pupil expenditure for federally connected children with disabilities exceeded the average per pupil expenditure for non-federally connected children to the extent of the overpayment.

IV. OTHER INFORMATION

Given the nature of the Section 7002 funds, a recipient expending only Section 7002 funds would have no compliance requirements subject to testing for the Impact Aid program or would only be subject to the Wage Rate Requirements (20 USC 1232b) if 7002 funds were spent for construction or minor remodeling. Selecting the Impact Aid program as a major federal program in fiscal years where no (or only one) compliance requirements are subject to testing could result in the exclusion of other programs as major federal programs. Therefore, if a recipient had Impact Aid expenditures only from Section 7002 funds during its fiscal year, the auditor must exclude the amount of the 7002 Impact Aid expenditures from the determination of the Type A/B program threshold. If a recipient had Impact Aid expenditures from multiple sections, including Section 7002, the entire amount of Impact Aid expenditures should be considered when determining the Type A/B program threshold and the 7002 funds would only be subject to Wage Rate Requirements testing, if applicable. All Impact Aid expenditures, including Section 7002 funds excluded from the Type A/B program threshold, must be reported on the Schedule of Expenditures of Federal Awards.

SCDE contact: None (direct aid)

Supporting Effective Instruction, Title II, Part A (Assistance listing number 84.367)

I. Program Objective

The objective of the Supporting Effective Instruction Program is to increase student academic achievement by improving teacher and principal quality and effectiveness.

II. Program Procedures

Supporting Effective Instruction funds are awarded to the state following a submission of a consolidated state application or by submitting a separate program specific application to the U.S. Department of Education (USDE). The South Carolina Department of Education (SCDE) then distributes not less than 95 percent of the funds to the local school districts, after reserving up to one percent for administration costs incurred by the SCDE. The SCDE also retains up to 4 percent of the funds for state-level program activities.

Funds are awarded to a school district following submission of a Title II, Part A plan to the SCDE and approval of this plan by the State Coordinator. The amount of each school district allocation is determined using a formula based on 20 percent relative population of children ages five through seventeen and 80 percent relative poverty of children ages five through seventeen from families with incomes below the poverty line.

III. Compliance Requirement(s), Audit Objective, and Suggested Audit Procedure(s)

Districts must maintain the level of their non-Federal fiscal effort in the prior year in order to receive a full allocation of Title II, Part A funds. The SCDE calculates whether a district has maintained effort on the basis of either (a) the combined fiscal effort per student, or (b) the aggregate level of expenditures from local and state funds with respect to the provision of free public education for the preceding fiscal year.

Audit Objective: To determine whether districts used Title II, Part A funds for allowable purposes and if maintenance of local effort requirements were met.

Suggested Audit Procedure(s):

- Conduct a random sample of district expenditures to determine that they were properly classified, allowable activities that were included in the district's approved Title II, Part A plan.

IV. Reporting Requirements

Each school district must report through PowerSchool to the SCDE the progress being made toward meeting the state's teacher equity goals. The SCDE must report the information to the USDE.

SCDE contact:	Jennifer Rhodes 803-734-8110 jrhodes@ed.sc.gov	Jewell Stanley 803-734-8131 jstanley@ed.sc.gov

Individuals with Disabilities Education Act, SPECIAL EDUCATION STATE GRANTS, (Assistance to States for Education of Children with Disabilities), ASSISTANCE LISTING NUMBER 84.027

I. Program Objective

The objective of the assistance to states from the Individuals with Disabilities Education Act (IDEA) is to provide a free, appropriate public education to all children with disabilities.

II. Program Procedures

Grants are made to states following their submission of acceptable applications. The SEA, in turn, funds LEAs that submit applications to the SEA for approval.

III. Compliance Requirement(s) and Suggested Audit Procedure(s)

A. Eligibility

Compliance Requirement: Only children who are determined in accordance with State Board of Education Regulations 43.243.1 to be eligible for special education and related services, and are subsequently entered into such programs, may be counted.

Suggested Audit Procedure(s)

- Determine the above eligibility by using individualized education programs (IEP) or evaluations as appropriate, for all disability categories.
- A selected representative number of participating students in the LEA will be determined by the number of students with disabilities served by the LEA utilizing the following method:

NUMBER OF PUPILS WITH DISABILITIES SERVED BY LEA IN CURRENT FISCAL YEAR	TOTAL AMOUNT TO BE REVIEWED	SAMPLE OF REVIEW
0–1,500	25	4 Intellectual Disabilities 1 TBI 2 OHI 3 ED 1 DD 5 LD 1 VI 1 AU 1 HI 1 OI 4 Speech 1 Homebound*
1,501–3,000	35	7 Intellectual Disabilities 1 TBI 3 OHI 4 ED 2 DD 8 LD 1 VI 1 AU 1 HI 1 OI 5 Speech 1 Homebound
3,001–4,500	45	8 Intellectual Disabilities 1 TBI 3 OHI 5 ED 3 DD 10 LD 2 VI 1 AU 2 HI 2 OI 7 Speech 1 Homebound

Number of Pupils with Disabilities Served by LEA in Current Fiscal Year	Total Amount to Be Reviewed	Sample of Review
4501 and above	55	10 Intellectual Disabilities 1 TBI 6 OHI 6 ED 3 DD 12 LD 2 VI 1 AU 2 HI 2 OI 9 Speech 1 Homebound

- Review the IEP to determine the category of disability as follows:
  Intellectual Disabilities, Traumatic Brain Injured (TBI), Other Health Impaired (OHI), Emotionally Disabled (ED), Developmental Delay (DD), Learning Disabled (LD), Visually Impaired (VI) , Hearing Impaired (HI) , Orthopedically Impaired (OI), Speech-Language Impaired, or Homebound

In the event that the LEA does not have pupils served in any of the above areas, the area and number of folders to be reviewed should be deleted from the sample.

B. Matching, Level of Effort, and/or Earmarking Requirements

Compliance Requirement: The total amount or average per capita amount of state and local school funds budgeted by the local education agency for expenditures in the current fiscal year for the education of children with disabilities must be at least equal to the total amount or average per capita amount of state and local school funds actually expended for the education of children with disabilities in the most recent preceding fiscal year for which the information is available.

Section 300.203 provides information for calculating maintenance of effort: (1) Except as provided in paragraph (b)(2) of this section, the SEA must determine that an LEA complies with paragraph (a) of this section for purposes of establishing the LEA's eligibility for an award for a fiscal year if the LEA budgets, for the education of children with disabilities, at least the same total or per capita amount from either of the following sources as the LEA spent for that purpose from the same source for the most recent prior year for which information is available:(i) Local funds only. (ii) The combination of State and local funds. https://sites.ed.gov/idea/regs/b/c/300.203

Exception to Maintenance of Effort (§ 300.204):

- The voluntary departure, by retirement or otherwise, of special education personnel, or the departure of such personnel for just cause;
- The termination of the obligation of the agency to provide a program of special education to a particular child with a disability that is an exceptionally costly program, as determined by the SEA, because the child
    - has left the jurisdiction of the agency,
    - has reached the age at which the obligation of the agency to provide free
    - appropriate public education has terminated, or
    - no longer needs such program of special education;
- a decrease in enrollment of children with disabilities; and
- the termination of costly expenditures for long-term purposes such as the acquisition of equipment and construction of school facilities. (34 C.F.R. § 300.204)

§ 300.205 Adjustment to local fiscal efforts in certain fiscal years.

a. For any fiscal year for which the IDEA allocation received by an LEA exceeds the amount the LEA received for the previous fiscal year, the LEA may reduce the level of expenditures otherwise required by § 300.203 Maintenance of Effort by not more than 50 percent of the amount of that excess. The LEA is not eligible to use this adjustment to local effort if the state determined that LEA was unable to establish and maintain programs of FAPE that meet the requirements of section 613(a) of the Act and this part or the state has taken action against the LEA under section 616 of the Act and subpart F of these regulations for that fiscal year. Please contact the Office of Special Education Services to verify eligibility for this provision.

b. If an LEA exercises the authority under the paragraph above, the LEA must use an amount of local funds equal to the reduction in expenditures to carry out activities that could be supported with funds under the ESEA regardless of whether the LEA is using funds under the ESEA for those activities.

Special rule. The amount of funds expended by an LEA for coordinated early intervening services under §300.226 shall count toward the maximum amount of expenditures that the LEA may reduce under paragraph (a) of this section.

Suggested Audit Procedure(s)

Compare the total expenditure for students with disabilities in the General Fund, the EIA Fund, and the Special Revenue Fund (excluding any federal dollars) for the audit period with the total expenditure for students with disabilities in these funds for the prior period. The total expenditure for the audit period must at least be equal to or greater than the total expenditure in the prior period. From each of these applicable funds, the following function codes may be included to the extent that they include special education and related services:

Function Codes 121-128

Function Codes 131–138
Function Code 161 Autism

From each of these applicable funds, expenditures from the following function codes may be included if they are for special education and related services:
Function Code 210 Series
Function Code 221 Improvement of Instruction Curriculum Development
Function Codes 223–224
Function Codes 271 Pupil Service Activities

Independent auditors and LEAs should use the same function codes in the calculation for comparing the total expenditures for students with disabilities in the General Fund, the EIA Fund, and the Special Revenue Fund (excluding any federal dollars) for the audit period with the total expenditure for students with disabilities in these funds for the prior period.

Section 300.203 provides information for calculating maintenance of effort: (1) Except as provided in paragraph (b)(2) of this section, the SEA must determine that an LEA complies with paragraph (a) of this section for purposes of establishing the LEA's eligibility for an award for a fiscal year if the LEA budgets, for the education of children with disabilities, at least the same total or per capita amount from either of the following sources as the LEA spent for that purpose from the same source for the most recent prior year for which information is available: (i) Local funds only. (ii) The combination of State and local funds. https://sites.ed.gov/idea/regs/b/c/300.203

Exception to Maintenance of Effort (§ 300.204):

- The voluntary departure, by retirement or otherwise, of special education personnel, or the departure of such personnel for just cause;
- The termination of the obligation of the agency to provide a program of special education to a particular child with a disability that is an exceptionally costly program, as determined by the SEA, because the child
    - has left the jurisdiction of the agency,
    - has reached the age at which the obligation of the agency to provide free appropriate public education has terminated, or
    - no longer needs such program of special education;
- a decrease in enrollment of children with disabilities; and
- the termination of costly expenditures for long-term purposes such as the acquisition of equipment and construction of school facilities. (34 C.F.R. § 300.204)

§ 300.205 Adjustment to local fiscal efforts in certain fiscal years.

a. For any fiscal year for which the IDEA allocation received by an LEA exceeds the amount the LEA received for the previous fiscal year, the LEA may reduce the level of expenditures otherwise required by § 300.203 Maintenance of Effort by not more than 50 percent of the amount of that excess. The LEA is not eligible to use this adjustment to local effort if the state determined that LEA was unable to establish and maintain programs of FAPE that meet the requirements of section 613(a) of the Act and this part or the state has taken action against the LEA under section 616 of the Act and subpart F of these regulations for that fiscal year. Please contact the Office of Special Education Services to verify eligibility for this provision.

b. If an LEA exercises the authority under the paragraph above, the LEA must use an amount of local funds equal to the reduction in expenditures to carry out activities that could be supported with funds under the ESEA regardless of whether the LEA is using funds under the ESEA for those activities.

Special rule. The amount of funds expended by an LEA for coordinated early intervening services under §300.226 shall count toward the maximum amount of expenditures that the LEA may reduce under paragraph (a) of this section.

Suggested Audit Procedure(s)

Compare the total expenditure for students with disabilities in the General Fund, the EIA Fund, and the Special Revenue Fund (excluding any federal dollars) for the audit period with the total expenditure for students with disabilities in these funds for the prior period. The total expenditure for the audit period must at least be equal to or greater than the total expenditure in the prior period. From each of these applicable funds, the following function codes may be included to the extent that they include special education and related services:
Function Codes 121-128
Function Codes 131–138
Function Code 161 Autism

From each of these applicable funds, expenditures from the following function codes may be included if they are for special education and related services:
Function Code 210 Series
Function Code 221 Improvement of Instruction Curriculum Development
Function Codes 223–224
Function Codes 271 Pupil Service Activities

Independent auditors and LEAs should use the same function codes in the calculation for comparing the total expenditures for students with disabilities in the General Fund, the EIA Fund, and the Special Revenue Fund (excluding any federal dollars) for the audit period with the total expenditure for students with disabilities in these funds for the prior period.

Section 300.203 provides information for calculating maintenance of effort: (1) Except as provided in paragraph (b)(2) of this section, the SEA must determine that an LEA complies with paragraph (a) of this section for purposes of establishing the LEA's eligibility for an award for a fiscal year if the LEA budgets, for the education of children with disabilities, at least the same total or per capita amount from either of the following sources as the LEA spent for that purpose from the same source for the most recent prior year for which information is available:(i) Local funds only. (ii) The combination of State and local funds. (2) An LEA that relies on paragraph (b)(1)(i) of this section for any fiscal year must ensure that the amount of local funds it budgets for the education of children with disabilities in that year is at least the same, either in total or per capita, as the amount it spent for that purpose in the most recent fiscal year for which information is available and the standard in paragraph (b)(1)(i) of this section was used to establish its compliance with this section.

Therefore, LEAs may use total:

Per capita local
Per capita state and local
Total local
Total state and local

NOTE: Medicaid cannot be used in Maintenance of Effort calculations.

SCDE contact: S. Michelle Williams Young
803-734-0388
smwilliamsyoung@ed.sc.gov

Title III, Part A: Multilingual Learner and Immigrant Program, Basic State Grant Program, ASSISTANCE LISTING NUMBER 84.365A

I. Program Objective

The objectives of the Title III English Language Acquisition—Basic State Grant Program are to ensure that, multilingual learners (MLs), including immigrant children and youth, attain English proficiency and meet the same challenging State academic content and student academic achievement standards as all children and youth are expected to meet.

II. Program Procedures

Title III funds are obtained by the state following its submission of an application or consolidated plan to the Secretary of Education to provide language instruction for ML and immigrant students as stipulated in the statute. The SEA distributes at least 95 percent of the funds to LEA's that have filed an application that meets certain requirements as described in Title III law. Minimum grants are in the amount of $10,000 and allocations are based upon the number of ML students enrolled in public and private schools in the LEA or in LEAs joining into consortia to apply for Title III funding. Immigrant allocations are based on the number of immigrant children and youth students enrolled in public and private schools in the LEA or LEAs joining into consortia for qualifying districts dependent on a significant increase in immigrant children and youth compared to the two prior years.

III. Compliance Requirement(s) and Suggested Audit Procedure(s)

A. Types of Services Allowed or Disallowed

Compliance Requirement: States must use at least 95 percent of their allotments to award local educational agencies subgrants to improve the English language proficiency and academic achievements of MLs and to provide immigrant students enhanced instructional opportunities. States may reserve up to 5 percent of their allotments for administrative costs and technical assistance to sub-grantees.

The Department awards allotments for activities including developing supplemental instructional programs for ML students, conducting professional development for paraprofessionals, teachers in training and in-servicing teachers, purchasing and developing materials to be used in the classroom for supplemental ML instruction, family involvement and outreach for families of ML students, etc. Training must improve teacher instruction and assessment capabilities, and enhance their ability to understand and use curricula, assessment measures, and instruction strategies for ML students. Training must also be based upon effective research and be of sufficient intensity and duration as to have a positive and lasting impact. Funds may also be used for identifying, acquiring, and upgrading supplemental curricula, instruction materials, educational software, and assessment procedures. Title III contains its own provision prohibiting supplanting of other Federal, State, and local funds, and that provision was not changed by ESSA. If claiming indirect costs, each eligible entity receiving Title III funds must use a restricted indirect cost rate that is referenced under 34 CFR 76.564-76.569.

Suggested Audit Procedure(s)

- Evaluate the adequacy of the policies and procedures used by the LEA to ensure accurate, complete, and timely reporting to the SEA to ensure that the LEA complies with all reporting requirements.

Compliance Requirement: An LEA may use Title III funds only to supplement, and in no case to supplant, nonfederal funds that would, in the absence of Title III funds, be made available. (SEC.3115(g))

Suggested Audit Procedure(s)

- Evaluate the adequacy of the policies and procedures used by the LEA to ensure that Title III funds expended by the LEA are used to supplement and not supplant nonfederal funds in order to ensure compliance with this provision.
- Review the procedures established by the SEA and its local educational agencies to ensure the accuracy of the state's annual count of eligible ML and immigrant children.

B. Special Tests and Provisions

Compliance Requirement: SEAs and LEAs are required (a) to assess the effectiveness of their program in providing ML students with the opportunity to meet the challenging state academic content and academic achievement standards the state has established for all children and (b) to use the results of these assessments to improve the services provided to ML students.

Title I of the ESEA, as amended by ESSA, requires an annual English language proficiency assessment be administered to all MLs until the proficiency criteria, as defined by the state, have been met."

Suggested Audit Procedure(s)

- Verify that the SEA and its subgrantees (LEAs) have processes in place (a) to assess the effectiveness of programs for ML students and (b) to use the assessment information to improve services.
- Verify that ML students who are enrolled in the LEA when the state-established assessment takes place are included in the state-established assessment.
- Verify that ML students take the English proficiency assessment annually.

SCDE contact:	Susan Murphy	Dr. Ingrid Corpuz
	803-734-1601	803-734-2738
	Smurphy@ed.sc.gov	TitleIIIMLP@ed.sc.gov

Education of Migratory Children, Title 1, Part C, Basic State Grant Program (Assistance listing number 84.011A)

I. Program Objective

The objectives of the Migrant Education—Basic State Grant Program (MEP) are

- to support high-quality and comprehensive educational programs for migratory children and youth to help reduce the educational disruptions and other problems that result from repeated moves;
- to ensure that migratory children and youth who move among the states are not penalized in any manner by disparities among the states in curriculum, graduation requirements, and state academic content and student academic achievement standards;
- to ensure that migratory children and youth are provided with appropriate educational services (including support services) that address the special needs of migratory children and youth in a coordinated and efficient manner;
- to ensure that migratory children and youth receive full and appropriate opportunities to meet the same challenging state academic content and student academic achievement standards that all children are expected to meet;
- to design programs to help migratory children and youth overcome educational disruption, cultural and language barriers, social isolation, various health-related problems, and other factors that inhibit the ability of such children to do well in school, and to prepare such children to make a successful transition to postsecondary education or employment; and
- to ensure that migratory children and youth benefit from state and local systemic reforms.

II. Program Procedures

Funds are allocated to a state education agency (SEA), under either an approved consolidated program plan or an approved individual program application, in order for the SEA to provide Education of Migratory Children, Title I, Part C program services and activities either directly or through subgrants to local operating agencies (LOA), such as school districts or other public or private nonprofit agencies. Because an SEA may choose to provide program services directly or through an LOA or other operating agency, some of the suggested audit procedures will apply for an SEA or LOA, depending on which agency provides the services and where the records are maintained.

III. Compliance Requirement(s) and Suggested Audit Procedure(s)

A. Types of Services Allowed or Disallowed

Compliance Requirement: Except as noted in section C below, funds available under Part C of Title I of the Elementary and Secondary Education Act (ESEA) may be used only to identify eligible migratory children and youth and their needs and to provide educational and support services (including, but not limited to, preschool services, professional development, parental involvement activities and the acquisition of equipment) that address the identified needs of the eligible children. (Pub. L. No. 107¬-110, §§1301, 1304(c), 1306(b))

An SEA may use program funds to carry out administrative activities that are unique to the program. These activities might include statewide identification and recruitment of migratory children and youth, interstate and intrastate program coordination, transfer of student records, collecting and using information to make subgrants, and direct supervision of instructional or support.

Suggested Audit Procedure(s)

- Test expenditure and related records to determine whether funds were used for allowable purposes, taking into consideration the exceptions in section C, "Supplement, Not Supplant," below.

Compliance Requirement: SEAs and LOAs must give priority for services to migratory children and youth who are either failing or most at risk of not meeting the state's challenging state academic content standards and challenging state student academic achievement standards and whose education has been interrupted during the regular school year and who have dropped out of school. (Pub. L. No. 107-110, § 1304(d))

Suggested Audit Procedure(s) (SEAs and LOAs)

- Review the process used by the SEA and subgrantees to identify and give priority for services those migratory children and youth who are failing, or most at risk of failing, to meet the state's challenging content and academic achievement standards and whose education has been interrupted during the regular school year and who have dropped out of school.

B. Eligibility

The auditor is not expected to test for eligibility for receipt of services.

C. Supplement, Not Supplant

An SEA and an LOA may use program funds only to supplement and, to the extent practical, increase the level of funds that would, in the absence of the federal funds, be made available from nonfederal sources. In no case may an LOA use federal program funds to supplant funds from nonfederal sources.

See the program section of the compliance supplement for ESEA programs (June 1996) concerning exclusions from the supplement-not-supplant requirement specific to the Title I, Part A (grants to LOAs) program. [Title I, Section 1120A(b) of ESEA (20 U.S.C. § 6322(b)) and Section 1304(c)(2) of ESEA (20 U.S.C. § 6394(c)(2)); Title VI, Section 6401(b) of ESEA (20 U.S.C. §7371(b))]

Suggested Audit Procedure(s) (SEA and LOA)

- Determine whether the SEA and LOAs have internal controls in place to ensure that federal funds are used only to supplement, not supplant, nonfederal funds.

Test to determine whether the SEA and LOAs used federal funds only to supplement, not supplant, nonfederal funds.

D. Special Reporting Requirements

Compliance Requirement: SEAs and operating agencies must develop information and maintain records that confirm the eligibility of each child identified for purposes of MEP funding.

Suggested Audit Procedure(s) (SEA and LOA)

- Determine that procedures are in place at the SEA and LOA level to collect and maintain documentation regarding the eligibility of the identified migratory children and youth.

Compliance Requirement: The SEA is required to assist the United States Department of Education in determining the number of eligible migratory children and youth for allocation purposes using such procedures as the Department requires. Under Department procedures, each SEA is required to provide annually an unduplicated count of eligible migratory children and youth in each of two categories: (1) identified children ages three through twenty-one who resided in the state for one or more days (2) migratory children and youth who were served in a migrant funded project conducted during either the summer term or an intercession period (i.e., when a year-round school was not in session). The SEA must implement procedures, based on the eligibility documentation that it and its subgrantees collect and maintain, to count eligible children in these two categories. (Pub. L. No. 107¬110; Title I, Section 1304(c)(7) of the No Child Left Behind Act (NCLB) 2001) and reauthorized by the Every Student Succeeds Act (ESSA) 2015.

Suggested Audit Procedure(s) (SEAs and LOAs)

- Review the procedures established by the SEA and its local operating agencies to ensure the accuracy of the state's annual unduplicated count of eligible migratory children and youth in each of the two categories.

E. Special Tests and Provisions

Compliance Requirement: SEAs and LOAs are required (a) to assess the effectiveness of their programs and projects in providing migratory children and youth with the opportunity to meet the challenging state academic content and academic achievement standards the state has established for all children and (b) to use the results of these assessments to improve the services provided to migratory children and youth.

Where possible, SEAs and LOAs are expected to use the same yearly assessments that the state has established under Part A of Title I of NCLB 2001 and reauthorized ESSA 2015. Where it is not possible to use the assessments established under Title I, Part A (e.g., in a summer-only project or in a project where no migratory children and youth are enrolled at the same time the state-established assessment takes place), the SEA must ensure that the LOA carries out some other reasonable process for examining the effectiveness of the project. (34 C.F.R. §§ 200.4, 200.42, and 200.43)

Suggested Audit Procedure(s) (SEAs and LOAs)

- Verify that the SEA and its subgrantees (LOAs) have processes in place (a) to assess the effectiveness of programs and projects and (b) to use the assessment information to improve services.

Suggested Audit Procedure(s) (LOAs)

- Verify that eligible migratory children and youth who are enrolled in the LOA when the state-established assessment takes place are included in the state-established assessment.

SCDE contact: Zachary Taylor
803-734-8219
ztaylor@ed.sc.gov

Neglected, Delinquent, and At-Risk Youth, Title I, Part D, Subpart 2, Basic State Grant Program (Assistance listing number 84.013)

I. Program Objective

The purposes of Title I, Part D are to:

A. Improve educational services for these children so they have the opportunity to meet challenging State academic content and achievement standards;

B. Provide them with services to successfully transition from institutionalization to further schooling or employment; and

C. Prevent youth who are at-risk from dropping out of school, and to provide dropouts and children and youth returning from correctional facilities with a support system to ensure their continued education.

II. Program Procedures

A. Subpart One:
Under SEA programs (Title I, Part D, Subpart 1), States receive formula funds based on the number of children in State-operated institutions and per-pupil educational expenditures. Each State's allocation is generated by child counts (Annual/October count) in State juvenile institutions that provide at least 20 hours of instruction from nonfederal funds and adult correctional institutions that provide 15 hours of instruction a week. The SEA then makes subgrants to State agencies (SA) based on their proportional share of the State's adjusted enrollment count of neglected or delinquent children and youth.

B. Subpart Two
Under local agency programs (Title I, Part D, Subpart 2), the SEA awards subgrants to Local education agencies (LEA)/school districts with high numbers or percentages of children and youth in locally operated juvenile correctional facilities, including facilities involved in community day programs. The LEA allocation is generated by yearly required child counts (Annual/October count).

Subpart One and Subpart Two project applications are made to the SEA for funding of N&D project activities as outlined in sections 1414 and 1423 of ESEA and must be in compliance with the approved use of funds. The N&D program may serve children ages 5 to 21.

III. Compliance Requirement(s) and Suggested Audit Procedure(s)

A. Types of Services Allowed or Required

1. Subpart 1: Academic and Transitional Services

a. **Institution-wide Projects (Section 1416)**
A State agency that provides free public education for children and youth in an institution for neglected or delinquent children and youth (other than an adult correctional institution) or attending a community-day program for such children and youth may use funds received under this subpart to serve all children in, and upgrade the entire educational effort of, that institution or program if the State

agency has developed, and the State educational agency has approved, a comprehensive plan for that institution or program. (Sec. 1416)

b. **Target Assistance Projects (Section 1416)**
A State agency that provides free public education to a target population of youth in an institution or program eligible for Part D, Subpart 1, funds. Administration of Title I, Part D services are limited to target students in adult correctional institutions between the ages of 17 and 21 only.

c. **Transition Services (Section 1418)**
Each State agency shall reserve not less than 15 percent and not more than 30 percent of the amount such agency receives under this subpart for any fiscal year to support

1) projects that facilitate the transition of children and youth from State-operated institutions to schools served by local educational agencies; or

2) the successful re-entry of youth offenders, who are age 20 or younger and have received a secondary school diploma or its recognized equivalent, into postsecondary education, or vocational and technical training programs, through strategies designed to expose the youth to, and prepare the youth for, postsecondary education, or vocational and technical training programs.

2. Subpart 2: Academic and Transitional Services

a. Academic and Transitional Services (Section 1421)

1) An LEA receiving Subpart 2 programs that involve collaboration with locally operated correctional facilities may use the funds to:

- carry out high-quality education programs to prepare children and youth for secondary school completion, training, employment, or further education;
- provide activities to facilitate the transition of such children and youth from the
- correctional program to further education or employment; and
- operate programs in local schools for children and youth returning from correctional facilities, and programs which may serve at-risk children and youth.

b. Academic and Transitional Services (Section 1422)

1) An LEA receiving Subpart 2 funds may use the funds to operate programs that involve collaboration with locally operated facilities with which the LEA has established formal agreements regarding the services to be provided:

- to carry out high-quality education programs that prepare children and youth to complete high school, enter training or employment programs, or further their education;

- to provide activities that facilitate the transition of such children and youth from the correctional program in an institution to further education or employment, and;
- to operate dropout prevention programs in local schools for children and youth who are at-risk of dropping out or youth returning from correctional facilities.

2) Transitional and supportive programs operated in local educational agencies under this subpart shall be designed primarily to meet the transitional and academic needs of students returning to local educational agencies or alternative education programs from correctional facilities. Services to students at-risk of dropping out of school shall not have a negative impact on meeting the transitional and academic needs of the students returning from correctional facilities.

   An LEA also may use Subpart 2 funds, as appropriate, for:

   - Dropout prevention programs that serve at-risk children and youth. An at-risk child or youth means a school-aged individual who is at-risk of academic failure, has a drug or alcohol problem, is pregnant or is a parent, has previously come into contact with the juvenile justice system, is at least 1 year behind the expected grade level for the age of the individual, is a migrant or an immigrant, has limited English proficiency, is a gang member, has previously dropped out of school, or has a high absenteeism rate at school.
   - Coordination of health and social services for children and youth who are at-risk (e.g., daycare, drug and/or alcohol abuse counseling, and mental health services) if there is a likelihood that providing such services will help these children complete their education.
   - Special programs that meet the unique academic needs of children and youth who are at-risk, including vocational and technical education, special education, career counseling, curriculum-based entrepreneurship education, and assistance in securing student loans or grants for postsecondary education.
   - Programs providing mentoring and peer mediation.

     An LEA receiving Subpart 2 funds must use a portion of its funds to operate a dropout prevention program for students returning from a locally operated correctional facility. However, an LEA that serves a school operated by a locally operated correctional facility, in which more than 30 percent of the children and youth attending the school will reside outside the boundaries served by the LEA upon leaving the facility, is not required to operate a dropout prevention program within the school and may use all of its Subpart 2 funds for programs in locally operated correctional facilities, provided that those facilities have a formal agreement with the LEA.

c. **Program Evaluations (Section 1431)**

Each State agency or local educational agency that conducts a program under subparts 1 or 2 shall evaluate the program, disaggregating data on participation by gender, race, ethnicity, and age, while protecting individual student privacy, not less than once every 3 years, to determine the program's impact on the ability of participants.

B. Special Tests and Provisions

Compliance Requirement: The State agencies, as well as the local education agencies receiving an N&D allocation, may use program funds only to supplement and, to the extent practical, increase the level of funds that would, in the absence of the federal funds, be made available from nonfederal sources. In no case may an SA or LEA use federal program funds to supplant funds from nonfederal sources. See the program section of the compliance supplement for ESEA section 1415(a)(2)(C) requires that a State agency program for children who are neglected, delinquent, or at risk under Title I, Part D, Subpart 1 be "carried out in a manner consistent with section 1118." As funds under Parts C and D do not flow directly to schools, the specific requirements pertaining to the methodology, special rule, prohibition, and timelines that are described in ESEA section 1118(b)(2)-(5) do not apply to funds under Parts C and D. However, the general prohibition against using Federal funds to supplant State and local funds in ESEA section 1118(b)(1) still applies. Therefore, programs under Parts C and D are still required to provide services that supplement, and do not supplant, those provided 20 with State and local funds consistent with how the requirement was implemented prior to the ESSA.

Suggested Audit Procedure(s)

Test expenditure and related records to determine whether funds were used for allowable purposes, and are consistent with the stated activity within the approved N&D project application, taking into consideration the exceptions in "Supplement, Not Supplant."

- Determine whether the SEA and LEAs have internal controls in place to ensure that federal funds are used only to supplement, not supplant, nonfederal funds.
- Maintenance of Effort Requirement

  For covered ESEA programs other than, Part C, and Title VI V, a Local Education Agency (LEA) may receive its full allocation of covered ESEA programs for any fiscal year only if the State educational agency (SEA) determines that the LEA has maintained its fiscal effort in accordance with section 8521 of ESEA Requirement
- The LEA meets the MOE requirement if either the combined fiscal effort per student or the aggregate expenditures of the LEA, from State and local funds, with respect to the provision of free public education for the preceding fiscal year was not less than

90 percent of the combined fiscal effort or aggregate expenditures for the second preceding fiscal year.

An SEA must reduce an LEA's allocation under a covered program if the LEA fails to maintain effort in a given fiscal year; and the LEA also failed to maintain effort in one or more of the five immediately preceding fiscal years.

- Failure to Meet the Requirement

  If an LEA fails to meet the MOE requirement, the SEA must reduce the amount of funds allocated under the programs covered by the MOE requirement in any fiscal year in the exact proportion by which the LEA fails to maintain effort by falling below 90 percent of either the combined fiscal effort per student or aggregate expenditures. In reducing an LEA's allocation because it failed to meet the MOE requirement, the SEA uses the measure most favorable to the LEA. For a year in which an LEA failed to maintain effort, the expenditure amount an SEA uses for computing maintenance of effort in subsequent years will be 90 percent of the prior year amount rather than the actual expenditure amount.

For a year in which an LEA failed to maintain effort, the expenditure amount a SEA uses for computing maintenance of effort in subsequent years will be 90 percent of the prior year amount rather than the actual expenditure amount.

- **Expenditures to be included**
  In determining whether an LEA has maintained fiscal effort, a SEA must consider the LEA's expenditures from State and local funds for free public education. These include expenditures for administration, instruction, attendance and health services, pupil transportation services, operation and maintenance of plant, fixed charges, and net expenditures to cover deficits for food services and student body activities.

- **Expenditures to be excluded**
  Expenditures for community services, capital outlay, debt service, or supplemental expenses made as a result of a presidentially declared disaster are not to be included in the determination. In addition, any expenditures made from funds provided by the Federal government are excluded from the determination.

- **"Preceding fiscal year"**
  For purposes of determining maintenance of effort, the "preceding fiscal year" is the 12-month fiscal period most commonly used in a State for official reporting purposes, prior to the beginning of the Federal fiscal year in which funds are available.

- **Waiver**
  The US Department of Education may waive the MOE requirement if it is determined that such a waiver would be equitable due to—

  - Exceptional or uncontrollable circumstances such as a natural disaster, or a change in the organizational structure of the LEA; or

- A precipitous decline in the financial resources of the LEA.

SCDE contact: Jennifer Rhodes
803-734-8110
jrhodes@ed.sc.gov

Preschool Grants Program (Assistance listing number 84.173)

I. Program Objective

The objective of the IDEA Preschool Grant program is to assist states in providing a free and appropriate public education to all children with disabilities, ages three, four, and five.

II. Program Procedures

Grants are made to states following their submission of an acceptable application based on a certified December 1 count of children with disabilities ages three, four, and five receiving special education and related services. The SEA, in turn, funds LEAs, Head Starts, and state-operated programs that have approved applications to the SEA for funding.

III. Compliance Requirement(s) and Suggested Audit Procedure(s)

A. Eligibility

Compliance Requirement: Only children ages three, four, and five who have been determined to have a disability and who, because of this impairment, need special education and related services are eligible for participation in this program and may be counted. Implementing regulations for these programs can be found at 34 C.F.R. §§ 300 and 301.

Suggested Audit Procedure(s)

Determine eligibility using (IEPs), or evaluations, as appropriate for all areas of disability categories.

Placement Criteria for Preschool Children with Disabilities

Preschool children with disabilities will meet the criteria specified in SBE 43-243.1.

Monitoring in those LEAs/Agencies that serve both school-age and preschool children with disabilities, at least three (3) preschool children with disabilities must be included in the sample, with at least one (1) folder from each age level served. Therefore, at least one (1) three-year-old, one (1) four-year-old, and one (1) five-year-old will be included in each sample. The remaining folders will be selected in proportion to the number of children served in each age group.

B. Matching, Level of Effort, and/or Earmarking Requirements

Funds shall be used to supplement and increase the level of state and local funds expended for the education of children with disabilities and in no case supplant state and local funds. (34 C.F.R. § 300.202, (1997)).

SCDE contact: S. Michelle Williams Young
803-734-0388
smwilliamsyoung@ed.sc.gov

Reserve Officers' Training Corps (Assistance listing number Not Applicable)

I. Program Objective

The objective of the Reserve Officers' Training Corps (ROTC) is to provide instruction and training for high school–aged students in military procedures. The program is offered as an elective to students who are considering a military career.

II. Program Procedures

ROTC instructors must be retired from the particular branch of service they instruct. The local school district submits a project application to the specific branch of service for funding an ROTC instructor. The application must include the instructor's name and Social Security number. The particular branch of service forwards to the school district the amount of money based upon the number of instructional days the instructor will be employed by the school district.

Compliance Requirement(s) and Suggested Audit Procedure(s)

The auditor is expected to ascertain that the instructor, as noted in the project application, actually received compensation by reviewing the employee's earnings record.

SCDE contact: None (direct aid)

Rural Education Achievement Program (REAP), Title V, Part B, Subpart 2, Rural and Low-Income School program (Assistance listing number 84.358B)

I. Use of Funds—Section 6222

LEAs that receive RLIS grants may use the funds to carry out the following types of activities:

- Parental involvement activities
- **Title I-A** (Improving Basic Programs Operated by local education agencies)
- **Title II-A** (Supporting Effective Instruction)
- **Title III** (Language Instruction for English Learners and Immigrant Students)
- **Title IV-A** (Student Support and Academic Enrichment)

II. Program Procedures

An LEA is eligible for an RLIS award if:

- Twenty percent or more of the children ages 5 to 17 served by the LEA must be from families with incomes below the poverty line; and
- All of the schools served by the LEA are designated with a school locale code of 32, 33, 41, 42, or 43.

III. Reporting Requirements Compliance Requirement

An LEA must report annually to the SEA on the LEA's use of Title V Part B funds and must provide any other information as may reasonably be required for program evaluation consistent with the SEA's responsibilities. (Section 5133)

Suggested Audit Procedure(s)

- Evaluate the adequacy of the policies and procedures used by the LEA to ensure accurate, complete, and timely reporting to the SEA to ensure that the LEA complies with the reporting requirements.
- Test to determine if the LEA complied with the reporting requirements.

IV. Special Tests and Provisions

Compliance Requirement: An LEA may use Title V, Part B funds only to supplement, and in no case to supplant, nonfederal funds that would, in the absence of Title V, Part B funds, be made available. (Section 5144)

V. Suggested Audit Procedures

- Document the policies and procedures established for obligating Title V, Part B funds.

- Evaluate adequacy of these procedures to ensure that Title V, Part B funds are obligated within the period of availability.
- Test to determine if the prescribed policies and procedures were adhered to and if Title V, Part B funds were properly obligated within the period of availability.

SCDE contact: Jennifer Rhodes
803-734-8110
jrhodes@ed.sc.gov

Jewell Stanley
803-734-8131
jstanley@ed.sc.gov

Title I Part A, Grants to Local Education Agencies Title I, Basic State Grant Programs (Carryover Provision) (Assistance Listing 84.010)

I. Program Objective

Title I, Part A (Title I) of the Elementary and Secondary Education Act (ESEA), as amended by Every Student Succeeds Act (ESSA) provides supplemental financial assistance to local education agencies (LEA) through state education agencies (SEA) to improve the teaching and learning of children who are at risk of not meeting challenging academic standards and who reside in areas with high concentrations of children from low-income families.

II. Program Procedures

ED provides Title I, Part A funds to each SEA through a statutory formula based primarily on the number of children ages five through seventeen from low-income families that are counted in the most recent decennial census. This number is adjusted for the cost of education in each state. To receive funds, an SEA must submit to ED for approval either (a) an individual state plan as provided in Section 1111 of the ESEA or (b) a consolidated plan that includes Part A, in accordance with Section 14302 of the ESEA. The individual or consolidated plan, after approval by ED, remains in effect for the duration of the state's participation in Title I, Part A/ARRA, but must be updated to reflect substantive changes.

III. Compliance Requirement(s) and Suggested Audit Procedure(s)

LEAs allocate Title I funds to eligible school attendance areas based on the number of children from low-income families residing in the attendance area. An individual school receiving funds identifies students who are failing, or most at risk of failing, to meet state challenging performance standards and who have the greatest need. The school then designs, in consultation with parents, staff, and the LEA, an instructional program to meet the needs of those students.

A. Eligibility

1. School attendance area and eligibility and allocations

Compliance Requirement: An LEA must determine which school attendance areas are eligible. Generally, only those above the poverty rate for the LEA as a whole or a poverty rate above 35 percent are eligible. An LEA may also designate and serve a school serving an ineligible attendance area if the percentage of children from low-income families enrolled in that school is equal to or greater than the percentage of such children in a participating school attendance area. When determining eligibility, an LEA must select a poverty measure from among the data sources specified in Section 1113(a)(5) of Title I and use that measure consistently across the district to rank all its school attendance areas according to their percentage of poverty. An LEA must serve those areas or schools above 75 percent poverty, including any middle or high schools, as long as funds are available. After an LEA has served all areas and schools with a poverty rate above 75 percent, the LEA may serve areas and schools with 75 percent poverty rate or less by grade span or continue with the district wide ranking. In grade span groupings, schools may be identified by the 35 percent rule, grade span, or percentage of poverty. An LEA with an enrollment of less than 1,000 students, or with one school per grade span, is not required to allocate funds to areas or schools in rank order.

If an LEA serves any attendance area with less than a 35 percent poverty rate, it must allocate an amount for each area that equals at least 125 percent of the LEA's Title I allocation per poor child. If an LEA serves only areas with a poverty rate 35 percent or greater, the LEA is not required to allocate a per-pupil amount of at least 125 percent. An LEA may not allocate a higher amount per child to areas or schools with lower percentages of poverty than to areas with higher percentages. If an LEA ranks and serves areas or schools below 75 percent poverty by grade span, the LEA may determine different amounts per poor child for different grade spans as long as those amounts do not exceed the amount allocated to any area or school above 75 percent poverty. Amounts per poor child within grade spans may also vary as long as the LEA allocates higher amounts per poor child to higher poverty areas or schools within the grade span than it allocates to lower poverty areas or schools. This requirement does not apply to an LEA that has only one school for each grade span. An LEA with an enrollment of less than one thousand (1,000) students is also excluded from this requirement. (Title I, Section 1113 of ESEA (20 U.S.C. §6313); 34 C.F.R. §§ 200.27– 200.28)

Suggested Audit Procedure(s) (LEA)

- Review and test LEA procedures and data used to ascertain if the LEA determined school attendance area or school eligibility in accordance with the statute and regulations.
- Review and test LEA allocation procedures to determine that funds were distributed based on the number of poor children in accordance with the statute and regulations.

2. Generating funds for services to eligible private school children

Compliance Requirement: In allocating Title I funds to a participating eligible school attendance area as provided in Section 1113(c), an LEA must base that allocation on the total number of children from low-income families, including low-income children who reside in the area and attend private schools. Thus, the LEA, in consultation with private school officials, must obtain the best available poverty data on private school children who reside in participating school attendance areas. LEAs have flexibility in the methods used to collect poverty data on private school children.

For example, an LEA could use

- data from the same source for children in both public and private schools;
- poverty data for private school children that are from a different source than the data used or public school children but are generally comparable in terms of income levels;
- extrapolated data on the number of low-income private school children based on actual data from a representative sample of private school children;
- correlated data that show the relation between two known data sources of public school poverty data on public school children, which is then applied to a known source of data on private school children; and
- proportional data based on the poverty percentage of each public school attendance area applied to the total number of private school children who reside in that area. Section 1120(a)(4) of the Title IX statute permits an LEA to determine the number of children from low-income families who attend private schools each year or every two years.

The LEA must reserve the amounts generated by poor private school children who reside in participating public school attendance areas. In consultation with private school officials, an LEA may choose to allocate Title I/resources for services to private school children using one or a combination of the following options:

- Provide equitable services to eligible children in each private school with the funds generated by children attending that private school who are from low-income families.
- Combine the funds generated by poor private schoolchildren in all participating areas to create a pool of funds from which the LEA provides equitable services to eligible private school children who are in the greatest educational need of those services. Under this option, the services provided to eligible children in a particular private school are not dependent upon the amount of funds generated by poor children in the school. (Title I, Sections 1113 and 1120 of ESEA (20 U.S.C. §§ 6313 and 6321); 34 C.F.R. §§ 200.10–200.17, 200.27–200.28)

If an LEA reserves funds off the top of its Title I allocation for district-wide instructional programs for public elementary and secondary school students, the equitable services require applies. Section 200.64(a)(2)(i)(A) of the Title I regulations requires that, if an LEA reserve funds for instructional and related activities for public elementary or secondary school students at the district level, the LEA must also provide from these funds, as applicable, equitable services to eligible private school children. The amount of funds available to provide equitable services from the applicable reserved funds must be proportional to the number of private school children from low-income families residing in participating public school attendance areas.

Suggested Audit Procedure(s)

- Determine whether an LEA has a process in place for timely consultation with private school officials to obtain the best available poverty data on the number of low-income private school children residing in participating public school attendance areas.
- Review and test the procedures the LEA used to determine the number of poor private schoolchildren residing in participating public school attendance areas for adequacy and consistency with the statute and regulations.
- Review and test the LEA's allocation process to determine if private school poor children generated the same amount of funds per child as public school poor children and that funds generated by private school children are used for instructional programs for eligible private school children in accordance with the statute and regulations.
- Review and test that the LEA reserved an equitable portion of appropriate set-asides for equitable services to eligible private school children.

B. Matching, Level of Effort, and/or Earmarking Requirements

1. **Maintenance of effort**
   Compliance Requirement: For covered ESEA programs other than, Part C, and Title V, the combined fiscal effort per student or aggregate expenditures of each LEA from state and local funds for free public education for the preceding year must be at least 90 percent of the combined fiscal effort per student or aggregate expenditures for the second preceding year, unless specifically waived by the Secretary. (For purposes of determining maintenance of effort for Title I, Part A, see 34 C.F.R. §200.64.)

   Failure to Meet the Requirement: The SEA shall reduce the amount of the allocation of funds under a covered program in any fiscal year in the exact proportion by which an LEA fails to maintain effort by falling below 90 percent of both the combined fiscal effort per student and aggregate expenditures (using the measure most favorable to the LEA).

   For a year in which effort was not maintained, the lesser amount shall not be used for computing maintenance of effort in subsequent years.

   Waiver: The Secretary may waive the maintenance of effort requirements if he/she determines that such a waiver would be equitable due to—

   - Exceptional or uncontrollable circumstances such as natural disaster or

- A precipitous decline in the financial resources of the LEA.

Expenditures to be included

In determining whether an LEA has maintained fiscal effort, the SEA must consider the LEA's expenditures from state and local funds for free public education. Those expenditures include expenditures for administration, instruction, attendance and health services, pupil transportation services, operation and maintenance of plant, fixed charges, and net expenditures to cover deficits for foodservices and student body activities.

Expenditures to be excluded

Expenditures for community services, capital outlay, and debt service are not to be included in the determination. In addition, expenditures made from funds provided by the Federal Government for which the LEA is required to account to the Federal Government directly or through the SEA are excluded from the determination.

"Preceding fiscal year"

For purposes of determining maintenance of effort, the "preceding fiscal year" is the Federal fiscal year or the 12-month fiscal period most commonly used in a state for official reporting purposes prior to the beginning of the federal fiscal year in which funds are available.

Suggested Audit Procedure(s) (LEA)

- Review the second and first preceding years' financial records of the LEA and compare total expenditures and, if necessary, per-pupil expenditures for those years.
- Determine if the LEA maintained fiscal effort unless the Secretary has granted a waiver.

SCDE contacts: Jennifer Rhodes
803-734-8110
jrhodes@ed.sc.gov

Requirements for Maintenance of Effort (MOE) Calculation

To calculate the required amounts that represent MOE by a school district, the source data must originate from the school district's Annual Audit Reports. MOE calculations for two consecutive years are required as a condition to demonstrate that effort has been maintained for no less than 90 percent of the second preceding year's MOE amount. Annual Audit Report information from the preceding fiscal year and the second preceding fiscal year must be used as the basis for calculation of the two required amounts. Refer to federal Guidance for Title I Fiscal Issues to determine the preceding and second preceding years.

For the year considered, **the first step** is to *determine the actual, TOTAL LEA expenditures from the Audit Report (per the audited Location Reconciliation Schedule). Using this total, **the second step** is to exclude certain revenues and expenditures. These have specific topics with Function and Object numbers that provide the data amounts as follows:

Subtract:

- Federal Expenditures (All expenditures reported under SEFA)
- Capital Outlay (All expenditures reported under Function 253 and all expenditures reported under Objects 500-599 for Instructional Functions 110-190, and Support Functions 210-252, 254-271)
- Debt Service (All expenditures reported under Function 500)
- Community Services (All expenditures reported under Function 310-399)
- Pupil Activity (All expenditures reported under Function 272 and 273)
- Intergovernmental (All expenditures reported under Function 411-417)

The third step is to divide the result of step two by the school district's 135-day ADM for that same school year. This sum is the per pupil MOE amount.

The fourth step is to compare the per pupil MOE amount from the preceding year to the second preceding year to demonstrate that no less than 90 percent of the MOE effort of the second preceding year has been maintained.

***Optional:** A school district may use the aggregate expenditures of state and local funds to illustrate MOE. The aggregate expenditures for the preceding fiscal year must not be less than 90% of the aggregate expenditures for the second preceding fiscal year.

Directions for Electronic Worksheet Calculation of Maintenance of Effort (MOE)

The Excel worksheet is provided electronically for convenience of calculation. Determine the preceding and second preceding years (see federal Guidance). A worksheet must be done for each, using source data from the LEA Audit Report and the 135 ADM for each year. Enter amounts of Audit Report data for Steps 1, 2, and 3, into the appropriate cell on the Excel worksheet. The calculation for Steps 1, 2, and 3 will be performed automatically. Step 4 requires data to be transferred from a prior worksheet to the cell in Step 4 for electronic determination of effort. Paper copy of source data and worksheets must be maintained for Title I monitoring purposes. Instructions are as follows:

Step 1: Input the audit report **Total** LEA expenditures per the audited Location Reconciliation Schedule. This **Total** includes total expenditures as stated on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds, **plus** the total expenditures amount from the Food Service Fund (See Schedule) and the Pupil Activity Fund (See Schedule).

Step 2: List the page number beside each data source or attach copy of dated report from accounting software using appropriate Function and Object numbers. Input amounts for the following items, which are **excluded** from the **Total in Step 1**:

Federal Expenditures –Use total from the Schedule of Expenditure of Federal Awards (SEFA).

Capital Outlay – A report from accounting software must reflect appropriate Functions and Objects. Retain copy for MOE file.

Debt Service – Use appropriate Statement or Schedule data.

Community Service – Use total from Statement of Revenues, Expenditures, and Changes in Fund Balances: Governmental Funds.

Pupil Activity Fund – Use Schedule, Functions 272, 273 only.

Intergovernmental – Use total from Statement of Revenues, Expenditures, and Changes in Fund Balances: Governmental Funds.

Step 3: Input the 135 ADM data for this Audit Year from the district's official report to the Department of Education. The per pupil MOE will be calculated electronically.

Step 4: In the per pupil MOE calculated for the year now considered the second preceding year relative to the preceding year just calculated. The MOE determination is now completed automatically by formula statement.

Title I Fiscal Requirements
Electronic Worksheet to Calculate Maintenance of Effort (MOE)

Step 1: Preceding Year Audit Report **Total** Expenditures: $________________________
(Refer to the audited Location Reconciliation Schedule)

Step 2:
Items Subtracted From Total Expenditures in Step 1:

(List page number for each data source from Audit Report.)

Source	Page number	Amount
Federal Expenditures (SEFA)		
Capital Outlay (attach report)		
Debt Service		
Community Services		
Pupil Activity Fund		
Intergovernmental		
Total Amount Excluded:		

Total Expenditures for MOE Calculation: **$________________________**

Step 3:
135 ADM:

The per pupil MOE calculated for the **preceding** year
From Audit Year ______: **$________________________**

Step 4:
The per pupil MOE calculated for the **second** preceding year
From Audit Year ______: (Attach Worksheet) **$________________________**

Met MOE Requirements? *

*Compare the per pupil MOE in Step 3 to the per pupil MOE of Step 4. The per pupil amount in Step 3 must be not less than ninety percent of the per pupil amount in Step 4 to meet the MOE requirement.

Title I Fiscal Requirements
Electronic Worksheet to Calculate Maintenance of Effort (MOE)
Composite Sample for Preceding Year

Step 1:
Preceding Year Audit Report **Total** Expenditures: **$15,934,495.00**
(Refer to the audited Location Reconciliation Schedule)

Step 2:
Items Subtracted From Total Expenditures in Step 1:

(List page number for each data source from Audit Report.)

Source	Page number	Amount
Federal Expenditures (SEFA)	72	$589,295.00
Capital Outlay (attach report)	57	230,000.00
Debt Service	17	80,000.00
Community Services	17	1,300.00
Pupil Activity Fund	64	50,000.00
Intergovernmental	17	6,400.00
Total Amount Excluded:		**$(956,995.00)**

Total Expenditures for MOE Calculation: **$14,977,500.00**

Step 3:
135 ADM: **$2,195.00**

The per pupil MOE calculated for the **preceding** year
From Audit Year **2005**: **$6823.46**

Step 4:
The per pupil MOE calculated for the **second** preceding year
From Audit Year **2005** (Attach Worksheet) **$6,795.77**

Met MOE Requirements? * **Met MOE**

*Compare the per pupil MOE in Step 3 to the per pupil MOE of Step 4. The per pupil amount in Step 3 must be not less than ninety percent of the per pupil amount in Step 4 to meet the MOE requirement.

Title I Fiscal Requirements
Electronic Worksheet to Calculate Maintenance of Effort (MOE)
Composite Sample for Second Preceding Year

Step 1: Preceding Year Audit Report **Total** Expenditures: **$15,200,000.00**
(Refer to the audited Location Reconciliation Schedule)

Step 2:
Items Subtracted From Total Expenditures in Step 1:

(List page number for each data source from Audit Report.)

Source	Page number	Amount
Federal Expenditures (SEFA)	70	$595,000.00
Capital Outlay (attach report)	55	170,000.00
Debt Service	15	73,500.00
Community Services	15	1,600.00
Pupil Activity Fund	61	45,000.00
Intergovernmental	15	9,800.00
Total Amount Excluded:		**$(894,900.00)**

Total Expenditures for MOE Calculation: **$14,305,100.00**

Step 3:
135 ADM: **$2,105.00**

The per pupil MOE calculated for the **preceding** year
from Audit Year **2004**: **$6,795.77**

Step 4:
The per pupil MOE calculated for the second preceding year
from Audit Year 2003 (Attach Worksheet) **$6,576.98**

Met MOE Requirements? * **Met MOE**

*Compare the per pupil MOE in Step 3 to the per pupil MOE of Step 4. The per pupil amount in Step 3 must be not less than ninety percent of the per pupil amount in Step 4 to meet the MOE requirement.

2. **Comparability**

Compliance Requirement: An LEA may receive Title I funds only if state and local funds will be used in Title I schools to provide services that, taken as a whole, are at least comparable to services that the LEA is providing in schools not receiving Title I funds.

An LEA is considered to have met the statutory comparability requirements if it has implemented

a. An LEA-wide salary schedule;
b. A policy to ensure equivalence among schools in teachers, administrators, and other staff; and
c. A policy to ensure equivalence among schools in the provision of curriculum materials and instructional materials and supplies.

An LEA must also use other measures to determine comparability such as comparing the average number of students per instructional staff or the average staff salary per student in each Title I school with non-Title I schools on an annual basis.

Determinations may be made on either a district wide or a grade-span basis. If all schools are served by Title I, an LEA must use state and local funds to provide services that, taken as a whole, are substantially comparable in each school. The comparability requirement does not apply to an LEA that has only one school for each grade span. An LEA may also exclude schools with fewer than one hundred (100) students from its comparability determinations.

An LEA may exclude from determinations of compliance with this requirement any state and local funds expended (a) for bilingual education for children with limited English proficiency and (b) for the excess costs of providing services to children with disabilities as determined by the LEA.

An LEA may exclude state and local funds spent in any school attendance area or school to carry out a program that meets the requirements of Section 1114 (school wide programs) or Section 1115 (targeted assistance schools) from comparability.

Each LEA must develop procedures for complying with the comparability requirements and must maintain records that are updated biennially documenting compliance with the comparability requirements. Comparability must be demonstrated on an annual basis, but not reported. The SEA, however, is ultimately responsible for ensuring that its LEAs remain in compliance with the comparability requirement. The SEA must withhold funds or require refunds from LEAs that fail to comply with the comparability requirements. [Title I, Section 1120A(c) of ESEA (20 U.S.C. § 6321]

Suggested Audit Procedure(s) (SEA)

- Ascertain whether the SEA is monitoring each LEA's compliance with the comparability requirements.

Suggested Audit Procedure(s) (LEA)

- Review the LEA's procedures for calculating comparability to determine whether these procedures actually produce comparable schools.
- Review and test the LEA's records and documentation to determine if in fact service in Title I attendance areas and schools provided from state and local funds are comparable to those in non-Title I areas or schools.

3. <u>**Supplement, not supplant**</u>

Compliance Requirement: As discussed generally in the Cross-Cutting Provisions of the ESEA Compliance Supplement, an LEA may use Title I funds only to supplement and, to the extent practical, increase the level of funds that would, in the absence of Title I funds, be made available from nonfederal sources for the education of pupils participating in Title I projects. An LEA may not use Title I funds to supplant funds from nonfederal sources.

When determining whether Title I funding is supplemental, an LEA may exclude state and local funds spent in any school attendance area or school for carrying out a program that meets the requirements of Section 1114 (school wide programs) or Section 1115 (targeted assistance schools).

A program meets the requirements of Section 1114 if it

- is implemented in a school that meets the Title I school wide poverty threshold (i.e., 60 percent poverty in 1995–96, 50 percent poverty in subsequent years);
- is designed to upgrade the entire educational program in the school to enable all children to meet the state's challenging student performance standards;
- is designed to meet the educational needs of all children in the school, particularly the needs of children who are failing, or most at risk of failing, to meet the state's performance standards; and
- uses the state's system of assessment to review the effectiveness of the program.

A program meets the requirements of Section 1115 if it

- serves only children who are failing, or most at risk of failing, to meet the state's student performance standards;

- provides supplementary services designed to meet the special educational needs of children who are participating in the program to enable those children to meet the state's student performance standards; and
- uses the state's system of assessment to review the effectiveness of the program.

Suggested Audit Procedure(s) (LEA)

- Test internal financial control system to ensure that federal funds are used only to supplement, not supplant, nonfederal funds.
- Determine whether the grantee used Title I funds only to supplement nonfederal funds. [Section1120A(b) of ESEA(20 U.S.C. §6321 and Title I Regulations Section 200.79]

C. Special Tests and Provisions

1. Carryover

Compliance Requirement: An LEA may not carryover more than 15 percent of the funds it received under Part A, Subpart 2, "Allocations," for any fiscal year. This percentage limitation does not apply to an LEA that receives less than $50,000 for any fiscal year.

An SEA may grant a waiver of the percentage limitation once every three (3) years if the SEA determines that the request is reasonable and necessary. An SEA may also grant a waiver in any fiscal year in which supplemental appropriations for Title I become available for obligation. (Title I, Section 1127 of ESEA (20U.S.C. § 6339))

Suggested Audit Procedure(s) (LEA)

- Determine whether the LEA has carried over no more than 15 percent of its allocations under Part A, Subpart 2.

2. Use of funds for eligible children in a targeted assistance program

Compliance Requirement: A school operating a targeted assistance program must use Title I funds only for programs and projects that are designed to meet the needs of children identified as failing, or most at risk of failing, to meet the state's challenging student performance standards. Such children shall generally be identified on the basis of multiple, educationally related, objective criteria established by the LEA and supplemented by the school except that children from pre-school through grade two shall be selected solely on the basis of such criteria as teacher judgment, interviews with parents, and developmentally appropriate measures. Children who are economically disadvantaged, children with disabilities, migratory children, and limited-English-proficient children are eligible for Title I, Part A services on the same basis as other children who are selected for services. In addition, certain classes of children are considered at risk of failing to meet the state' s student performance standards and are thus eligible for Title I services because of their status.

Such children include the following:

- children are homeless,
- children who participated in a Head Start or Even Start program at any time in the two preceding years;
- children who received services under a program for youth who are neglected, delinquent, or at risk of dropping out under Part D (or its predecessor authority) at any time in the two preceding years; and
- children who are in a local institution for neglected or delinquent children or attending a community day program. Funds, received under this part may not be used to provide services that are otherwise required by law to be made available to children described above, but maybe used to coordinate or supplement such services.

From the universe of eligible children, a targeted assistance school selects those children who have the greatest need for special assistance to receive Part A services. (Title I, Section 1115 of ESEA (20 U.S.C. §6315))

Suggested Audit Procedure(s) (LEA)

- Test on a sample basis expenditure and related records to determine whether schools operating targeted assistance programs use Title I funds only for activities allowable under the statute and regulations.
- Determine whether a school receiving Title I funds has a process in place to identify and select children to be served who meet the criteria established in Section 1115(b).

3. **<u>School wide programs</u>**

Title I funds may be used to benefit all students at schools participating in a school wide program. See E-2 School wide programs in the cross-cutting section of the ESEA Compliance Supplement. (Title I, Section 1114 of ESEA (20 U.S.C. § 6314); 34 C.F.R. § 200.7)

Compliance Requirement: A school participating under Title I, Part A may, in consultation with its LEA, use Part A funds to upgrade the school's entire educational program in a school wide program. To qualify, at least 40 percent of the children enrolled in the school or residing in the school attendance area for the initial year of the school wide program must be from low-income families. To operate a school wide program, a school must develop, in consultation with the LEA and its school support team or other technical assistance provider, a comprehensive plan to upgrade its total instructional program. Each school wide program must include a number of specific components that are provided in the statute and regulations. For example, a school wide-program school must:

- conduct a comprehensive needs assessment of the entire school to determine the performance of its children in relation to the state's challenging content and performance standards;
- implement school wide reform strategies that are based on scientifically based research effective means of improving the achievement of children and that address the needs of all children in the school;
- use qualified professional staff;
- provide professional development for teachers and other staff; and
- implement strategies to increase parental involvement.
- reform strategies school wide that provide opportunities for all children to meet the State's proficient and advanced levels of student academic achievement; use effective methods and instructional strategies that are based on scientifically based research that strengthen the core academic program in the school; increase the amount and quality of learning time, such as providing an extended school year and before-and-after school and summer programs and opportunities, and help provide an enriched and accelerated curriculum; include strategies for meeting the educational needs of historically underserved populations; and include strategies to address the needs of all children in the school, but particularly the needs of student academic achievement standards who are members of the target population of any program that is included in the school wide program.
- provide instruction by properly certified teachers.
- provide high-quality and ongoing professional development for teachers, principals, and paraprofessionals and, if appropriate, pupil services personnel, parents, and other staff to enable all children in the school to meet the State's student academic achievement standards.
- use strategies to increase parental involvement such as family literary services.
- implement plans for assisting preschool children in the transition from early childhood programs, such as Head Start, Even Start, Early Reading First, or a State-run preschool program, to local elementary school program.
- take measures to include teachers in the decisions regarding the use of academic assessments.
- provide activities to ensure that students who experience difficulty mastering the proficient or advanced levels of academic achievement standards shall be provided with effective, timely additional assistance.
- coordinate and integrate Federal, State, and local services and programs, including programs supported under this Act, violence prevention programs,

nutrition programs, housing programs, Head Start, adult education, vocational and technical education, and job training.

In addition to funds and services available under Title I, Part A, a school wide-program school may consolidate funds it receives under any federal education program administered by the Secretary that is included in the most recent notice published by the Secretary in the Federal Register.

If funds from other federal education programs are consolidated, a school wide program does not need to meet most of the statutory and regulatory requirements of those programs, as long as the intent and purposes of those programs are met. A school wide program school and its LEA, however, must still comply with requirements applicable to those programs relating to health and safety; civil rights; gender equity; parental involvement; equitable participation of private school children, teachers, and other educational personnel; maintenance of effort; and comparability.

In consolidating funds, a school wide-program school must also ensure that its school wide program addresses the needs of children who are members of the target population of any federal program that is included in the school wide program and meets the intent and purposes of that program.

A school operating a school wide program does **not** have

- to show that federal funds used within the school are paying for additional services that would otherwise be provided,
- to demonstrate that federal funds are used only for specific target populations, or
- to separately track federal program funds once they reach the school.

Such a school, however, is required to use funds available under Title I and under any other federal programs that are combined to support its school wide program to supplement the total amount of funds that would, in the absence of those funds, be made available from nonfederal sources for that school, including funds needed to provide services that are required by law for children with disabilities and children with limited English proficiency. (Title I, Section 1114 of ESEA (20 U.S.C. §6314); 34 C.F.R. § 200.8;60 Fed. Reg. 49174)

Suggested Audit Procedure(s) (LEA and school level)

- Determine whether a school operating a school wide program met the poverty eligibility requirements in the first year of operation.
- Determine if the LEA has distributed state and locally funded personnel and non-personnel resources to each school wide-program school in an equitable manner without taking into account the federal funds used in the school wide program.

- Determine whether a school combined funds from other federal education programs in its school wide program and, if so, whether it has met the intent and purposes of the programs whose funds were combined.

SCDE contact: Barret Leviner
803 734-3477
Bleviner@ed.sc.gov

Title IV, Part A, Students Support and Academic Enrichment Program (Assistance listing number 84.424)

I. Program Objectives

The objective of the Student Support and Academic Enrichment Grant program in Title IV, Part A of the Elementary and Secondary Education Act (ESEA) of 1965, as amended by the Every Student Succeeds Act (ESSA) (Pub. L. No. 114-95), is to provide funds to State educational agencies (SEAs) and local educational agencies (LEAs) to improve students' academic achievement by increasing the capacity of States, LEAs, schools, and local communities to: 1) provide all students with access to a well-rounded education; 2) improve school conditions for student learning; and 3) improve the use of technology in order to improve the academic achievement and digital literacy of all students.

II. Program Procedures

Funds are obtained by a State on the basis of the Department of Education's (ED) approval of either (1) an individual State plan as provided in Section 4103 of the ESEA (20 USC 7113) or a consolidated application that includes the program, in accordance with Section 8302 of the ESEA (20 USC 7842).

A. Equitable Services

After timely and meaningful consultation with appropriate private school officials, LEAs must provide services to teachers and other appropriate staff in private schools that are equitable to the level of services provided to teachers and appropriate staff in the public schools the LEA administers. For more information about what constitutes equitable services for private school staff, and when their participation is equitable, see Non-Regulatory Guidance: Fiscal Changes and Equitable Services Requirements Under the Elementary and Secondary Education Act of 1965 (ESEA), as amended by the Every Student Succeeds Act (ESSA) available at https://www2.ed.gov/policy/elsec/leg/essa/essaguidance160477.pdf

B. Source of Governing Requirements

This program is authorized by Title IV, Part A of the ESEA, as amended by the ESSA (Pub. L. No. 114-95) (20 USC 7101-7122). The program purpose and definitions in Title

IV, Part A of the ESEA, Sections 4101 and 4102 (20 USC 7111 and 7112) also apply to this program. While there are no program regulations, general ESEA requirements in 34 CFR part 299 apply.

C. Availability of Other Program Information

1. Student Support and Academic Enrichment Grants Non-Regulatory Guidance (October, 2016)
   https://www2.ed.gov/policy/elsec/leg/essa/essassaegrantguid10212016.pdf
2. Provisions in the Consolidated Appropriations Act of 2017 That Relate to the Title IV, Part A Student Support and Academic Enrichment Grant Program
   https://safesupportivelearning.ed.gov/sites/default/files/ProvisionsConsolidatedAppropriationsAct2017_Title%20IVASSAE.pdf
3. Non-Regulatory Guidance: Fiscal Changes and Equitable Services Requirements Under the Elementary and Secondary Education Act of 1965 (ESEA), as Amended by the Every Student Succeeds Act (ESSA) (November 21, 2016)
   https://www2.ed.gov/policy/elsec/leg/essa/essaguidance160477.pdf

III. Compliance Requirements

In developing the audit procedures to test compliance with the requirements for this Federal program, the auditor must determine, from the following summary (also included in Part 2, "Matrix of Compliance Requirements"), which of the 12 types of compliance requirements apply, and then determine which of the applicable requirements is likely to have a direct and material effect on the Federal program at the auditee. For each such requirement, the auditor must use Part 3 (which includes generic details about each compliance requirement other than Special Tests and Provisions) and this program supplement (which includes any program-specific requirements) to perform the audit.

Matrix of Compliance Requirements

A	B	C	E	F	G	H	I	J	L	M	N
Activities Allowed or Unallowed	Allowable Costs/Cost Principles	Cash Management	Eligibility	Equipment/ Real Property Management	Matching, Level of Effort, Earmarking	Period of Performance	Procurement/ Suspension and Debarment	Program Income	Reporting	Subrecipient Monitoring	Special Tests and Provisions
Y	Y	Y	Y	N	Y	Y	N	N	Y	Y	Y

Certain compliance requirements that apply to multiple ESEA programs are discussed once in the Department of Education (ED) Cross-Cutting Section of this Supplement (page 4-84.000-1) rather than being repeated in each individual program. Where applicable, this section references the Cross-Cutting Section for these requirements. Also, as discussed in the Cross-Cutting Section, SEAs and LEAs may have been granted waivers from certain compliance requirements.

A. Activities Allowed or Unallowed

See also ED Cross-Cutting Section.

1. State Use of Funds

a. Subgrants to LEAs (Section 4104(a)(1) of the ESEA (20 USC 7114(a)(1))) – SEAs must reserve not less than 95 percent of their Title IV, Part A allocation for subgrants to LEAs.

b. State Administration (Section 4104(a)(2) of the ESEA (20 USC 7114(a)(2))) – SEAs may reserve up to 1 percent of their Title IV, Part A allocation for administrative costs.

c. State Activities (Section 4104(a)(3) of the ESEA (20 USC 7114(a)(3))) – States may reserve the remainder of funds not reserved for subgrants or administrative costs for State activities. Examples of allowable State-level activities are identified in Section 4104(b) of the ESEA and may include monitoring and providing technical assistance and capacity building to LEAs; identifying and eliminating State barriers to the coordination and integration of programs, initiatives, and funding streams that meet the purposes of the program; and otherwise supporting LEAs in carrying out activities in the three Title IV, Part A program content areas: well-rounded education, safe and healthy students, and effective use of technology.

2. LEA Use of Funds

LEAs may use funds for a broad span of activities designed to improve student academic achievement by improving conditions for learning in three areas: well-rounded education (examples of allowable activities in section 4107 of the ESEA), safe and healthy students (examples of allowable activities in section 4108 of the ESEA), and effective use of technology (examples of allowable activities in section 4109 of the ESEA).

Under Section 4106(e)(2)(C)(E) of the ESEA, an LEA or consortium of LEAs that receives $30,000 or more in Title IV, Part A funds, must use:

1. Not less than 20 percent of funds to support one or more of the activities authorized under section 4107 pertaining to well-rounded educational opportunities;
2. Not less than 20 percent of funds to support one or more activities authorized under section 4108 pertaining to safe and healthy students; and
3. A portion of funds to support one or more activities authorized under section4109(a t3r) pertaining to the effective use of technology, including an assurance that it will not use more than 15 percent of the remaining portion for purchasing technology infrastructure as described in section 4109(b).

LEAs or consortia of LEAs that receive less than $30,000 must use Title IV, Part A funds in at least one of the three content areas: well-rounded educational opportunities (section 4107 of the ESEA), safe and healthy students (section 4108 of the ESEA), or effective use of technology (section 4109 of the ESEA).

B. Allowable Costs/Cost Principles (All grantees)

See ED Cross-Cutting Section.

C. Cash Management

See ED Cross-Cutting Section.

D. Eligibility

1. **Eligibility for Individuals**
   Not Applicable

2. **Eligibility for Group of Individuals or Area of Service Delivery**
   Not Applicable

3. **Eligibility for Subrecipients**

   a. LEAs or consortia of LEAs are the eligible subrecipients (section 4106(a)-(b) of the ESEA).

   b. LEAs apply to the SEAs for program funds. The amount of each LEA's allocation that an SEA provides is determined by formula in the same proportion as to the LEA's prior year's Title I, Part A allocation (Section 4105(a)(1) of the ESEA

   c. However, for the 2019-20 school year, SEAs have the option of awarding subgrants on a competitive basis pursuant to authority provided in the 2017 Consolidated Appropriations Act, Pub. L. 115-31 available here: https://safesupportivelearning.ed.gov/sites/default/files/ProvisionsConsolidatedAppropriationsAct2017_Title%20IVASSAE.pdf Such competitive subgrants must be not less than $10,000.

E. Matching, Level of Effort, Earmarking

1. **Matching** (LEAs) – Not Applicable

2. **Level of Effort**

   a. *Maintenance of Effort* (SEAs/LEAs)-Not Applicable

   b. *Supplement Not Supplant* (SEAs/LEAs)

   See ED Cross-Cutting Section.

3. **Earmarking**

   See ED Cross-Cutting Section.

F. Period of Performance (All grantees)

See ED Cross-Cutting Section.

G. Reporting

1. **Financial Reporting**

   See ED Cross-Cutting Section.

2. **Performance Reporting** – Not Applicable

3. **Special Reporting** – Not Applicable

H. Special Tests and Provisions

1. **Participation of Private School Children** (SEAs/LEAs)

   See also ED Cross-Cutting Section.

   An SEA may transfer up to 100 percent of its non-administrative Title IV, Part A funds to other certain authorized programs including Title I, Part A. Likewise, a LEA may transfer up to 100 percent of its Title IV, Part A funds to certain authorized programs (See Earmarking section in crosscutting section of the compliance supplement). Before an SEA or LEA may transfer funds from a program subject to equitable services requirements, it must engage in timely and meaningful consultation with appropriate private school officials (Section 5103(e)(2) of the ESEA (20 USC 7305b(e)). With respect to the transferred funds, the SEA or LEA must provide private school students and teachers equitable services under the program(s) to which, and from which, the funds are transferred, as applicable, based on the total amount of funds available to each program after the transfer. See Non-Regulatory Guidance: Fiscal Changes and Equitable Services Requirements, Under the Elementary and Secondary Education Act of 1965 (ESEA), as amended by the Every Student Succeeds Act (ESSA), available at https://www2.ed.gov/policy/elsec/leg/essa/essaguidance160477.pdf

2. **Access to Federal Funds for New or Significantly Expanded Charter Schools**

   See ED Cross-Cutting Section.

IV. Other Information

Funds under the Small Rural Schools Achievement (SRSA) Alternative Uses of Funds Program (Assistance listing number 84.358A) may be used for activities allowed under other programs, including this program. Expenditures under Assistance listing number 84.424 from funds awarded for the SRSA Alternative Uses of Funds Program should be included in the audit universe and total expenditures of Assistance listing number 84.424 (i.e., from the program from which they originated) for purposes of (1) determining Type A programs, and (2) completing the Schedule of Expenditures of Federal Awards (SEFA).

SCDE contact:	Jennifer Rhodes	Jewell Stanley
	803-734-8110	803-734-8131
	jrhodes@ed.sc.gov	jstanley@ed.sc.gov

Nita M. Lowey 21st Century Community Learning Centers Grant (Assistance listing number 84.287C)

I. Program Objective

The Nita M. Lowey 21st Century Community Learning Centers program (21st CCLC) is a subgrant program funded by the U.S. Department of Education of 1965, as amended by the Every Student Succeeds Act, Title IV, Part B; 20 U.S.C. 7171-7176, and administered by the South Carolina Department of Education (Assistance listing number No. 84.287C). The purposes of this program are to create or expand community learning centers that provide academic enrichment opportunities to assist students, particularly those who attend high-poverty and low-performing schools, in meeting state and local standards in core academic subjects; to offer students a broad array of enrichment activities that can complement their regular academic programs; and to offer literacy and other educational services to the families of participating children.

II. Program Procedures

The South Carolina Department of Education (SCDE), through a competitive process, will award subgrants, subject to the availability of funds, for the purpose of establishing or expanding activities in community learning centers. Funds from these subgrants will be used to:

- provide academic enrichment opportunities for children, particularly students who attend high-poverty and low-performing schools, to assist them in meeting state and local standards in core academic subjects;
- offer students a broad array of enrichment activities that can reinforce and complement their regular academic programs; and
- offer literacy and other educational services to the families of participating students.

Public school districts, individual public schools, community-based organizations, faith-based organizations, other public or private organizations, are eligible to apply for these funds. Applicants must propose to serve students who attend schools that receive or are eligible to receive Title I school-wide assistance.

To the extent practical, the SCDE will award subgrants equitably among geographic regions within the state, including rural and urban communities. Geographic equity is defined so that priority may be given to an applicant proposing to serve a high-poverty school (schools that currently are classified as serving at least 40 percent student population who are eligible for free or reduced-price lunch and currently receive or are eligible to receive Title I funds) in a district where 21st CCLC is not currently operating or districts that have a significantly large number of Title I eligible students. Additionally, funds may be awarded where the SCDE determines there is the greatest need. Priority will be given to applications for programs that target services to students who attend schools identified as in need of improvement under Section 1116 of Title I and that are submitted jointly by at least one public school district and one community-based organization, faith-based organization, or other public or private organization.

Additionally, priority will be awarded to applications that propose to serve students who attend one of the SC priority schools; to applicants that serve students, and the families of those students, who primarily attend schools that are implementing comprehensive support and improvement activities (CSI) or targeted support and improvement activities (TSI); to applicants who will enroll students who may be at risk for academic failure, dropping out of school, involvement in criminal or delinquent activities, or who lack strong positive role models; will be awarded to applications that demonstrate that the activities proposed are not accessible to students who would be served or would expand accessibility to high-quality services that may be available in the community; and will be awarded to applications that propose a program that will operate a minimum of 10 hours per week, Monday through Friday.

III. Compliance Requirements

A. Types of Services Allowed or Not Allowed

Authorized Activities

Funds must be used to raise student achievement through activities that take place primarily after school but also before school, during intersession, on the weekend, and/or during the summer. The following activities are allowable:

- academic enrichment learning programs, mentoring programs, remedial education activities, and tutoring services, that are aligned with
  - the challenging state academic standards and any local academic standards; and
  - local curricula that are designed to improve student academic achievement;
- well-rounded education activities, including such activities that enable students to be eligible for credit recovery or attainment;
- literacy education programs, including financial literacy programs and environmental literacy programs;
- programs that support a healthy and active lifestyle, including nutritional education and regular, structured physical activity programs;
- services for individuals with disabilities;
- programs that provide after-school activities for students who are English learners that emphasize language skills and academic achievement;
- cultural programs;
- telecommunications and technology education programs;
- expanded library service hours;
- parenting skills programs that promote parental involvement and family literacy;
- programs that provide assistance to students who have been truant, suspended, or expelled to allow the students to improve their academic achievement;

- drug and violence prevention programs and counseling programs;
- programs that build skills in science, technology, engineering, and mathematics (STEM), including computer science, and that foster innovation in learning by supporting nontraditional STEM education teaching methods;
- programs that partner with in-demand fields of the local workforce or build career competencies and career readiness and ensure that local workforce and career readiness skills are aligned with the Carl D. Perkins Career and Technical Education Act of 2006 (20 U.S.C. 2301 et seq.) and the Workforce Innovation and Opportunity Act (29 U.S.C. 3101 et seq.); and
- conferences that are tied to 21st CCLC content, limited to two people, and have received prior approval by the SCDE 21st CCLC Program Office.

Unauthorized Activities

Funds must not be used to

- support activities that occur during the normal school hours unless such activities target pre-kindergarten students or adult family members of participating students;
- acquire equipment and supplies totaling more than $5,000 per unit;
- cover costs associated with any food purchases including snacks unless they are a part of an approved cooking class or cooking demonstration or a staff professional development activity;
- cover costs associated with field trips or other activities whose sole or primary purpose is entertainment (amusement parks, skating rinks, etc);
- provide gift cards, gift certificates, or other monetary incentives for students;
- provide incentives for staff (bonuses, awards, luncheons, etc);
- provide or support religious activities;
- cover costs associated with any marketing activities;
- cover costs associated with any type of grant writing or fundraising activities;
- pass-through or subgrant to another agency or entity to operate the 21st CCLC program;
- purchase buses or any vehicles;
- purchase, construct, or renovate a building; or
- purchase clothing.

B. Suggested Audit Procedures

- Ascertain that expenses were incurred for program purposes and are not associated with activities which occur during the regular school day.

- Ascertain that all expenses, including those associated with personnel costs, are supported with appropriate documentation.
- Ascertain that expenses recorded on the General Ledger in appropriate categories are equal to the amounts that have been recorded on the claim reports that have been forwarded to the State Department of Education.

SCDE contact: Joyce Patterson
803-734-8291
jypatterson@ed.sc.gov

Appendix A: Property Tax Compliance

Beginning in 2011, all taxing jurisdictions with fiscal autonomy may increase the millage rate imposed for general operating purposes above the rate imposed for such purposes for the preceding tax year only to the extent of the percentage increase in the consumer price index (CPI) plus the percentage increase in the previous year in the population of the entity as determined by the South Carolina Revenue and Fiscal Affairs Office. The statutes also require the taxing jurisdiction to comply with 12-37-251(E) and the rollback millage must be used in lieu of the previous year's millage rate when a reassessment program is implemented.

There may be added to the operating millage increase allowed above, any such increase allowed but not previously imposed, for the three property tax years preceding the year to which the current limit applies.

Audits should certify millage rates set are in compliance with all statutes and laws restricting millage either by legislative delegations or S. C. Code of Laws 12-37-251, 6-1-320 and 12-43-285(A).

Auditors should review for compliance with the applicable state laws and exceptions to the law should be included in the Schedule of Findings and Questioned Costs.

NOTE: For additional information concerning property tax compliance, contact Sandy Houck at the SC Department of Revenue:

Sandy Houck Jr.
803-898-5478
sanford.houckjr@dor.sc.gov

Appendix B: South Carolina Charter Schools in Operation for Fiscal Year 2023-24

CHARTER SCHOOL NAME/ YEAR OPEN	GRADES	CONTACT INFORMATION FOR 2023-24	DISTRICT
Academy for Teaching and Learning	K-8	Ms. Robyn Caldwell 109 Hinton Street Chester, SC 29706 803-385-6334 803-385-6335 (fax)	Chester
Academy of Hope Charter	PK-8	Dr. Melissa McCloud 3521 Juniper Bay Road Conway, SC 29527 843-397-5712 843-397-5719 (fax)	Horry
Allegro Charter School of Music	6-12	Mr. Daniel Neikirk 2731 Gordon Street North Charleston, SC 29405 843-321-7104 843-207-4701 (fax)	Charleston
American Leadership Academy South Carolina – Lexington Campus	K-12	Dr. Sherri Herbst Dr. Michael Gordon-Smith 120 Gantt Street, Suite 8 Lexington, SC 29072 (803) 756-2724 (803) 756-2725	Charter Institute at Erskine
Anderson Five Charter School	9-12	Mrs. Katie Brown 1225 South McDuffie St. Anderson, SC 29624 864-260-5538 864-260-5911 (fax)	Anderson 5
Atlantic Collegiate Academy	9-12	Mr. Mike Lorenz 557 George Bishop Parkway Myrtle Beach, SC 29579 (843) 286-5990 (843) 286-5990 (fax)	Limestone Charter Association
Belton Preparatory Academy	K-7	Mr. Alan Barr 5901 Belton Highway Belton, SC 29627 864-392-1173 864-392-1867 (fax)	Charter Institute at Erskine
Berkeley Preparatory Academy	K-8	Mrs. Jessica Bellflower 122 Bee Tree Lane Summerville, SC 29486 (843) 832-7921	Charter Institute at Erskine
Bettis Preparatory Leadership Academy	K-8	Dr. Myrtis Brightharp-Walker 69 Nicholson Road Trenton, SC 29847 803-663-7266 803-663-7668 (fax)	SC Public Charter District

Charter School Name/ Year Open	Grades	Contact Information for 2023-24	District
Brashier Middle College Charter High	9-12	Mrs. Catherine Freeman 1830 West Georgia Rd. Bldg. 203 Simpsonville, SC 29680 864-757-1800	Charter Institute at Erskine
Bridges Preparatory School	K-12	Mr. Gary McCulloch 1100 Boundary St. Beaufort, SC 29449 843-982-7737 843-982-7707 (fax)	SC Public Charter District
Bridgewater Academy Charter	K-8	Dr. Sherry Pinto 191 River Landing Blvd. Myrtle Beach, SC 29579 843-236-3689 843-236-4921 (fax)	Horry
Butler Academy	K-7	Dr. Jerome Reyes 710 South 5th St Hartsville SC 29550 843-287-2399 843-332-8448 (fax)	SC Public Charter District
Calhoun Falls Charter School	6-12	Mr. Kalan Rogers 205 Edgefield Street Calhoun Falls, SC 29628 864-418-8014 864-418-9379 (fax)	Charter Institute at Erskine
Cape Romain Environmental Education Charter School	PK-8	Ms. Margaret S. Crouch 1101 Old Cemetery Rd. McClellanville, SC 29458 843-887-3323 843-887-3525 (fax)	SC Public Charter District
Carolina School for Inquiry	PK-6	Ms. Victoria Dixon-Mokeba 7405-A Fairfield Road Columbia, SC 29203 803-691-1250 803-691-1247 (fax)	Richland 1
Carolina Shores Acceleration Academy	9-12	Dr. Deirdra Brasch 9654 N. Kings Hwy, Unit 2, First Floor Myrtle Beach, SC 29572 (872) 529-2024	SC Public Charter District
Carolina Voyager Charter	K-8	Mr. John Kabel 721 Wappoo Road Charleston, SC 29407 843-203-3891 843-718-2903 (fax)	Charleston
Carolus Online Academy	K-8	Ms. Lacy Daniel 503 Chime Bell Church Road Aiken, SC 29803	SC Public Charter District

Charter School Name/ Year Open	Grades	Contact Information for 2023-24	District
Charleston Advancement Academy High School	9-12	Dr. Gary L. Burgess Sr. 1484 Camp Road Charleston, SC 29412 (843) 494-5521 (843) 405-2474 (fax)	SC Public Charter District
Charleston Charter School for Math and Science	6-12	Mrs. Mary Carmichael 1002 King Street Charleston, SC 29403 843-720-3085 843-720-3196 (fax)	Charleston
Cherokee Charter Academy	PK-8	Mr. Jason Byrd 3206 Cherokee Avenue Gaffney, SC 29340 864-489-7198	Charter Institute at Erskine
Clear Dot Charter School	PK-10	Dr. Lindsey F. Ott 2015 Marion Street Columbia, SC 29201 803-567-3075 803-939-9910 (fax)	Charter Institute at Erskine
Coastal High School	9-12	Ms. Sherri Oskin 3710 Palmetto Pointe Boulevard Myrtle Beach, SC 29588 (843) 788-9898 (843) 294-0228 (fax)	Limestone Charter Association
Coastal Montessori Charter	1-8	Ms. Rosemary Gray 111 Old Plantation Drive Pawleys Island, SC 29585 (843) 235-0413 (843) 235-0418 (fax)	Georgetown
Compass Collegiate Academy	K-3	Ms. Elizabeth Simpson 34 Race Street Charleston, SC 29403 (843) 410-9765	SC Public Charter District
Cyber Academy of South Carolina	K-12	Mrs. Nicki Batson 330 Pelham Rd. Suite 101-A Greenville, SC 29615 855-611-2830 864-558-0535 (fax)	Charter Institute at Erskine
Discovery Charter of Lancaster	K-5	Mr. Charles Rivers 302 West Dunlap Street Lancaster, SC 29720 803-285-8430 803-416-8907 (fax)	Lancaster
East Cooper Montessori Charter	PK-8	Ms. Jody Swanigan 1120 Rifle Range Road Mt. Pleasant, SC 29464 843-216-2883 843-216-8880 (fax)	Charleston

Charter School Name/ Year Open	Grades	Contact Information for 2023-24	District
East Link Academy	K-8	Ms. Dana Hutto 78 Global Drive, Suite 200 Greenville, SC 29607 864-484-8171 864-775-1733 (fax)	Limestone Charter Association
East Point Academy	PK-8	Mr. Andrew Hart 1401 Leaphart Street West Columbia, SC 29169 803-926-5180 803-926-5188 (fax) Elementary Campus(4K-5): 1043 Chris Drive West Columbia, SC 29169	SC Public Charter District
Felton Laboratory Charter School	K-8	Mr. Famon V Whitfield III 115 Lance Street Orangeburg, SC 29117 803-536-7034 803-533-3635 (fax)	SC Public Charter District
Fox Creek High	9-12	Mr. Josh Trahan 165 Shortcut Rd. North Augusta, SC 29860 803-613-9435 803-613-1533 (fax)	SC Public Charter District
Global Academy of SC	K-5	Dr. Nataliya Panasiuk 9768 Warren H. Abernathy Hwy Spartanburg, SC 29301 (904) 859-4157 (864) 765 0004 (fax)	Limestone Charter Association
Goucher Charter Academy	K-6	Mrs. Amber Comer 604 Goucher School Gaffney, SC 29304 (864) 300-2787 864-300-2787 (fax)	Limestone Charter Association
Gray Collegiate Academy	6-12	Dr. Brian Newsome 3833 Leaphart Road West Columbia, SC 29169 (803) 951-3321 (803) 381-9764 (fax)	Charter Institute at Erskine
GREEN Charter School	K-8	Ms. Malana Fitzgerald 1440 Pelham Rd. Greenville SC 29615 864-288-4134 864-288-0826 (fax)	SC Public Charter District
GREEN Charter School Midlands	K-8	Ms. Tina R. Shaw 7820 Broad River Road Irmo, SC 29063 803-563-5387 803-563-5438 (fax)	SC Public Charter District

CHARTER SCHOOL NAME/ YEAR OPEN	GRADES	CONTACT INFORMATION FOR 2023-24	DISTRICT
GREEN Charter School Lowcountry	K-8	Mrs. Tanisha Ingram-Scott 8717 Old University Blvd. N. Charleston, SC 29406 843-501-7911	SC Public Charter District
Green Charter School Spartanburg	PK-8	Ms. Melissa Hester 8150 Warren H. Abernathy Hwy Spartanburg, SC 29301 864-586-3939 864-586-3940 (fax)	SC Public Charter District
GREEN Upstate High School Greenville	9-12	Mr. Chase Willingham 356 Bridgeway Boulevard Simpsonville, SC 29681 864-626-7403	SC Public Charter District
Greenville Technical Charter High School	9-12	Ms. Mary Nell Anthony 506 Pleasantburg Drive #119, Greenville, SC 29607 864-250-8844 864-250-8846 (fax)	SC Public Charter District
Greenwood Charter Academy	K-6	Mr. Jason Morrison 412 Bypass 72 NW Greenwood, SC 29649 864-626-0051 864-854-8450 (fax)	Charter Institute at Erskine
Greer Middle College Charter High	9-12	Mr. James E. Armstrong Jr. 138 West McElhaney Rd. Taylors, SC 29687 864-469-7571 864-469-7573 (fax)	SC Public Charter District
Greg Mathis Charter High	9-12	Ms. Natrice Henriques 2872 Azalea Drive N. Charleston, SC 29405 843-557-1611 843-747-5810 (fax)	Charleston
Heron Virtual Academy of South Carolina	9-12	Mr. David Crook Ms. Nicki Baston 330 Pelham Road Suite101-A (Temp) Greenville, SC 29615 (864) 508-7335 (fax)	Charter Institute at Erskine
High Point Academy	PK-12	Mr. Russell Mahaffey 6655 Pottery Road Spartanburg, SC 29303 864-316-9788 864-308-8785 (fax)	SC Public Charter District
Horse Creek Academy	PK-12	Dr. Ann Marie Taylor 1200 Toolebeck Road Aiken, SC 29803 (803) 646-3506	Limestone Charter Association

Charter School Name/ Year Open	Grades	Contact Information for 2023-24	District
James Island Charter High	9-12	Mr. Timothy Thorn 1000 Fort Johnson Road Charleston, SC 29412 843-762-2754 843-762-5228 (fax)	Charleston
Lakes and Bridges Charter School	1-8	Ms. Heidi Bishop 1600 E. Main Street Easley, SC 29641 864-442-5580 864-442-5577 (fax)	SC Public Charter District
Langston Charter Middle	6-8	Mr. David Wooten 1950 Woodruff Rd. Greenville, SC 29607 864-286-9700 864-286-9699 (fax)	Greenville
LEAD Academy	K-8	Mr. Curtis Baker 804 Mauldin Road Greenville, SC 29607 864-916-1459 864-507-4004 (fax)	SC Public Charter District
Learn4Life High School - Charleston	9-12	Dr. Tamela Brown 6209 Rivers Avenue N. Charleston, SC 29406 843-666-6362 843-666-6362 (fax)	SC Public Charter District
Legacy Early College	PK-12	Mr. Aaron Ledford 900 Woodside Ave. Greenville, SC 29611 864-248-0646 864-631-1109 (fax)	SC Public Charter District
Legion Collegiate Academy	9-12	Dr. Julie Marshall 505 University Drive Rock Hill, SC 29730 803-620-6040	Charter Institute at Erskine
Libertas Academy – Boiling Springs	K-6	Mrs. Stacy Reel 130 Fudora Circle (Temporary) Simpsonville, SC 29681 864-642-0115 864-580-6171 (fax)	Charter Institute at Erskine
Liberty STEAM Charter School	K-3	Tanya Peckham 15 Church Street, Sumter, SC 29150 803-830-5966	SC Public Charter District
Lowcountry Acceleration Academy	9-12	Dr. Jacinta Bryant 5935 Rivers Avenue, suite 101A N. Charleston, SC 29406 843-804-6778 843-429-8003 (Fax)	SC Public Charter District

Charter School Name/ Year Open	Grades	Contact Information for 2023-24	District
Lowcountry Connection Academy	K-12	Ms. GeRita Connor 1520 Old Trolley Road Summerville, SC 29485 843-695-9305 846-962-5247 (Fax)	Charter Institute at Erskine
Lowcountry Leadership Charter School	K-12	Ms. Julianne Lang 5139 Gibson Road Meggett, SC 29449 843-889-5527	Charter Institute at Erskine
Lowcountry Montessori School	PK-12	Ms. Amy Horn 749 Broad River Drive Beaufort, SC 29906 843-322-0577 843-322-0925 (fax)	SC Public Charter District
Meeting Street - Jasper & Beaufort	K-1	Tamil Goodson 8575 East Argent Parkway Ridgeland, SC 29936 843-277-9969	SC Public Charter District
Mevers School of Excellence	K-8	Mr. Kenneth Coles 7750 Henry E. Brown Jr. Blvd. Goose Creek, SC 29445 843-806-5909 803-806-5910 (fax)	Charter Institute at Erskine
Meyer Center for Special Children	PK-2	Ms. Meta Bowers 1132 Rutherford Road Greenville, SC 29609 864-250-0005 864-250-0025 (fax)	SC Public Charter District
Midlands Middle College	10-12	Dr. Laurie Lee 1260 Lexington Drive West Columbia, SC 29170 803-822-7043 803-822-7039 (fax)	SC Public Charter District
Midlands STEM Institute	PK-12	Ms. Cynthia P. Prince 112 Crane Street Winnsboro, SC 29180 803-815-1524 803-712-4958 (fax)	Charter Institute at Erskine
Oceanside Collegiate Academy	9-12	Ms. Christina Brown 580 Faison Rd. Mt. Pleasant, SC 29466 843-936-7128	Charter Institute at Erskine
OCSD High School for Health Professions	9–12	Mr. Derwin Farr 130 Howard Hill Drive Orangeburg, SC 29118 803-535-1693 803-535-1635 (fax)	Limestone Charter Association

Charter School Name/ Year Open	Grades	Contact Information for 2023-24	District
Odyssey Online Learning	9-12	Ms. Ashley Owings 510 Lexington Ave. Suite 102 Chapin, SC 29036 803-735-9110 803-701-9024 (fax)	Charter Institute at Erskine
Orange Grove Charter School	PK-8	Mr. John Clendaniel 1225 Orange Branch Road Charleston, SC 29407 843-763-1520 843-769-2245 (fax)	Charleston
Palmetto Academy of Learning and Success Charter	K-8	Mrs. Courtney Dowdy 3021 Fred Nash Blvd. Myrtle Beach, SC 29577 843-293-1725 843-293-1745 (fax)	Horry
Palmetto Academy of Learning Motorsports (PALM)	9-12	Mr. Avery Moore 826 West Cox Ferry Rd Conway, SC 29526 843-903-6600 843-903-6602 (fax)	Horry
Palmetto Achievement Center for Excellence Academy	2-8	Ms. Melissa Rabon 6015 N. Main Street Columbia, SC 29203 (803) 900-0664	SC Public Charter District
Palmetto Excel	9-12	Dr. Ruth Chambers-Turner 2150 Eagle Drive North Charleston, SC 29406	SC Public Charter District
Palmetto Scholars Academy	6-12	Mr. Dean Wilkins 7499 Dorchester Rd. North Charleston, SC 29418 843-300-4118 843-300-4123 (fax)	SC Public Charter District
Pattison's Academy for Comprehensive Education	PK-12	Ms. Amy Strassner 721Wappoo Road Charleston, SC 29407 843-402-7850 843-402-7851 (fax)	Charleston
Pee Dee Math Sci & Tech	K-12	Mr. E. Keith Bailey 101 Docs Drive Bishopville, SC 29010 803-428-8400 866-883-8736 (fax)	SC Public Charter District
Polaris Tech Charter School	K-12	Ms. Kim Statler 1508 Grays Highway Ridgeland, SC 29936 843-645-0605 843-491-6371 (fax)	SC Public Charter District

CHARTER SCHOOL NAME/ YEAR OPEN	GRADES	CONTACT INFORMATION FOR 2023-24	DISTRICT
Richland One Charter Middle College	11-12	Dr. Carla Brabham 316 S. Beltline Blvd Richland Hall 132 Columbia, SC 29205 803-738-7114 803-738-7117(fax)	Richland 1
Riverview Charter School	K-8	Ms. Robert Bechtold 81 Savannah Highway Beaufort, SC 29906 843-379-0133	Beaufort
Riverwalk Academy	K-12	Dr. Robbie Compton 5750 Mt. Gallant Road Rock Hill, SC 29732 803-327-8400 803-454-9031 (fax)	SC Public Charter District
Royal Live Oaks Academy of the Arts and Sciences Charter School	K-12	Dr. Karen M. Wicks 400 John Smith Road Hardeeville, SC 29927 843-784-2630 843-784-2623(fax)	Charter Institute at Erskine
SC Connections Academy	K-12	Mrs. Alicia Hughes 201 Executive Center Dr STE: 250 Columbia, SC 29210 803-212-4712	Charter Institute at Erskine
SC Whitmore School	9-12	Ms. Kim Dunbar 501 Commerce Dr. NE Columbia, SC 29223 803-476-6416 866-476-1646 (fax)	SC Public Charter District
South Carolina Virtual Charter School	K-12	Dr. Cherry Daniel 2023 Platt Springs Road West Columbia, SC 29169 803-253-6222 803-253-6279 (fax)	Charter Institute at Erskine
Spartanburg Preparatory School	PK-8	Ms. Tomekia Whitmire 385 South Spring St. Spartanburg SC 29306 864-621-3882 864-804-6404 (fax)	SC Public Charter District
Summit Classical School	K-7	Mrs. Mary Thomasson 600 East Florida Street Clinton, SC 29325 (864) 200-0535	Charter Institute at Erskine
Tall Pines STEM Academy	5-8	Ms. Lori Mastromonico 82 Camp Long Road Aiken, SC 29805 803-502-1692 803-459-1092(fax)	SC Public Charter District

CHARTER SCHOOL NAME/ YEAR OPEN	GRADES	CONTACT INFORMATION FOR 2023-24	DISTRICT
The Montessori School of Camden	PK-8	Mr. Deborah Cyrier 2 Montessori Way Camden, SC 29020 803-432-6828 803-432-6422 (fax)	Charter Institute at Erskine
The Palmetto School	PK-8	Ms. Chantell Tarver 505 University Drive Rock Hill, SC 29730 803-328-6555 803-327-8618 (fax)	York 3 (Rock Hill)
The South Carolina Preparatory Academy	6-12	Dr. Kelly Griffis 1650 E. Greenville St., Suite H Anderson, SC 29621 (864) 923-6909	Charter Institute at Erskine
Thornwell Charter School	K-11	Mrs. Melissa Moore 203 West Calhoun Street Clinton, SC 29325 864-808-0801 864-808-0802 (fax)	Charter Institute at Erskine
Virtus Academy of South Carolina	K-10	Ms. Janice Dargan 2407 Pisgah Road Florence, SC 29501 843-799-4032 864-799-4042 (fax)	Charter Institute at Erskine
York Preparatory Academy	K-12	Mr. Richard Shepard 1047 Golden Gate Court Rock Hill, SC 29732 803-324-4400 866-496-2083 (fax)	SC Public Charter District
Youth Leadership Academy	6-8	Ms. Sandee Blankenship 698 Concord Church Rd Pickens, SC 29671 864-898-4511 864-898-5784 (fax)	SC Public Charter District

Appendix C: Example of Subfund Listing Note Disclosure for Special Revenue Fund

ANYWHERE SCHOOL DISTRICT
YEAR ENDED JUNE 30, XXXX

FEDERAL ADULT EDUCATION PROGRAMS

243 Adult Education—Federal

OTHER DESIGNATED STATE-RESTRICTED GRANTS

919 Education License Plates
935 Reading Coaches
936 Student Health and Fitness - Nurses

OTHER SPECIAL REVENUE GRANTS

237 Title I School Improvement Focus Schools
256 Homeless Children State Grant
2xx ROTC
200 Medicaid
8xx Immunization Program
8xx Foreign Language Exchange

Include appropriate subfund codes and program titles for all Adult Education Funds, Other Designated Restricted State grants, and Other Special Revenue grants included in the SCDE-required Special Revenue Supplemental Statement.

Appendix D: Career and Technical Education and Student Transition Services Function and Subprogram Codes, 2023-24

Function Code	Subprogram	Program/Activity Title	Fund Source/Project Component Code
100/200	01	Integration of Academic and Technical Skills	Perkins, Title I
100/200	02	Career Exploration/Work-based Learning	Perkins, Title I
100/200	03	Post-secondary and Career Readiness	Perkins, Title I
200	04	Professional Development	Perkins, Title I
100/200	05	Evaluation and Assessment	Perkins, Title I
100/200	06	Initiate and Improve Programs	Perkins, Title I
100	11	Equipment (federal)	Perkins, Title I
200	15	Administration	Perkins, Title I
100/200	18	WBL Activities (EIA/State)	EIA/State
100	19	CTE Equipment (EIA/State)	EIA/State
200	18	HSTW/MMGW/CCTW	EIA/State
200	21	Teacher Education	Perkins, Leadership
200	22	SC Teacher Recruitment	Perkins, Leadership
100/200	23	CTE Reserve	Perkins, Title I
100/200	24	Nontraditional Program	Perkins, Leadership
200	25	C-TECS	Perkins, Leadership
200	26	AYES	Perkins, Leadership
200	27	State Bd for Tech-Administration	Perkins, Administration
200	36	Business Week	Perkins, Leadership
100/200	40	State Institutions	Perkins, Leadership
200	41	Gender Equity	Perkins, Leadership
200	42	FFA Camp Caretaker	Perkins, Leadership
200	43	Agriculture Education, Teacher Education	Perkins, Leadership
200	44	Student Organization Administration	Perkins, Leadership
200	45	HSTW Projects	Perkins, Leadership
200	47	SC Career Planning System	Perkins, Leadership

Function Code	Subprogram	Program/Activity Title	Fund Source/Project Component Code
100/200	48	State Leadership-Special Projects	Perkins, Leadership
200	50	STEM Initiative	Federal Award
200	51	Prepare CTE Teachers for Classroom	Perkins, Leadership, Transition to Teaching, Grants
200	61	WBL Career Special	EIA
200	62	WBL Staff Development	EIA
100/200	93	Industry Partnerships	State
200	99	Grand Total	

SCDE Contact: Maria Swygert
803-734-8456
NMswyger@ed.sc.gov

Appendix E: Internet Sites

Organization	Web Address
South Carolina Department of Education (SCDE)	• Home Page, http://ed.sc.gov/ • Office of Auditing Services, https://ed.sc.gov/finance/auditing/ • Office of Finance, https://ed.sc.gov/finance/financial-services/
Office Of Management and Budget (OMB)	• Home Page, http://www.whitehouse.gov/omb/circulars • OMB Compliance Supplement (2024) - 2024 Compliance Supplement – 2 CFR Part 200 Appendix XI (May 2024) https://www.whitehouse.gov/omb/office-federal-financial-management/current-compliance-supplement/ • 2 CFR Part 200 Uniform Administrative Regulations, Cost Principles, and Audit Requirements for Federal Awards • http://www.ecfr.gov/cgi-bin/text-idx?tpl=/ecfrbrowse/Title02/2crf200_main_02.tpl
Assistance Listing Number (Formerly Catalog of Federal Domestic Assistance)	• Main Menu https://sam.gov/content/home
U.S. Department of Education Audit Guidance	• Nonfederal Audit Team Homepage http://www.ed.gov/about/offices/list/oig/nonfed/nfteam.html
Inspector General	• Single Audit Act Amendments of 1996 https://www.congress.gov/104/plaws/publ156/PLAW-104publ156.pdf
American Institute of Certified Public Accountants (AICPA)	• http://www.aicpa.org/
Thompson Information Services	• http://www.thompson.com
Government Auditing Standards (The "Yellow Book")	• https://www.gao.gov/yellowbook/overview
Government Finance Officers Association	• www.gfoa.org
Governmental Accounting Standards Board	• http://www.gasb.org
Financial Accounting Standards Board	• http://www.fasb.org
Federal Audit Clearinghouse	• Federal Audit Clearinghouse - Home(census.gov) https://www.fac.gov/

Appendix F: Release Authorization for Subrecipient Data

Mrs. Sequoyah Burden Williams
Grants Accounting Section
Office of Finance
South Carolina Department of Education

ATTENTION: Payment Information

The South Carolina Department of Education is authorized to provide payment information for FY 2023-24 and any subsequent updates relating to funding that may be made available to the certified public accounting firm listed below.

All items below must be completed.

Name of CPA contact: ___________________________ E-mail: _____________________

Name of CPA firm: ____

Street address: _________________________________ City: ______________________

State and zip: __________________________________ Phone: _______________________

This information is to be provided for the purpose of the annual audit of the subrecipient's financial records as prescribed by the Defined Program for South Carolina School Districts, the Single Audit Act of 1984, and the Single Audit Act Amendments of 1996.

Please send this material directly to the independent auditors shown above.

___________________________________	____________________________
Superintendent/representative's name (Please print.)	Entity name
___________________________________	____________________________
Superintendent/representative's signature	Date

Appendix G: Food Service Employer Contributions

General Appropriation Act, 1999 S.C. Acts 100
Proviso 1.5

(SCDE: Employer Contributions/Allocations) It is the intent of the General Assembly that the appropriation contained herein for “Public School Employee Benefits” shall not be utilized to provide employer contributions for any portion of a school district employee’s salary which is federally funded.

State funds allocated for school district employer contributions must be allocated by the formula and must be used first by each district to cover the cost of fringe benefits for personnel required by the Defined Program, food service personnel and other personnel required by law. Once a district has expended all state allocated funds for fringe benefits, the district may utilize food service revenues to fund a proportionate share of fringe benefits costs for food service personnel.

The Department of Juvenile Justice and the Department of Corrections’ school districts must be allocated funds under the fringe benefits program in accordance with the criteria established for all school districts.

Appendix H: Food Services Memorandum No. 23, The 1989-90 Appropriations Act

The 1989-90 Appropriations Act address five areas in School Food Services – School Lunch Supervisors (Provisos 28.3 and 28.4), Fringe Benefits (Proviso 28.9), School Lunch Program Aid (Proviso 28.18), Nutritional Policies for Foods Available to Students (Proviso 28.100), and School Breakfast (Permanent Proviso, Section 57). The first four areas were contained in Part I Provisos (Temporary) which School Breakfast was addressed in Part II Provisos (Permanent).

This information is being provided as an image of the original memo from June 30, 1989. This legacy document is not available online, if you need more information please contact auditingservices@ed.sc.gov.

STATE OF SOUTH CAROLINA
DEPARTMENT OF EDUCATION
COLUMBIA 29201

Charlie G. Williams
State Superintendent of Education

June 30, 1989

MEMORANDUM NO.: 23

TO: County and District Superintendents of Schools
County and District School Food Service Supervisors/Directors

FROM: VBP Vivian B. Pilant, Director
Office of School Food Services

SUBJECT: The 1989-90 Appropriations Act

The 1989-90 Appropriations Act addressed five areas in School Food Services - School Lunch Supervisors (Provisos 28.3 and 28.4), Fringe Benefits (Proviso 28.9), School Lunch Program Aid (Proviso 28.18), Nutritional Policies for Foods Available to Students (Proviso 28.100) and School Breakfast (Permanent Proviso, Section 57). The first four areas were contained in Part I Provisos (Temporary) while School Breakfast was addressed in Part II Provisos (Permanent).

This information is being provided for your planning purposes.

PART I PROVISOS (TEMPORARY)
H63-Section 28

28.3 The amount appropriated in this section for County School Lunch Supervisors shall be used for the payment of salaries of one supervisor for each county at the rate of $12,905 each per year and no such salary shall be supplemented from funds provided in this section for "School Lunch Program Aid". In the absence of a County Board of Education or with the approval of the County Board of Education in multi-district counties, the salary shall be proportionately distributed among the districts of the county on the basis of the 135 average daily membership of the prior year, provided that such funds must be used for the supervision of the School Food Service Program.

28.4 For the Fiscal Year 1989-90 the local supplement to salaries of county School Lunch Supervisors and School Attendance Supervisors shall not be reduced below the supplements paid in 1988-89.

MEMORANDUM NO. 23
June 30, 1989
Page Two

28.9 Funds contained herein for school district employer contributions must be allocated by a formula based on the number weighted pupil units in each district and must be used first by each district to cover the cost of fringe benefits for personnel required by the Defined Minimum Program, food service personnel and other personnel required by law. Once a district has expended all state allocated funds for fringe benefits, the district may utilize food service revenues to fund a proportionate share of fringe benefits costs for food service personnel.

28.18 The amount appropriated herein for School Lunch Program Aid shall be divided among the County Boards of Education of the State upon the basis of the number of schools participating in the School Lunch Program in each county during the school year 1988-89. The travel expenses of the County School Lunch Supervisor shall be paid from this appropriation at the prevailing rate of mileage allowed by the State. These funds may be used as an aid in improving the School Lunch Program. In the absence of a County Board of Education in multi-district counties, the funds will be divided among the school districts of the county on the basis of the number of schools participating in the School Lunch Program in each district during the school year 1988-89.

28.100 The State Board of Education shall develop nutritional policies for foods available to students during the school day based on the United States Dietary Guidelines for Americans and the nutritional requirements of the National Child Nutrition Program and local school districts and school food service programs are urged to adopt the nutrition policy of the State Board of Education.

PART II PROVISOS (PERMANENT)

Document Number 5302U
SECTION 57

The 1976 Code is amended by adding:

"Section 59-63-765. If a school has at least a forty percent enrollment receiving free or reduced priced lunches, the school district may implement in that school a nutritional, well-balanced school breakfast program if federal funds are available to cover the entire cost of the program and if no additional personnel are required to implement the program."

Provisos 28.3, 28.4 (Supervisors Salary), and 28.18 (School Lunch Program Aid) are essentially the same as previous years. The salary is $12,905 FY 89-90. You will be notified of the Program Aid amount for your district later in the summer.

Proviso 28.9 on fringe benefits is a change with the additional sentence regarding the use of food service revenues to fund a proportionate share of fringe benefits costs for food service personnel once a district has expended all state allocated funds for fringe benefits. Enclosed with this memo is guidance on how to calculate the fringe benefits for food service personnel based on this proviso.

MEMORANDUM NO. 23
June 30, 1989
Page Three

Essentially, once the district has determined the percentage of the shortfall in fringe benefits for the personnel specified in the proviso then the percentage of the shortfall can be applied to school food service employees and paid out of the food service fund.

Proviso 28.100 on Nutritional Policies - This office will keep you informed of State Board of Education actions pertaining to nutritional policies for foods available to students.

School Breakfast - This office will provide to districts a list of schools in their district with forty percent enrollment receiving free or reduced price lunches which meet the criteria specified in Section 59-63-765 of the 1976 Code.

Since this category essentially meets the Federal Breakfast Regulations 7 CFR 220 definition of Severe Need Schools, districts will be eligible for additional reimbursement for breakfasts served in their schools providing they have costs in excess of the regular reimbursement rates. The 1989-90 reimbursement rates for lunch and breakfast will be forwarded to districts in early July. Additional information on the breakfast program is addressed in Memorandum No. 22, dated June 28, 1989, and will also be discussed at the July 31, 1989 statewide meeting.

Appendix I: Food Service Memorandum No. 19: Misuse of School Food Service Funds and Interest Earned on School Food Service Funds

Memorandum 19 from 1991 was sent to School Business Officials, County/District Superintendents of Schools, and County/District School Food Service Supervisors/Directors to address situations discovered in local school districts related to the misuse of programs funds and interest earned on school food service funds.

This information is being provided as an image of the original memo from April 5, 1991. This legacy document is not available online, if you need more information please contact auditingservices@ed.sc.gov.

STATE OF SOUTH CAROLINA
DEPARTMENT OF EDUCATION
COLUMBIA 29201
April 5, 1991

Dr. Barbara S. Nielsen
State Superintendent of Education

MEMORANDUM NO.: 19

TO: School Business Officials
County and District Superintendents of Schools
County and District School Food Service Supervisors/Directors

FROM: Vivian B. Pilant, Director
Office of School Food Services

SUBJECT:
1. Misuse of School Food Service Funds
2. Interest Earned on School Food Service Funds

1. Recent reviews have disclosed situations in which local school districts have misused program funds. Specifically funds were being utilized for non-program purposes in direct violation of 7 Code of Federal Regulations, Part 210.14 (a) that states "Revenues received by the nonprofit school food service are to be used only for the operation or improvement of such food service..." According to U. S. Department of Agriculture (USDA) school districts who are determined to be in violation of this regulation will have reimbursement suspended pending the resolution and restitution of the amount due.

Whereas this policy does not prohibit the district from making an internal loan, the attached Policy Memorandum 87-6 from U. S. Department of Agriculture outlines the conditions that must be met, before and after, if loans are made from school food service funds.

2. Another situation that requires clarification is that of interest earned on school food service funds. According to USDA, Policy Memorandum 88-4, any interest earned on school food service funds, children's lunch payments and program reimbursement must be credited to the school food service fund and used only for program purposes.

USDA funds for program reimbursement must be entered into the school food service fund as soon as possible on receipt. If program reimbursement funds are held in a different fund, (such as a district's general fund) before placing it into the school food service fund, any interest on this USDA revenue must also be credited to the school food service fund. This policy regarding loans and interest earned on school food service funds is included in the compliance requirements of the annual Single Audit Guidelines issued by the Department of Education.

United States Department of Agriculture | Food and Nutrition Service | Southeast Region | 1100 Spring St. NW. Atlanta, GA 30367

Reply to Attn. of: SESN-211

OFFICE FEB 1 0 1988
SCHOOL FOOD SERVICES

FEB 1 6 1988
RECEIVED

Subject: Policy Memorandum 88-4
Interest Earned on School Food Service Funds

To: State Child Nutrition Directors
State Food Distribution Directors

According to Policy Memorandum 80-32, any interest earned on school food service funds, children's lunch payments and program reimbursement must be credited to the school food service account and used only for program purposes.

USDA funds for program reimbursement must be entered into the school food service account as soon as possible on receipt. If program reimbursement funds are held in a different account, (such as a county's general fund) before placing it into the school food service account, any interest on this USDA revenue must also be credited to the school food service account.

If you have any questions, please call the Policy and Procedures Section at (404) 347-7802.

CHARLES C. KIRBY
Regional Director
Special Nutrition Programs

Appendix J: USDA Memorandum re NSLP Policy 210.19-02, Use of Revenues Generated by the Food Service Account

Memorandum reference NSLP Policy 210.19-02 was sent to all state Child Nutrition Directors to address use of revenues generated by the food services account related to the southeast region..

This information is being provided as an image of the original memo from April 5, 1991. This legacy document is not available online, if you need more information please contact auditingservices@ed.sc.gov.

USDA

United States Department of Agriculture
Food and Nutrition Service

Southeast Region

Reply to
Attn. of: SA 9-1-General

Subject: NSLP Policy 210.19-02: Use of Revenues Generated by the Food Service Account

To: All State Child Nutrition Directors
Southeast Region

We received an inquiry from a State Director requesting a statement of the Food and Nutrition Service's (FNS) position on whether or not revenues generated by the sale of competitive foods by the school food service can be available for uses other than the school food service. According to the State Director's letter, some schools contend that the language in 7 CFR 210.11(b) permits revenue from competitive food sales to be made available to entities in the school other than the food service even if the foods are provided through the school food service. It is the State Director's position that 7 CFR 210.14 expressly prohibits revenue from the food service account to be used for any purpose other than the food service and that this prohibition extends to revenue generated by the school food service's sale of competitive foods.

The 7 CFR 210.14(a) stipulates that revenues received by the nonprofit school food service are to be used only for the operation or improvement of such food service...." There are no exceptions to this requirement. If the food service account is used to purchase and provide foods sold in competition with the reimbursable meal service, **all** of the revenue from these sales **must** accrue to the food service account. It also should be noted that this requirement extends to any foods provided through the food service account, regardless of where they may be sold. For example, if vending machines outside of the food service area are stocked using funds from the food service account, the proceeds from those vending machines must return to the food service account and **only** to the food service account.

This position is underscored by 7 CFR 210.19(a)(2), which stipulates the actions a school food authority (SFA) must take if the monies in the food service account exceed a three month operating balance (the definition of nonprofit food service account). The options available to SFAs in these situations are (1) to reduce the price children are charged for meals, (2) to improve food quality and (3) take other action **designed to improve the nonprofit school food service.** Making excess funds available to the general school fund or to other school organizations is not an approved option.

61 Forsyth Street, S.W., Room 8T36, Atlanta, GA 30303-3415

FORM FCS-603 (3-96)

.

The purpose of these restrictions is to ensure that the food service is able to provide school meals that are nutritious, appealing and affordable for children, and 7 CFR 210.11(b) must be viewed in this context. Had FNS intended to except revenues from competitive foods from these requirements, this exception would have been specified in the regulation.

The intent of 7 CFR 210.11(b) is to limit the organizations that may receive revenue from the sale of competitive foods. Essentially, this regulation prohibits profit making entities or other organizations not connected with the school from benefiting from the sale of competitive foods in the food service area. Only operations and organizations that are a part of the school may benefit from these sales, and then only to the extent that they operate the competitive food service themselves.

Therefore, the food service account would generally be the principal beneficiary from sales of competitive foods, since these foods are normally provided through the food service account. However, the regulation does permit other approved school organizations to sell competitive foods in the cafeteria or elsewhere and to receive the revenues from these sales. If, for example, the principal maintains a vending machine that dispenses juices or other non-prohibited competitive foods, the revenue from that machine could accrue to the principal's general fund or to other school operations designated by the principal. These revenues would not have to be placed in the food service account. Also, if a student organization or the PTA were to operate a bake sale, the revenues would be used for the benefit of the school or the student organization.

We hope this memorandum clarifies the relationship of competitive food revenues to the food service account. Should you have any questions, please contact our office.

CHARLIE SIMMONS
Regional Director
Special Nutrition Programs

Appendix K: USDA Memorandum re NSLP Policy 210.14-02, Use of School Food Service Funds Generated by the Food Service Account

Memorandum NSLP Policy 210.14-02 from 1999 was sent to State NSLP Directors to address Use of School Food Service Funds Generated by the Food Service Account related to the Southeast Region.

This information is being provided as an image (below). This legacy document is not available online, if you need more information please contact auditingservices@ed.sc.gov.

USDA

United States Department of Agriculture
Food and Nutrition Service
Southeast Region

MAR 1 9 1999

Reply to
Attn. of: SA 9-1

DEC 2 8 1998

Subject: Policy 210.14-02: Use of School Food Service Funds

To: All State NSLP Directors
Southeast Region

This memorandum reissues policy previously released as NSLP/SBP/SMP Policy memorandum 83-2, dated February 16, 1983; Policy memorandum 84-1 dated November 30, 1983, and Policy memorandum 97-10, dated January 30, 1997. Any changes to the original memoranda are in **bold**.

Improvement of Facilities

As stated in 7CFR 210.19(a)(2), each SA is responsible for establishing a financial management system which will prescribe the approval of nonprofit food service expenditures. Except for the purchase of land and buildings, the SA retains primary responsibility for determining whether a capital project expenditure is considered an allowable cost. Also, the SA is usually better able to assess an SFA's operational needs than the Regional Office (RO).

There have been some questions concerning the distinction between construction of a building and improvement of facilities, as in the case of an addition to the kitchen or dining area. Our general rule of thumb is that construction activities which increase the square footage of a building constitute the construction of a building, while renovations or improvements to a structure which do not increase its size would be an improvement of facilities. In the case above, nonprofit school food service revenues could not be used to add a kitchen or a dining area to an existing building; they could, however, be used to convert existing space in the building into a kitchen or a dining area.

Another question which has been posed is regarding the installation of air conditioning in school food service (SFS) facilities, specifically in the kitchen area. The addition of air conditioning to SFS facilities not currently air conditioned or the replacement of air conditioning systems in SFS facilities is currently permitted under FNS Regulations since this could be described as an improvement.

61 Forsyth Street, S.W., Room 8T36, Atlanta, GA 30303-3415

FORM FCS-603 (3-96)

State NSLP Directors Page 2

Regarding the use of SFS funds to install air conditioners in new school construction, the appropriate office of Management and Budget (OMB) Circular should be referenced when determining whether an expenditure is allowable. For example, Section C.1 of OMB Circular A-87 would be used for the purpose of determining allowable costs for State and local governments. Occasionally, a capital expenditure benefits more than just school food service. The SA must ensure that the capital project is prorated on an appropriate cost allocation basis (e.g., square footage, etc.). Any costs charged to or paid by the nonprofit school food service must be based on actual service or benefit to the nonprofit food service operation. Expenditures associated with the use of buildings, capital improvements, and equipment may be expended against the school food service account through a use allowance or depreciation.

The intent of the regulations is to provide greater flexibility in the use of funds to protect and improve the quality of food service delivery. Administering agencies will have to exercise their own judgment in evaluating individual cases.

Salaries

An employee's full salary may be charged to or paid by the nonprofit school food service only if that employee works full-time for the nonprofit school food service. If an employee performs part-time or occasional work for the nonprofit school food service, only the cost of that part-time or occasional work may be charged to the nonprofit school food service. For example, a full-time clerical or accounting employee may work only one hour a week for the nonprofit food service completing forms or verifying records; in this case, nonprofit school food service revenues may only pay for one hour of the employee's salary each week. **OMB Circular A-87 requires school food authorities to document that nonprofit school food service revenues are used appropriately. Payrolls must be supported by time and attendance records for the individual. Salaries chargeable to more than one program shall be supported by appropriate time distribution records.**

Should your staff have any questions regarding this matter, please have them contact our office.

CHARLIE SIMMONS
Regional Director
Special Nutrition Programs

Appendix L: USDA Memorandum re NSLP Policy 210.14-05, Misuse of Program Funds

USDA Memorandum NSLP Policy 210.14-05 was sent to All State Directors to address Misuse of Program Funds related to Southeast Region.

This information is being provided as an image (below). This legacy document is not available online, if you need more information please contact auditingservices@ed.sc.gov.

USDA

United States Department of Agriculture
Food and Nutrition Service
Southeast Region

OFFICE OF
SCHOO'.

MAR 19 1999

Reply to
Attn. of: SA 9-1

1 MAR 1999

Subject: 210.14-05: Misuse of Program Funds

To: All State Directors:
National School Lunch Program (NSLP)
Southeast Region

This memorandum was originally issued as Policy Memorandum 87-6, on March 31, 1987. Any changes made to the original memo are in **bold**.

Recent reviews have disclosed a number of situations in which School Food Authorities (SFA's) have misused program funds. Specifically, funds were being utilized for non-program purposes in direct violation of Part 210.14 (a) that states "Revenues received by the nonprofit school food service are to be used only for the operation or improvement of such food service...."

This policy does not prohibit the SFA from making an internal loan of school food service (SFS) funds for use in other school system operations, **but such loans must be recovered by SFS. The SFS may, at its option charge interest for the duration of the loan.**

Should your staff have any questions regarding this matter, please have them contact this office.

CHARLIE SIMMONS
Regional Director
Special Nutrition Programs

61 Forsyth Street, S.W., Room 8T36, Atlanta, GA 30303-3415

FORM FCS-603 (3-96)

Appendix M: USDA Memorandum re NSLP Policy 210.14-06, Interest Earned on School Food Service Funds

Memorandum from 1999 was sent to State National School Lunch Program Directors to address the interest earned on school food service funds related to the Southeast Region.

This information is being provided as an image (below). This legacy document is not available online, if you need more information please contact auditingservices@ed.sc.gov.

USDA

United States Department of Agriculture
Food and Nutrition Service
Southeast Region

OFFICE OF
SCHOO

MAR 1 9 1999

1 MAR

Reply to
Attn. of: SA 9-1

Subject: 210.14-06: Interest Earned on School Food Service Funds

To: All State NSLP Directors

This memorandum reissues policy previously issued as Policy Memorandum 80-32, dated September 09, 1980, and Policy Memorandum 88-4, dated February 10, 1988. Any changes made to the originals are in **bold**.

We have received several inquiries concerning whether or not interest earned on children's payments and program reimbursements should be considered to be program income **or revenues. Section 210.2, defines revenue as all monies received by or accruing to the non-profit school food service... including earnings on investments and Federal cash reimbursement. Part 210.14 further states, "Revenues received by the non-profit school food service are to be used only for the operation or improvement of such food service..." For additional information, refer to OMB Circular A-102, Attachment E, which establishes standards for federal agencies to use in administering grants to State, local, and Indian tribal governments, including school districts participating in the Child Nutrition Programs under State agency administration.**

USDA funds for program reimbursement **should** be entered into the school food service account as soon as possible on receipt. If program reimbursement funds are held in a different account, (such as a county's general fund) before placing it into the school food service account, any interest on this USDA revenue must also be credited to the school food service account.

Should your staff have any questions about this matter, please have them contact this office.

CHARLIE SIMMONS
Regional Director
Special Nutrition Programs

FORM FCS-603 (3-96)

61 Forsyth Street, S.W., Room 8T36, Atlanta, GA 30303-3415

Appendix N: USDA Memorandum, Commercial Labels

Memorandum from 2001 was sent to State Child Nutrition Director and State Distributing Agency Director to address Commercial Labels related to single inventory record keeping system.

This information is being provided as an image (below). This legacy document is not available online, if you need more information please contact auditingservices@ed.sc.gov.

USDA

United States Department of Agriculture

Food and Nutrition Service

3101 Park Center Drive

Alexandria, VA 22302-1500

DATE: July 13, 2001

SUBJECT: Commerical Labels

TO: State Child Nutrition Director
State Distributing Agency Director

Some changes in the Department of Agriculture (USDA) commodity program will result in school food authorities (SFAs) and other Child Nutrition (CN) program outlets receiving an increasing number of products with commercial labels in place of the USDA commodity label. Realizing that this change will affect the maintenance of separate commodity inventory and accounting records, we have been piloting a record keeping system that would eliminate the need for separation.

We are offering States the opportunity to use a single inventory record keeping system on a voluntary basis beginning with the current school year (SY 2001-2002). States who choose to use this single system are granted a waiver from 7 CFR Part §250 .14(e) that requires State Distributing Agencies (SDAs) to take a physical inventory of commodities during annual reviews of recipient agencies. A waiver is also granted for 7 CFR Part §250.16(a)(2) that requires SDAs to require recipient agencies to maintain accurate and complete inventory of donated foods. SFAs and other CN program outlets in States electing the single inventory system must be provided with the information contained in this memorandum and directed to retain the information on file for audit and review purposes.

These changes in record keeping will affect both the SDAs and the State Child Nutrition Agencies. Attached is guidance on the requirements for the single inventory method.

For additional information, please contact your Regional Office or Suzanne Rigby, Branch Chief, Schools and Institutions, Food Distribution Division.

\s\

STANLEY C. GARNETT
Director
Child Nutrition Division

\s\

LES JOHNSON
Director
Food Distribution Division

Attachment

Attachment

Inventory Record Keeping System
to
Accommodate Commercial Labels on Commodities
(July 13, 2001)

One of the USDA initiatives for the commodity program is to operate using business practices where possible. Allowing vendors that supply commodities to USDA to use commercial labels rather than USDA labels has been piloted since 1996 in the Department's household programs. The practice has demonstrated a cost savings and USDA is expanding its use into other CN programs. Some vendors already use commercial labels, additional vendors will begin commercial labeling in SY 2001-02 and by SY 2002-03, all vendors will be permitted to use commercial labels. With the loss of visual identification of commodities, it will be difficult for schools and other CN outlets to inventory commodity products separate from purchased products. States adopting the single inventory method have been granted waivers from separate commodity inventory reporting requirements.

SFAs in North Carolina and Maryland piloted the single inventory method and accounted for commodities along with purchased inventory. The pilots began January 1, 2001 on a voluntary basis. Each participating SFA and State operated with a waiver of the Part 250 requirement for a separate inventory report for commodities. A commodity became the property of the SFA when the SFA received it from the State. Both States will again operate the pilot system in SY 2001-02.

Implications and Changes with using Commercial Labels on Commodities
There are several considerations involved when implementing the new single inventory requirements.

State Level

1. There will be no "Value of Ending Commodity Inventory" figure for financial reports separate from "Value of Ending Purchased Inventory." Each State must determine if the loss of that figure will have affect on such things as State reimbursement determination, etc.
2. State DAs will no longer be required to perform inventory reconciliation when performing local school visits, nor will they need to require SFAs submit ending commodity inventories. Assessing for damaged or out-of-condition commodity at the recipient level will no longer be the State's responsibility.
3. The State must determine, on a statewide basis, the value that the SFA/CN outlet will assign to the products. This value can be the most recent commodity file value, the commodity file value for the specific delivery, full replacement cost, or a composite of the commodity file value and replacement cost. States must consider a number of factors in determining the value that will be assigned. For example, some SFAs/CN outlets receive sufficient quantities of a particular commodity and have no need to purchase an equivalent product. As a result, if the State elects to use full replacement

AN EQUAL OPPORTUNITY EMPLOYER

cost, the State may need to devote substantial efforts in assisting the SFA/CN outlet in determining the value to assign.

SFAs and Other CN Outlets

1. The value of the commodity will be realized when title passes to the SFA/CN outlet. At that point, the product becomes the property of the SFA/CN out lets and is a nonprofit food service account asset.

2. Since separate inventories are no longer required, the same inventory valuation method currently used by the SFA/CN outlet for purchased products would now apply to commodity products. For example, if the SFA uses FIFO (first in-first out) for purchased products, the SFA would use FIFO for its commodity products.

3. The SFA/CN outlet will treat and safeguard its commodities just as it now does with supplies purchased with nonprofit food service account funds. As always, good inventory management and control practices must be maintained.

4. The SFA/CN outlet may use the commodities across programs as long as all income accrues to the nonprofit food service account in the same manner income currently accrues from the use of supplies purchased with nonprofit food service account funds.

5. When a loss of a commodity occurs after title has transferred, the SFA/CN outlet is required to use the same procedures currently in place for reporting purchased product losses. If the SFA/CN outlet is not obligated to report purchased product losses to the State agency, the SFA/CN outlet will no longer be responsible for reporting commodity losses. However, the SFA/CN outlet remains responsible for ensuring that all nonprofit food service resources are safeguarded and reminded that any misuse of nonprofit food service resources is subject to criminal prosecution under section 12(g) of the National School Lunch Act.

6. Commodity entitlement credit will be available to SFAs that furnish food for Nationally declared disaster feeding. The credit cannot exceed the lessor of the actual commodities supplied or the amount of the commodity received during the past 12 months.

7. Once received by the SFA/CN outlet, the State will not be involved in arranging or accounting for transfers to other agencies. Transferring of commodities may still occur, however, arrangements will be made at a local level. Since the value of the commodity has already been realized by the SFA/CN outlet, no additional entitlement will be credited. It will be the responsibility each SFA/CN outlet to recoup the transferred product value.

8. Food safety recalls will follow the current USDA Hold and Recall procedures. As with any commercial product, can codes and establishment numbers will be used.

9. Since not required on commercial labels, the pack date will be lost. As you know, this information was the basis for "Best if Used by Dates" guidance. This guidance will no longer be made available, therefore SFAs/CN outlets should be reminded to maintain good inventory practices.

Appendix O: USDA Memorandum: Policy 250.14-04 and 250.15-01: Questions and Answers for Single Inventory Recordkeeping

Memorandum from 2001 was sent to State Directors to address Policy 250.14-04 and 210.15-01: Questions and Answers for Single Inventory Recordkeeping related to the southeast region.

This information is being provided as an image (below). This legacy document is not available online, if you need more information please contact auditingservices@ed.sc.gov.

USDA

United States Department of Agriculture
Food and Nutrition Service

Southeast Region

Reply to
Attn. of: SERO Policy

October 19, 2001

Subject: Policy 250.14-04 and 210.15-01: Questions and Answers for Single Inventory Recordkeeping

To: All State Directors
National School Lunch Programs (NSLP)
Food Distribution Programs (FDP)
Southeast Region

The Food and Nutrition Service issued a memo on July 13, 2001 waiving the part of §250.14(e) that requires schools and child care centers to take an annual physical inventory of commodities in storage facilities. The memo also waives the part of §250.16(a)(2) that requires them to maintain commodity inventory records. The waiver permits SDAs to allow schools and childcare centers to adopt a single inventory recordkeeping method that will account for commodities along with purchased food, and current regulatory requirements to maintain USDA commodities separate from purchased inventory will be waived. While general guidance for using this method accompanied the waiver, additional questions have arisen. The following guidance is provided in response to those questions and applies only when a State has adopted the new recordkeeping method.

1. Q. Does the single inventory recordkeeping system apply only to commodities with commercial labels?

   A. No. When the school or childcare center adopts the single inventory system, it applies to all commodities regardless of whether they have commercial labels or USDA labels.

2. Q. How does the recordkeeping change affect the OMB Circular A-133 Single Audits?

   A. Guidance for the OMB Circular A-133 is based on the Part 250 regulations. Since the specific regulations for maintaining a separate inventory for commodities are being changed, this will not be part of OMB audit requirements. The compliance supplement will be updated to reflect the changes.

   The value of commodity expended during the past year is a required factor to determine whether the school food authority exceeds the value threshold and must have a Single Audit. Included in the compliance supplement update will be guidance for deriving the expended commodity value to be used for this purpose.

61 Forsyth Street, S.W., Room 8T36, Atlanta, GA 30303-3415

FORM FCS-603 (3-96)

All State NSLP, FDP Directors

Page 2

3. Q. How long is the waiver in effect?

The waiver is in effect until regulatory changes are made.

4. Q. Does the SDA continue to decide the value of the commodities to be used by the schools and child care centers?

A. Yes. The SDA must assign the value of the commodity using one of the following three methods described in §250.13(a)(5): the actual cost-per-pound data; the estimated cost-per-pound data provided by USDA; or the USDA commodity file cost as of a specified date. Most SDAs are already using one of these methods and, therefore, will not need to do anything differently.

5. Q. What basis should schools and centers use for establishing their inventory values?

A. Schools and centers are going to need to value inventory for three different situations.

- **Purchased inventory for which there is no commodity equivalent.** An example might be condiments such as catsup. It is suggested that schools and centers base the value on the net cost for that type of inventory. That value probably would be different for each school system and center in the State.
- **Commodity product for which there is no equivalent commercial product purchased by the school or center.** Examples may include pouched salmon, frozen diced chicken or prune puree, which are commodity products that schools typically do not purchase. The SDA assigns the value using one of the methods described under Question 4 and that value would be the same for all operations throughout the State.
- **Inventory of foods that are both purchased and provided as commodities.** Canned fruits and vegetables are examples. Schools and centers could base the value on the net cost assigned to the purchased products. Or they could use the SDA- determined commodity value. Or they could use an average or weighted average of the two values.

6. Q. How will the value of commodities used by food service management companies (FSMC) be determined and passed to the SFA if inventory is not kept separate?

A. The single inventory method does not change the requirements at §210.16(a)(6). This provision requires that all Federally donated foods received by the SFA and made available to the FSMC accrue only to the benefit of the SFA's nonprofit food service. The SFA should continue to use its existing method for ensuring the value of purchased product inventories and donated food inventories accrue to the benefit of the SFA's nonprofit food service account. FNS is exploring whether additional guidance on commodity value pass through is needed.

7. Q. How does a State that wishes to adopt the new inventory method proceed?

A. Properly implementing the single inventory recordkeeping system involves several State agencies. The steps leading to successful implementation are:

The State CND, SDA and State Financial Division should jointly identify all areas of State recordkeeping and procedures that will require change as a result of losing the ending commodity inventory value. Then, new procedures should be developed. The USDA Regional Office should be notified of the implementation date. State auditors should be consulted regarding the recordkeeping changes. The waiver notice will need to go to school systems and centers for them to use with local auditors. School systems and centers will need proper training on the new method as well as any adjustment to the State reporting system.

Please advise our office as to whether or not your State will implement single inventory recordkeeping for Fiscal Year 2002. If so, what is the expected date? Additionally, if not all districts are going to participate, which districts will participate? Remember, all other inventory requirements are in place until the single inventory recordkeeping has been implemented. Should you have any questions regarding this information, please contact Mike Pace in the School and Family Nutrition Section at (404) 562-7090.

CHARLIE SIMMONS
Regional Director
Special Nutrition Programs

Appendix P: USDA Memorandum: Single Inventory Recordkeeping, OMB Compliance Supplement Reference

Memorandum was sent to State Distributing Agencies to address the single inventory recordkeeping OMB Circular A-133, Compliance Supplement related to the school food authority.

This information is being provided as an image (below) and online at whitehouse.archives.gov/omb/circulars/a133/a133.html for your planning purposes.

USDA

United States
Department of
Agriculture

Food and
Nutrition
Service

3101 Park
Center Drive

Alexandria, VA
22302-1500

TO: State Distributing Agencies

FROM: Suzanne Rigby, Acting Director
Food Distribution Division

RE: Single Inventory Recordkeeping
OMB Circular A-133,
Compliance Supplement

The Compliance Supplement for the OMB Circular A-133 has been revised to provide direction for auditors when a school food authority is using the Single Inventory Recordkeeping. The revision may be found at: http://www.whitehouse.gov/omb/circulars/a133_compliance/02toc.html.

- Under "Select Compliance Supplement Documents," select "Part 4: U.S. Department of Agriculture (USDA)."
- Open document using PDF, Word or WordPerfect.
- The instructions for auditors for Single Inventory Recordkeeping may be found on pages 4-10.553-19 through 4-10.553-21.

AN EQUAL OPPORTUNITY EMPLOYER

Appendix Q: Assistance Listing Number for Identifying Commodity in Assistance in Single Audits

SUBJECT: Catalogue of Federal Domestic Assistance (CFDA) Number for Identifying Commodity Assistance in A-133 Audits

TO: Financial Management Directors
All Regions

As you know, the auditee of an A-133 audit must identify its Federal awards by CFDA number in the required Schedule of Expenditures of Federal Awards (SEFA) and in the single audit data collection form (SF-SAC). We understand that State agencies, their subgrantees, and auditors have recently experienced confusion regarding the correct CFDA number to use when identifying commodity assistance in these documents.

The CFDA number for Food Distribution has historically been 10.550, and many State and local agencies have used it to refer to commodity assistance. However, FNS policy holds that commodities are an integral part of the categorical programs under which USDA makes them available and should be identified with those programs. Item 71 of the A-133 Q&As issued in 1999 explains that cash and commodity assistance for the same program "are inextricably linked. At the local level, donated commodities and food purchased with cash reimbursement payments are used in preparing the same school lunches. Children are eligible for the lunches, regardless of what combination of purchased and donated foods was used in their preparation." For this reason, the cash and commodity assistance must be viewed as components of the same program.

The categorical programs affected by this policy and their CFDA numbers are the National School Lunch Program (NSLP)(CFDA 10.555), the Child and Adult Care Food Program (CACFP)(CFDA 10.558), the Summer Food Service Program (SFSP)(CFDA 10.559), the Commodity Supplemental Food Program (CSFP)(CFDA 10.565), and the Food Distribution Program on Indian Reservations (FDPIR)(CFDA 10.567). Since commodities used in The Emergency Food Assistance Program (TEFAP) have their own program-specific CFDA number (10.569), TEFAP is not affected by this policy.

Schools often use commodities in the School Breakfast Program (SBP)(CFDA 10.553), but that program does not appear in the foregoing list of affected programs. This is because the SBP, unlike the NSLP, does not generate separate commodity entitlements for State agencies and the schools under their oversight. There is no "award" of commodities under the SBP. Since reporting in the SEFA and SF-SAC focuses on the expenditure of Federal awards, commodities used in the SBP should be deemed "awarded" under the NSLP and reported as such.

Despite the promulgation of this longstanding policy, we understand that it is still not widely understood. Our deletion of CFDA No. 10.550 from the CFDA on May 6, 2008, seems to have exacerbated the confusion. We took this action because the CFDA write-up no longer reflected the way FNS receives funding for commodity assistance. Given the foregoing, FNS has adopted the following position:

Audit Periods That Began Before May 1, 2008.

State and local agencies and their auditors may use whatever CFDA number they have customarily used to identify commodity assistance in the SEFAs and SF-SAC forms for audits covering auditee fiscal years that began before May 1, 2008. Auditors that have already issued reports on such audits, using CFDA number 10.550 for this purpose, need not re-issue them. The rationale for this position is that the CFDA in effect when these audit periods began still gave 10.550 as the CFDA number for Food Distribution. If the auditor and/or auditee use(s) CFDA number 10.550 as a generic Food Distribution identifier, the full disclosure principle necessitates that they include the following statement as a note to the SEFA:

"CFDA number 10.550 pertains to food commodities distributed by USDA under the following categorical programs (as applicable): the National School Lunch Program (CFDA 10.555), the Child and Adult Care Food Program (CFDA 10.558), the Summer Food Service Program (CFDA 10.559), the Commodity Supplemental Food Program (CFDA 10.565), and the Food Distribution Program on Indian Reservations (CFDA 10.567). USDA deleted this number from the CFDA on May 6, 2008. The audit covering (name of auditee) fiscal year beginning (date), and future audits, will therefore identify commodity assistance by the CFDA numbers of the programs under which USDA donated the commodities."

Audit Periods Beginning on or After May 1, 2008.

For audits of auditee fiscal years beginning on or after May 1, 2008, State and local agencies and their auditors **must** identify commodity assistance by the CFDA numbers of the categorical programs under which USDA donated the commodities. We recommend the following presentations:

For the SEFA.

Exhibit E to the A-133 Q&As we issued in 1999 presented two suggested formats for presenting cash and commodity assistance for the Child Nutrition Cluster in the SEFA. That exhibit is attached to this memorandum. We consider it suitable for the other affected programs as well.

For the SF-SAC.

Page 3 of the SF-SAC gives a matrix in which the auditee and/or auditor can list the auditee's Federal awards by CFDA number and provide additional information about them. For entering programs for which the auditee received commodity assistance, we recommend reporting the program's cash and commodity components on separate lines but using the same CFDA number for both. For example, an auditee that operated the National School Lunch Program would enter "10.555" and "National School Lunch Program – Cash" on one line; and "10.555" and "National School Lunch Program – Commodities" on the following line. Since both are elements of the Child Nutrition Cluster, both must be identified as major in column (g), page 3 of the SF-SAC whenever the Cluster as a whole is audited as a major program.

Please share this information with your Special Nutrition Programs counterparts, with the State agencies for which you have oversight responsibility, and with the audit communities in their States.

Lael J. Lubing
Director
Grants Management Division

Attachment

cc: Marbie Baugh, OIG
Rachel Bishop, OGC
Peter Laub, OCFO
Cynthia Long, CND
Cathie McCullough, FDD
Gilbert Tran, OMB

FNS:FM:GMD:Lipsey:10-29-2008.Revised01-29-2009.Revisedjdh:01-30-2009.Revisedjdh:02-03-2009.Revised02-23-2009.

GMD Filing Classification: FPI-18-2 (Audit Policy)

File name: "FD CFDA 10.550"

SUGGESTED PRESENTATIONS OF THE CHILD NUTRITION CLUSTER IN THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

EXAMPLE 1 - Focus on Assistance Component:

ASSISTANCE COMPONENT	CODE	FUNDS	TOTALS
U.S. DEPARTMENT OF AGRICULTURE			
Pass-Through - State Department of Education:			
Child Nutrition Cluster:			
Non-Cash Assistance (Commodities):			
National School Lunch Program	10.555	$xx,xxx,xxx	
Summer Food Service Program for Children	10.559	x,xxx,xxx	
Non-Cash Assistance Subtotal			$xx,xxx,xxx
Cash Assistance:			
School Breakfast Program	10.553	$xxx,xxx,xxx	
National School Lunch Program	10.555	xxx,xxx,xxx	
Special Milk Program for Children	10.556	xx,xxx	
Summer Food Service Program for Children	10.559	x,xxx,xxx	
Cash Assistance Subtotal			xxx,xxx,xxx
Total for Program (Cluster)			$xxx,xxx,xxx
Total for Federal Grantor Agency:			

Exhibit E
Page 2 of 2

EXAMPLE 2 - Focus on Categorical Programs:

CATEGORICAL PROGRAMS	CODE	FUNDS	TOTALS
U.S. DEPARTMENT OF AGRICULTURE			
Pass-Through - State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program - Cash Assistance	10.553		
National School Lunch Program	10.555		
Cash Assistance		$xx,xxx,xxx	
Non-Cash Assistance (Commodities)		x,xxx,xxx	
National School Lunch Program Subtotal			xx,xxx,xxx
Special Milk Program for Children - Cash Assistance	10.556	xx,xxx	
Summer Food Service Program for Children	10.559		
Cash Assistance		x,xxx,xxx	
Non-Cash Assistance (Commodities)		xxx,xxx	
Summer Food Service Program Subtotal			x,xxx,xxx
Total for Program (Cluster)			$xx,xxx,xxx
Cash Assistance Subtotal			$xx,xxx,xxx
Non-Cash Assistance (Food Distribution) Subtotal			$x,xxx,xxx

Appendix R: USDA Memorandum, Paid Lunch Equity Guidance for School Year 2020-21

Memorandum from 2020 was sent to Regional Directors to address Paid Lunch Equity: Guidance for School Year 2020-21 related to school food service accounts.

This information is being provided as an image (below). This legacy document is not available online, if you need more information please contact auditingservices@ed.sc.gov.

USDA

United States Department of Agriculture

Food and Nutrition Service

Braddock Place

1320 Braddock Place
Alexandria
VA 22302

DATE: January 22, 2020

MEMO CODE: SP-07-2020

SUBJECT: Paid Lunch Equity: Guidance for School Year 2020-21

TO: Regional Directors
Special Nutrition Programs
All Regions

State Directors
Child Nutrition Programs
All States

In Section 747 of Division B of the Further Consolidated Appropriations Act, 2020 (P.L. 116-94) (the Appropriations Act), enacted on December 20, 2019, Congress provides that only school food authorities (SFAs) that had a negative balance in the nonprofit school food service account as of December 31, 2019, shall be required to establish prices for paid lunches according to the Paid Lunch Equity (PLE) provisions in Section 12(p) of the Richard B. Russell National School Lunch Act, 42 U.S.C. 1760(p) and implemented in National School Lunch Program regulations at 7 CFR 210.14(e).

Consistent with the terms of the Appropriations Act, this memorandum provides notice that any SFA with a positive or zero balance in its nonprofit school food service account as of December 31, 2019, is exempt from PLE pricing requirements found at 7 CFR 210.14(e) for school year
(SY) 2020-21. SFAs that had a negative balance in the nonprofit school food service account as of December 31, 2019, must follow PLE requirements when establishing their prices for paid

USDA is an Equal Opportunity Provider, Employer and Lender

The contents of this guidance document do not have the force and effect of law and are not meant to bind the public in any way. This document is intended only to provide clarity to the public regarding existing requirements under the law or agency policies.

lunches in SY 2020-21. This flexibility is currently in place for SY 2019-2020 (see https://www.fns.usda.gov/nslp/paid-lunch-equity-guidance-school-year-2019-20).

Because the Appropriations Act affects one school year only, FNS recommends that State agencies maintain documentation that includes which SFAs are using the PLE exemption for SY 2020-21 in order to demonstrate State agency oversight of this provision. This documentation should include a record that each SFA implementing the exemption had a positive or zero
balance in the nonprofit school food service account as of December 31, 2019. This documentation may be reviewed by FNS upon request and during a Management Evaluation.

While SFAs that meet the Appropriations Act's criteria are exempt from the PLE pricing requirements, all State agencies and SFAs must continue to report paid lunch prices as required in regulations at 7 CFR 210.14(e)(7). SFAs still maintain the discretion to complete the steps necessary to determine their target SY 2020-21 paid lunch price, consistent with Program regulations at 7 CFR 210.14(e), and adjust their paid meal prices accordingly. Please note, the SY 2020-21 PLE tool and instructions will be provided in a separate communication.

State agencies are reminded to distribute this memorandum to Program operators. Program operators should direct any questions concerning this guidance to their State agency. State agencies with questions should contact the appropriate FNS Regional Office

Original Signed

Angela Kline
Director
Policy and Program Development Division
Child Nutrition Programs

Appendix S: Memorandum, Nonprofit School Food Service Account/Nonprogram Food Revenue Requirements

Memorandum from 2015 was sent to Regional Directors to address Nonprofit School Food Service Account related to nonprogram food revenue.

This information is being provided as an image (below). This legacy document is not available online, if you need more information please contact auditingservices@ed.sc.gov.

Appendix M

USDA
United States Department of Agriculture

Food and Nutrition Service

Park Office Center

3101 Park Center Drive
Alexandria
VA 22302

DATE: December 23, 2015

MEMO CODE: SP 20 - 2016

SUBJECT: Nonprofit School Food Service Account
Nonprogram Food Revenue Requirements

TO: Regional Directors
Special Nutrition Programs
All Regions

State Directors
Child Nutrition Programs
All States

Section 206 of the Healthy, Hunger-Free Kids Act of 2010 (HHFKA) amended section 12 of the Richard B. Russell National School Lunch Act by adding paragraph (q) on nonprogram foods. This amendment established requirements related to the revenue from the sale of nonprogram foods. On June 17, 2011, the Food and Nutrition Service (FNS) issued an interim rule, *National School Lunch Program: School Food Service Account Revenue Amendments Related to the Healthy, Hunger-Free Kids Act of 2010* (76 FR 35301), amending the requirements related to revenue from nonprogram foods at 7 CFR 210.14(f). FNS also issued guidance related to implementation of section 206 in policy memorandums SP 13-2014 at http://www.fns.usda.gov/sites/default/files/SP13-2014os.pdf and SP 39-2011 at http://www.fns.usda.gov/sites/default/files/SP39-2011r.pdf.

State agencies and school food authorities (SFAs) continue to pose questions regarding implementation of these requirements and the interaction with the existing revenue requirements found in 7 CFR 210.14(a). This memorandum provides guidance on the revenue requirements including options for assessing compliance to fulfill the requirements in section 206.

Nonprogram Revenue Requirements

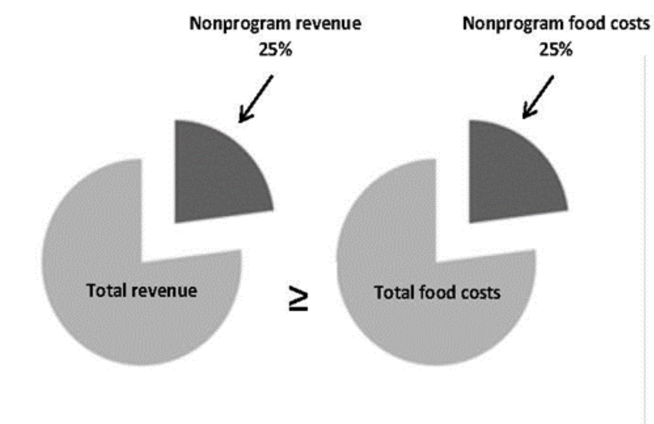
Under subsection 12(q) of the Richard B. Russell National School Lunch Act and 7 CFR 210.14(f), SFAs are required to ensure:

- All revenue from the sale of nonprogram foods accrues to the non-profit school food service account; and
- Revenue available to support the production of reimbursable school meals does not subsidize the sale of nonprogram foods.

Nonprogram Food Revenue
Page 2

Nonprogram foods include any nonreimbursable foods and beverages **purchased using funds from the nonprofit school food service account.** This encompasses all foods sold in schools as well as adult meals, foods sold outside of school hours or any foods used for catering or vending activities. For the majority of SFAs, a la carte foods offered during meal service account for the largest share of nonprogram foods.

SFAs are required to determine if the percent of total revenue that is generated from their nonprogram food sales is equal to or greater than the percent of total food costs that are attributable to the SFA's purchase of nonprogram foods. For example, if the costs of nonprogram food are 25 percent of the SFA's total food costs, then the amount of revenue generated from the sale of these nonprogram foods must be at least 25 percent of the total revenue in the school food service account.



To simplify the assessment, the statutory requirement states that only food costs are to be used to measure compliance. Research indicates that the cost of nonprogram foods, as a percent of total food cost, is a reasonable proxy for all costs associated with obtaining foods, (i.e., the cost of food, labor, direct and indirect costs). This means if an SFA is able to show that the percent of nonprogram food costs is less than the percent of nonprogram revenues, the SFA generated enough revenue to cover all reported costs associated with nonprogram foods. Thus, the requirement focuses on nonprogram food costs as a percent of total food costs in an effort to simplify the requirement and eliminate the burden of documenting labor and other costs.

Nonprogram Foods Sale Transactions

When nonprofit school food service account funds are used to provide goods and services (e.g., catering and vending) for outside entities such as the superintendent's office, school board, or student clubs, there are two separate transactions that occur. The first transaction is between the school food service and the outside entity, which is typically associated with the school district

2

but separate from the school food service, and the second transaction is between the outside entity and its customers. The school food service may provide goods and services to the outside entity only if **all** costs, including labor and any other costs incurred, are covered by the entity being served by the school food service operations (the first transaction). Any revenue generated through the second transaction between the outside entity and its customers may be kept by the outside entity. For example, an SFA may use nonprofit school food service account funds to purchase and prepare hamburgers for the Parent Teacher Association (PTA) which runs a high school concession stand during football games. If the cost associated with purchasing and preparing the hamburgers is $2 per hamburger, the SFA must recoup at least $2 per hamburger from the PTA; the PTA may then sell each hamburger for $3 and keep the $1 profit per burger.

SFAs providing goods and services to outside entities are strongly encouraged to develop a written agreement with the outside entity that identifies costs and any other responsibilities, as applicable. The agreement must include a stipulation that all risk relating to revenue losses must be covered by the outside entity and not the school food service. For example, if the PTA who is purchasing the hamburgers in the example above is unable to sell them due to the game being cancelled, the PTA is still responsible for reimbursing the food service the costs associated with the purchase and any labor that was involved in the SFA's preparation of the hamburgers.

Program regulations do not restrict revenues earned from the sale of competitive foods that are purchased with funds outside of the nonprofit school food service account, i.e. the general fund. However, State agencies and SFAs are reminded that to the extent such foods are sold on the school campus during the school day, the "Smart Snack" requirements at 7 CFR 210.11 apply.

Assessing Compliance Options

FNS understands there is wide variation in the capabilities of systems and mechanisms SFAs employ to maintain and monitor their school food service accounts. Separating out the SFA's costs for nonprogram foods from the costs for program food may be particularly difficult. In recognition of the current variations in system capabilities, FNS is providing a simplified approach for SFAs to assess compliance with this requirement going forward.

The simplified approach, while still requiring SFAs to separate their nonprogram food costs from their program food costs, allows SFAs to select a reference period by which compliance will be assessed. Rather than separating all costs for the entire year, SFAs will separate their nonprogram food costs from their program food costs for a period of at least 5 consecutive operating days (or 4 consecutive days for schools that only operate 4 days).

If the SFA is able to show that the percentage of nonprogram revenue generated is at least as great as the percentage of nonprogram food costs incurred during the reference period, the SFA is in compliance with Federal requirements.

SFAs with the capacity to obtain separate nonprogram and program food cost and revenue data for a period longer than 5 consecutive days (e.g., monthly, annual, biweekly) are strongly encouraged to use data from the longer period to perform the assessment. All revenue and cost data used to assess compliance must reflect the same reference period. For example, if the revenue ratio is calculated using October 2014 data, the cost ratio must be calculated with October 2014 data. Similarly, if revenue information from the full 2014-2015 school year is used to calculate the revenue ratio, food cost information for the full 2014-2015 school year must be used to calculate the food cost ratio.

Detailed guidance on how to perform the cost/revenue assessment is provided in the attached question and answer document.

State agency monitoring

Compliance with the nonprogram revenue requirement is reviewed through the resource management section of the Administrative Review process. While noncompliance with the revenue from nonprogram foods requirements is not subject to fiscal action as defined under 7 CFR 210.18(m), State agencies must ensure that SFAs secure funding to make up any shortfalls in the nonprofit school food service account and/or otherwise take steps to ensure that nonprogram foods are priced sufficiently to meet the nonprogram foods requirement. It is important for State agencies and SFAs to work together to develop practices to ensure the financial viability of the nonprofit school food service account.

State agencies are reminded to distribute this guidance to SFAs immediately. SFAs should contact their State agencies for additional information. State agencies may direct any questions concerning this guidance to the appropriate FNS Regional Office.

Original Signed

Sarah E. Smith-Holmes
Director
Program Monitoring and Operational Support Division
Child Nutrition Programs

4

Appendix T: Supportive Information

Guidance for the Supportive Information Form
INDIRECT COST INFORMATION (for unrestricted rates)

SUPPORTIVE INFORMATION

Fiscal Year Ending June 30, 2024

County/District Name/CATE Center ____________ County/District ID ____________

[1] ASSESSED VALUATION AND MILLS LEVIED **AS OF DECEMBER 31, 2023**
Value of all taxable property within this school district $ ____________

	Current Operations	**Debt Service**
Total Mills Levied for K-12 Education:	____________	____________

Of the total mills levied listed above, specify how many mills (if any) were levied for the County Board of Education and/or for special purposes.

Mills Levied for:	**Current Operations**	**Debt Service**
County Board	____________	____________
Area Vocational Center	____________	____________
County-Wide	____________	____________
Special Purposes	____________	____________

[2] NUMBER OF FULL-TIME EQUIVALENT (FTE) TEACHERS FUNDED THROUGH THE GENERAL FUND:

For EFA audit purposes, each district must maintain the appropriate documentation (payroll, Master Teacher Schedule, etc.) to support the FTE counts calculated. **IN EACH OF THE FOLLOWING AREAS, PLEASE EXPRESS FTEs IN HUNDREDTHS (Example: 12.07).**

1. Kindergarten	____________	9. Visually Handicapped	____________
2. Primary	____________	10. Hearing Handicapped	____________
3. Elementary	____________	11. Speech Handicapped	____________
4. High School	____________	12. Learning Disabilities	____________
5. Vocational	____________	13. Emotionally Handicapped	____________
6. Educ. Ment. Handicapped	____________	14. Autism	____________
7. Train. Ment. Handicapped	____________	*15. Homebound	____________
8. Orthoped. Handicapped	____________	**TOTAL**	____________

*To determine the FTE teacher count for Homebound teachers, divide the total number of hours of Homebound instruction provided by 900.

Hourly Pay Rate for Homebound Instruction ____________

[3] INDIRECT COST INFORMATION (for unrestricted rates):

Capital/Fixed Assets (As defined by 2 CFR 200.436) *Include all items on inventory not fully depreciated as of current year.	**Acquisition Cost**		**Depreciation Percentage (6 2/3%)**		**Allowable Depreciation**
	____________	X	.066	=	____________

Capital Asset Threshold ____________

____
Name of Respondent Completing This Form

____
Superintendent/Representative Signature

SUBMIT COMPLETED FORM WITH AUDIT REPORT BY: DECEMBER 2, 2024 by accessing the LEA Audit Reporting System.

2 CFR Part 200 eliminated the use allowance method and now only allows for the depreciation method (See 2 CFR 200.436 Depreciation. below). Therefore, the use allowance calculation is no longer included on the Supportive Information Form and use allowance will no longer be included in the indirect cost rate calculation for the unrestricted rate beginning with indirect cost rates calculated for fiscal year 2023-24. The SCDE uses the following calculation to determine the amount of depreciation to include in the unrestricted indirect cost rate calculation:

Acquisition Cost X 6 2/3% (0.66) = Allowable Depreciation

Please keep in mind the following requirements when determining the acquisition cost amount to include on the form:

1. The acquisition cost amount should only consist of capital/fixed assets defined in 2 CFR 200.436 (a).
2. The acquisition cost amount should exclude the following:
    a. The cost of land;
    b. Any portion of the cost of buildings and equipment borne by or donated by the Federal Government, irrespective of where title was originally vested or where it is presently located;
    c. Any portion of the cost of buildings and equipment contributed by or for the non-Federal entity where law or agreement prohibits recovery; and
    d. Any asset acquired solely for the performance of a non-Federal award.
3. The acquisition cost amount should not include assets that have outlived their depreciable lives.
4. The acquisition cost amount must be based on the amount included in the annual audit report.
5. Adequate property records must be maintained that support the acquisition cost amount included on the form.
6. A physical inventory of the assets must be conducted at least every two years.

2 CFR Part 200 eliminated the use allowance method and now only allows for the depreciation method (See 2 CFR 200.436 Depreciation. below). Therefore, the use allowance calculation is no longer included on the Supportive Information Form and use allowance will no longer be included in the indirect cost rate calculation for the unrestricted rate beginning with indirect cost rates calculated for fiscal year 2022-23. The SCDE uses the following calculation to determine the amount of depreciation to include in the unrestricted indirect cost rate calculation:

Acquisition Cost X 6 2/3% (0.66) = Allowable Depreciation

Please keep in mind the following requirements when determining the acquisition cost amount to include on the form:

1. The acquisition cost amount should only consist of capital/fixed assets defined in 2 CFR 200.436 (a).
2. The acquisition cost amount should exclude the following:
    a. The cost of land;

b. Any portion of the cost of buildings and equipment borne by or donated by the Federal Government, irrespective of where title was originally vested or where it is presently located;
c. Any portion of the cost of buildings and equipment contributed by or for the non-Federal entity where law or agreement prohibits recovery; and
d. Any asset acquired solely for the performance of a non-Federal award.

3. The acquisition cost amount should not include assets that have outlived their depreciable lives.
4. The acquisition cost amount must be based on the amount included in the annual audit report.
5. Adequate property records must be maintained that support the acquisition cost amount included on the form.
6. A physical inventory of the assets must be conducted at least every two years.

2 CFR 200.436 *Depreciation.*

a) Depreciation is the method for allocating the cost of fixed assets to periods benefitting from asset use. The non-Federal entity may be compensated for the use of its buildings, capital improvements, equipment, and software projects capitalized in accordance with GAAP, provided that they are used, needed in the non-Federal entity's activities, and properly allocated to Federal awards. Such compensation must be made by computing depreciation.

b) The allocation for depreciation must be made in accordance with Appendixes III through IX.

c) Depreciation is computed applying the following rules. The computation of depreciation must be based on the acquisition cost of the assets involved. For an asset donated to the non-Federal entity by a third party, its fair market value at the time of the donation must be considered as the acquisition cost. Such assets may be depreciated or claimed as matching but not both. For the purpose of computing depreciation, the acquisition cost will exclude:

1) The cost of land;

2) Any portion of the cost of buildings and equipment borne by or donated by the Federal Government, irrespective of where title was originally vested or where it is presently located;

3) Any portion of the cost of buildings and equipment contributed by or for the non-Federal entity where law or agreement prohibits recovery; and

4) Any asset acquired solely for the performance of a non-Federal award.

d) When computing depreciation charges, the following must be observed:

(1) The period of useful service or useful life established in each case for usable capital assets must take into consideration such factors as type of construction, nature of the equipment, technological developments in the particular area, historical data, and the

renewal and replacement policies followed for the individual items or classes of assets involved.

(2) The depreciation method used to charge the cost of an asset (or group of assets) to accounting periods must reflect the pattern of consumption of the asset during its useful life. In the absence of clear evidence indicating that the expected consumption of the asset will be significantly greater in the early portions than in the later portions of its useful life, the straight-line method must be presumed to be the appropriate method. Depreciation methods once used may not be changed unless approved in advance by the cognizant agency. The depreciation methods used to calculate the depreciation amounts for indirect (F&A) rate purposes must be the same methods used by the non-Federal entity for its financial statements.

(3) The entire building, including the shell and all components, may be treated as a single asset and depreciated over a single useful life. A building may also be divided into multiple components. Each component item may then be depreciated over its estimated useful life. The building components must be grouped into three general components of a building: building shell (including construction and design costs), building services systems (e.g., elevators, HVAC, plumbing system and heating and air- conditioning system) and fixed equipment (e.g., sterilizers, casework, fume hoods, cold rooms and glassware/washers). In exceptional cases, a cognizant agency may authorize a non-Federal entity to use more than these three groupings. When a non-Federal entity elects to depreciate its buildings by its components, the same depreciation methods must be used for indirect (F&A) purposes and financial statements purposes, as described in paragraphs (d)(1) and (2) of this section.

(4) No depreciation may be allowed on any assets that have outlived their depreciable lives.

(5) Where the depreciation method is introduced to replace the use allowance method, depreciation must be computed as if the asset had been depreciated over its entire life (i.e., from the date the asset was acquired and ready for use to the date of disposal or withdrawal from service). The total amount of use allowance and depreciation for an asset (including imputed depreciation applicable to periods prior to the conversion from the use allowance method as well as depreciation after the conversion) may not exceed the total acquisition cost of the asset.

(e) Charges for depreciation must be supported by adequate property records, and physical inventories must be taken at least once every two years to ensure that the assets exist and are usable, used, and needed. Statistical sampling techniques may be used in taking these inventories. In addition, adequate depreciation records showing the amount of depreciation taken each period must also be maintained.

Into multiple components. Each component item may then be depreciated over its estimated useful life. The building components must be grouped into three general components of a building: building shell (including construction and design costs), building services systems (e.g., elevators, HVAC, plumbing system and heating and air-conditioning system) and fixed equipment (e.g., sterilizers, casework, fume hoods, cold rooms and glassware/washers). In exceptional cases, a cognizant agency may authorize a non-Federal entity to use more than these three groupings. When a non-Federal entity elects to depreciate its buildings by its components, the same depreciation methods must be used for indirect (F&A) purposes and financial statements purposes, as described in paragraphs (d)(1) and (2) of this section.

(4) No depreciation may be allowed on any assets that have outlived their depreciable lives.

(5) Where the depreciation method is introduced to replace the use allowance method, depreciation must be computed as if the asset had been depreciated over its entire life (i.e., from the date the asset was acquired and ready for use to the date of disposal or withdrawal from service). The total amount of use allowance and depreciation for an asset (including imputed depreciation applicable to periods prior to the conversion from the use allowance method as well as depreciation after the conversion) may not exceed the total acquisition cost of the asset.

(e) Charges for depreciation must be supported by adequate property records, and physical inventories must be taken at least once every two years to ensure that the assets exist and are usable, used, and needed. Statistical sampling techniques may be used in taking these inventories. In addition, adequate depreciation records showing the amount of depreciation taken each period must also be maintained.

Appendix U: Accounting and Financial Reporting for Fiduciary Activities-GASB Statement No. 84, Fiduciary Activities and Proposed Implementation Guide of GASB

Memorandum from 2021 was sent to School Business Officials to address Accounting and Financial Reporting for Fiduciary Activities-GASB Statement No. 84, Fiduciary Activities and Proposed Implementation Guide of GASB to clarify, explain, and elaborate on the requirements of GASB Statement No. 84.

This information is being provided as an image (below). This legacy document is not available online, if you need more information please contact auditingservices@ed.sc.gov.

STATE OF SOUTH CAROLINA
DEPARTMENT OF EDUCATION

MOLLY M. SPEARMAN
STATE SUPERINTENDENT OF EDUCATION

MEMORANDUM

TO: School Business Officials

FROM: Hershula D. Davis, Audits Manager HDD
Office of Auditing Services

DATE: May 24, 2021

SUBJECT: Accounting and Financial Reporting for Fiduciary Activities - GASB Statement No. 84, *Fiduciary Activities* and Proposed Implementation Guide of GASB

The South Carolina Department of Education (SCDE), in conjunction with the SCDE Annual Audit Guide Committee, has reviewed the Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities* and its draft implementation guidance for the potential effects on South Carolina school districts. The purpose of the guidance is to clarify, explain, and elaborate on the requirements of Statement No. 84, *Fiduciary Activities*. Paragraph 11 c (2) of Statement No. 84 states:

> An activity is a fiduciary activity if "the assets are for the benefit of individuals and the government does not have administrative involvement with the assets or direct financial involvement with the assets. In addition, the assets are not derived from the government's provision of goods or services to those individuals."

Included within the Questions and Answers section of the implementation guidance are questions and answers 4.21 and 4.22, which were included to clarify when a school district is considered to have administrative involvement in a school's fiduciary activities and will affect the accounting and financial reporting for certain school district fiduciary activities for which the school district is considered to have administrative involvement. The questions and answers read as follows:

4.21 Q—A school district holds the funds raised by various student clubs, which are not legally separate from the school district. The funds are used to pay for various club activities during the year. There is no school board or school administration policy related to the club's activities and how the resources can be spent. The disbursements from the aggregated club account are approved by the faculty advisor (who is representing the school district) assigned to each club. Approval, rejection, or modification of the spending is strictly at the discretion of the

1006 RUTLEDGE BUILDING · 1429 SENATE STREET · COLUMBIA, SC 29201
PHONE: 803-734-8500 · FAX: 803-734-3389 · ED.SC.GOV

STATE OF SOUTH CAROLINA
DEPARTMENT OF EDUCATION

MOLLY M. SPEARMAN
STATE SUPERINTENDENT OF EDUCATION

faculty advisor. Does the school district have administrative involvement, as discussed in paragraph 11 c(2) of Statement 84?

A—Yes. The school district does have administrative involvement. The school district's role is considered to be substantive because in the absence of an approved policy, the faculty advisor (who is acting in the capacity of a school representative) has the ability to reject, modify, or approve how the resources are spent. The faculty advisor's approval is more than just a formality and is analogous to the example provided in footnote 1 of Statement 84 regarding the determination of eligible expenditures that are established by the government.

4.22 Q—A school board establishes and approves a policy related to the receipt, disbursement, and holding of funds for various student clubs and organizations that are not legally separate from the school district. The policy includes specific guidelines related to how the funds raised by the clubs and organizations can be spent. Does the school district have administrative involvement, as discussed in paragraph 11 c(2) of Statement 84?

A—Yes. The school district does have administrative involvement. The school district's role is considered to be substantive because the school has established specific guidelines on how the resources can be spent in an approved policy.

As a result of the Statement and the related implementation guidance, effective for reporting period ending June 30, 2021 and all reporting periods after, the funds for student activities for which the school district has administrative involvement can no longer be accounted for as pupil activity funds (fiduciary funds) but should be accounted for as special revenue funds. Certain school districts may have student activities that should still be classified as fiduciary in nature; this decision will be on a fund by fund, school district by school district determination.

GASB Statement No. 84 should be adopted and implemented as follows:

a. When reporting student activity funds as SPECIAL REVENUE FUNDS:
   i. Continue to use the 700 funds as you currently report.
   ii. Report all revenues, expenditures, and fund balances in the "Student Activity Funds" column on your Special Revenue – Special Projects combining schedules. This is a newly established column created for student activity funds reported as special revenue funds. We will update the Special Revenue – Special Projects combining schedules to include the "Student Activity Funds (700s)" column.
   iii. Include 700s "Student Activity Funds" as a group on the Special Revenue – Special Projects Subfund Code List.

1006 RUTLEDGE BUILDING · 1429 SENATE STREET · COLUMBIA, SC 29201
PHONE: 803-734-8500 · FAX: 803-734-3389 · ED.SC.GOV

It should be noted that when one is using third-party guides, this guide, or other audit guides, the information may not be complete or updated to reflect the latest changes in authoritative literature.