

Background on Illinois' Monitoring System

The External Assurance staff will conduct audits of federal and state grants. All audits assignments given to External Assurance staff will identify whether the audit is fiscal or program in nature.

Scope of Audit

To ensure that all of the figures reported on the grants can be substantiated and are accurately presented in accordance with the approved budget, the School Code, and the established rules and regulations.

Workbook Required

The audit workbook will provide all of the necessary work papers needed to conduct the Audit. (This workbook is named "Federal and State Programs" and work papers should be renamed "to the specific grant/claim", if the audit needs to be conducted.)

Opening Conference

1-1. At the onset of the audit, conduct an opening conference with the grant recipient administrator or his/her designee. The matter to be discussed should include, but are not limited to:

- Grant year to be audited
- Availability of records and data requested
- Personnel assigned to furnish records and information requested

Preparation for Audit

2-1. Prepare the monitoring questionnaire, which is located in the workbook

2-2. Referred to the matrix in the workbook, to determine allowable and non-allowable grant expenditures

2-3. Examine the approved budget and any amendments in order to determine the following:

- Scope of the grant
- Which expenditures to be funded allowable per the budget
- Personnel approved to be funded with grant proceeds
- Compliance with budget guidelines as outlined in the instruction booklet for the designated program
- That budget amendments were made to:
 - Transfer funds from one account to another, or from one object to another (if the variance increases or decreases an object line by more than 20% or \$1,000, whichever is greater)
 - Add or delete expenditures account and/or program activities.

Audit of Revenue

Information needed: bank statements and the revenue detailed ledger

3-1. Fiscal Objective for Monitoring of Revenue Account:

- Determine that the grant recipient has deposited all program revenue in a timely manner and maintained in a separate grant account.

3-2. Procedures to Achieve Fiscal Monitoring Objective of Revenue Accounts:

- Examine the revenue ledger and bank statements and trace to the ISBE status report of program reimbursement for accuracy and completeness. (Objective A)

- Examine the revenue account in the general ledger to confirm that grant revenues are maintained in a separate account and that grant revenues are not commingled with other grant funds. (Objective A)

Audit of Expenditures

Information Needed:

- Approved budget
- Any budget amendments
- The detail general ledger for the year being audited.
- The detail general ledger for the subsequent year being audited.
- Invoice billings for the year under audit and for the subsequent year.
- The district's work papers or supporting documentation for the claims.
- Payroll distribution or teacher work assignments should be available.

Note: All allowable funds must be liquidated within 90 days of the project close date. If the funds have not been liquidated by that time, the expenditure should not be allowed. (Most programs have a close date of June 30 – liquidation date of September 30.)

4-1. Fiscal Monitoring of Expenditure Accounts. All expenditures shall be audited by line item as approved in the budget

4-2. Fiscal Monitoring Objectives for Salaries

- Determine whether employees charged to the grant accounts are authorized and hired in accordance with the position description, certification requirement and approved grant budget.
- Determine whether salaries are accurately calculated on the basis of authorized rate of pay and contractual agreements.
- Determine that employee's time and efforts to the grant are justifiable.
- Determine that costs allocation plans for employees paid from different grants are reasonable and valid.
- Determine that state and local matching funds to salary accounts are auditable.

4-3. Fiscal Monitoring of Expenditures Excluding Salaries, Capital Outlay & Transfers

- Determine whether employee benefits paid from the grants are valid and allowable.
- Determine whether purchased services expenditures were necessary and properly approved.
- Determine whether purchased services expenditures were within the targeted site/program and provided services to the targeted students.
- Determine if the LEA maintained time distribution sheets for relevant contractual employees charged to the grant.
- Determine whether travel expenditures were directly related to official travel on program business by program officers and employees and were necessary and properly approved.
- Determine whether applicable travel regulations have been observed in travel and in reimbursement for travel.
- Determine if bidding requirements are met for purchases over \$10,000.
- Determine whether purchases or supplies are within the approved budget.
- Determine whether the expenditures for consumable and non-consumable supplies and materials are within the targeted site/program and provide approved services to the targeted students.

4-4. Fiscal Procedures for Expenditures Other than Salaries, Capital Outlay and Transfers

- Verify if the person or entity assigned to perform the contract work are specified and that the contract were approved prior to the performance of services and benefited targeted sites as appropriate.
- Review documentation to verify if the bidding requirements were complied to for contracts exceeding \$10,000 for purchase services, materials and supplies
- Verify if the contractors performed as required under the terms of the contractual services and if possible examine the work product actually produced.
- Examine selected travel vouchers and confirm that all travel are related to genuine program activities by program staff and that travels for out-of-state businesses are pre-approved.
- Examine charges for travel reimbursements and verify that travel reimbursements are computed based on the State of Illinois Travel Regulations.
- Compare items and quantities listed on the invoice to receiving reports or evidence of receipt of services and trace to the general ledger and verify for benefit to the program.

4-5. Fiscal Monitoring of Capital Outlay Expenditures

- Determine whether recorded instructional equipment exists and being used in the operation of programs for which they were acquired or to which they are charged?
- Determine whether instructional equipment, special adapted equipment and other equipment acquisitions and disposals have been properly authorized, approved and recorded.
- Determine whether the bidding requirements are met for purchases of equipment over \$1,000?

Fiscal Procedures for Monitoring of Capital Outlay

Test selected invoices and other supporting documentation and verify that the expenditures were approved in the budget and pre-approvals of capital outlay items were sought. On a selected basis, verify the physical presence of assets charged to the programs or activities. Verify that the programs charged with the assets are benefiting from the assets. Select some invoices with large purchases (items in aggregate exceeding \$10,000 to a single supplier) and verify that the competitive bidding criteria were met.

4-6. Fiscal Monitoring Objectives for Obligations and Accrued Liabilities

- Determine whether recorded obligations and accruals represent valid obligations as of the end of the reporting period.
- Determine whether all valid obligations are recorded and liquidated within 90 days of the end of the grant period.

Fiscal Procedures for Obligations and Accrued Liabilities

Test vendor invoices and examine calculators and other supporting obligations, payables, accrual items and unrecorded obligations. Trace totals to the general ledger account. Verify if payments of obligations, payables and accrual are liquidated within 90 days of the end of the grant period. Trace payments to canceled checks and supporting documentation.

4-7. Fiscal Monitoring Objectives for Payments to Other Governmental Units (Transfers)

- Determine whether flow through funds or transfers from a grantee to a sub-grantee are within the established budget framework?
- Determine that the funds transferred to the sub-recipients are expended in accordance with their approved individual sub-budgets?

Fiscal Procedures for Payments to Other Governmental Units (Transfers)

Trace flow through funds to the ledger account for validity and verify canceled checks for completeness. Select sample of sub-recipients and confirm that the flow through funds were expended in accordance with their individual sub-budget by tracing selected expenditures to the specific cell within the budget.

Closing Conference

Prepare the summary of audit findings documenting any disallowed costs and applicable reasons. Conducts a closing conference with the grant recipient's administrator or designee in order to report audit findings.

Preparation of Audit Report

- 5-1. Upon completion of all field work and audit work papers, a written report detailing the results of the audit is to be prepared. The majority of the report is written using a standard glossy and includes a statement on the scope of the audit and audit findings with corresponding recommendations.
- 5-2. Once the audit report is completed and ready to be typed, the auditor should submit the draft of the report and work paper file to the designated person in the Springfield office.
- 5-3. The designated Springfield office staff will route the audit report to be typed and will review the typed draft for accuracy after it returns.

Audit of Follow-up

- 6-1. Audit follow-up will be conducted by the assigned Springfield office staff and begins 30 days after the transmittal of the audit reports. Assigned staff will send follow-up letters to the grant recipient using standard glossy letters in order to obtain an adequate response to audit findings