

Office of Public Instruction

Summary of Audit Work in Support of Statewide and Single Audits
Audit Periods Ending June 30, 2023

To: Legislative Audit Committee

From: Jessie Curtis, CPA, Financial-Compliance Audit Supervisor

Cc: Elsie Arntzen, Superintendent
Deann Willcut, CSD Senior Manager
John McCormick, Chief Accountability Officer
Kristen Becker, Internal Control Auditor

Date: September 2024

Re: Single Audit and Statewide Audit Support Work: Office of Public Instruction

Introduction

The Superintendent of Public Instruction is the elected official responsible for the general supervision of K-12 public schools and districts within Montana. The Office of Public Instruction (OPI) distributes state and federal funds to Montana schools and administers several federal grants, including the grants summarized below.

Summary of Audit Work in Support of Single Audit

The office's internal controls and compliance with federal program requirements need improvement. We identified \$67.5 million in known questioned costs.

We audited five federal programs administered by the department. The following page describes the purpose of each federal program and depicts normal grant expenditures in comparison to Covid-related expenditures for the audit period.

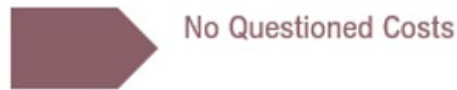
Federal Expenditures (rounded)

Federal Program	FY2022	FY2023	Purpose	% COVID-related
Title 1 ALN 84.010	\$52M	\$54M	Improving the teaching and learning of children who are at risk of not meeting challenging state academic standards and who reside in areas with high concentrations of children from low-income families.	0%
Child Nutrition ALN 10.553, 10.555, 10.556, 10.559, 10.582	\$99M	\$60M	To assist states in administering and overseeing food service programs that provide healthful, nutritious meals to eligible children in public and non-profit private schools, residential child care institutions, and summer programs, to foster healthy eating habits in children by providing fresh fruits and fresh vegetables to children attending elementary schools, and to encourage the domestic consumption of nutritious agricultural commodities.	59%
Education Stabilization Fund ALN 84.425	131M	175M	To prevent, prepare for, and respond to coronavirus, domestically or internationally.	100%
Special Education Cluster (IDEA) ALN 84.027, 84.173, 84.027X, 84.173X	\$43M	\$48M	To provide grants to States to assist them in providing special education and related services to all children with disabilities.	6%
Comprehensive Literacy Development Program ALN 84.371	\$18M	\$12M	To advance literacy skills, including pre-literacy skills, reading and writing for students from birth through grade 12, including English learner and students with disabilities.	0%

We identified the following issues related to the department’s administration of its federal programs.

Child Nutrition Cluster

Auditor’s Opinion- Qualified



Finding 2023-001

Material Weakness in Internal Control and Material Non-Compliance

We recommend the office enhance internal controls to ensure the accurate and timely submission of FFATA reports and to submit reports in accordance with federal regulations, including correcting prior reports.

Department response: Partially concur

Title I Grants To Local Education Agencies

Auditor’s Opinion– Adverse



Findings 2023-033, 034, 035, 036, 037, 038, and 047

Material Weakness in Internal Control and Material Non-Compliance

We recommend the office implement or enhance internal controls and to ensure compliance with the following:

- Properly document school improvement funds when expended
- Allocate personal service costs based on support for actual time and effort
- Conduct monitoring of subrecipient activities and retain documentation of monitoring reviews
- Apply the indirect cost rate only to allowed expenditures
- Only reimburse LEAs for expenditures when their documentation is sufficient
- Submit FFATA reports in accordance with federal regulations.

Material Weakness in Internal Control

The office should enhance controls to:

- Ensure documentation is maintained for LEA’s level of effort to ensure allocation reductions are made when required.

There are seven findings related to the Title I program. Findings 2023-033 and 2023-047 are repeat Single Audit findings.

Department response: Partially concurs with 2023-033, 038, and 047. Concur with all other findings.

Auditor's Opinion- Qualified

No Questioned Costs

Findings 2023-043 and 044*Material Weakness in Internal Control and Material Non-Compliance*

We recommend the office implement or enhance internal controls to ensure compliance with the following:

- Correctly allocating special education funds to schools
- Accurately and completely track maintenance of state financial support

Finding 2023-044 is a repeat Single Audit finding

Department response: **Concur**

Auditor's Opinion- Adverse

Known Questioned Costs

Findings 2023-039, 040, 041, 042 and 046*Material Weakness in Internal Control and Material Non-Compliance*

We recommend the office implement or enhance internal controls and to ensure compliance with the following:

- Obtain sufficient documentation of subrecipient expenditures to ensure compliance with federal award requirements
- Assess risk for all subrecipients
- Only eligible subrecipients are allocated funding
- Maintain support for amounts reported on annual report
- Submit FFATA reports in accordance with federal regulations, including submitting prior year reports.

Department response: **Does not concur with 2023-041. Partially concurs with 2023-039. Concur with all other findings.**

Auditor's Opinion– Adverse



Findings 2023-031, 032 and 045

Material Weakness in Internal Control and Material Non-Compliance

We recommend the office implement or enhance internal controls and to ensure compliance with the following:

- Annual reports are accurate and supported.
- Obtain sufficient documentation of subrecipient expenditures to ensure costs are related to the pandemic and are reasonable and necessary for performance of the federal award and to monitor subrecipients' compliance with construction and equipment requirements.
- Submit FFATA reports in accordance with federal regulations, including correcting prior reports as needed.

Note: Portions of this program were also audited during the University of Montana and Montana State University compliance audits.

Department response: Partially concurs with 2023-45. Concurs with all other findings.

Other Single Audit Related Information

The office had turnover in the Chief Financial Officer position, which was also the audit contact. This turnover required the audit team to communicate a high volume of information a second time. There was also a loss of knowledge about the audit process, requiring the audit team to meet weekly with office management. This turnover, plus the number and complexity of audit findings, caused the audit to take much longer than it has in the past.

Summary of Audit Work in Support of Statewide Audit

We did not identify recommendations over the department's audited financial activity related to the Statewide Audit.

We focused our audit effort for the Statewide Audit on activity related to the state aid in the General Fund and federal funding, both distributed to the school districts. We also tested federal revenue. The figure below depicts OPI's expenditures both in the Federal Special Revenue Fund and in the General Fund, and OPI's revenues in the Federal Special Revenue Fund.

Fiscal Year 2022: Over 90% of OPI's revenue and expenditures was considered **risky and audited by us** for the statewide audit.



Fiscal Year 2023: Over 90% of OPI's revenue and expenditures was considered **risky and audited by us** for the statewide audit.



We audited the following financial activity of the department in support of our audit on the state’s Annual Comprehensive Financial Report (ACFR):

Office of Public Instruction			
Financial Activity Audited in Support of the State’s ACFR			
ACFR Opinion Unit	Activity Audited	Amount Audited in Fiscal Year 2022	Amount Audited in Fiscal Year 2023
Federal Special Revenue Fund	Federal Expenditures	\$381M	\$428M
	Federal Revenues	\$377M	\$424M
General Fund	Local Assistance	\$865M	\$898M
Governmental Activities	Expenses	\$1.25B	\$1.31B

Prior Audit Recommendations:

Our prior Financial-Compliance audit of the department (#21-19) contained thirteen recommendations. We will report the implementation status of these recommendations in our financial-compliance audit report #23-37. This report is expected to be presented at the December 2024 Legislative Audit Committee meeting. Repeat federal findings are summarized in the Summary of Audit Work Performed in Support of Single Audit section.



July 19, 2024

Re: 2022-2023 OPI Audit

RECEIVED
July 25, 2024
LEGISLATIVE AUDIT DIV.

I appreciate the diligent work of the Legislative Audit Division. The Office of Public Instruction (OPI), in partnership with our Montana school districts, utilizes precious federal tax dollars to increase educational opportunities for all Montana students.

In late 2023 and early 2024, the Montana Legislative Audit Division conducted an audit of federal funding that OPI receives to support Montana's children. OPI complied with all requests in a timely and effective manner to assist the auditors during this process.

This audit resulted in five areas in need of improvement. My agency is working diligently to address and rectify each of these findings to ensure full compliance through effective internal controls.

These five areas are as follows:

- SPED/IDEA-B – 2 issues found
- ESSER – 3 issues found
- Title I – 7 issues found
- Literacy – 5 issues found
- School Nutrition – 1 issue found

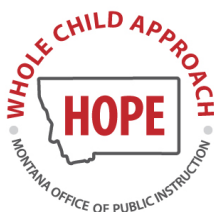
The OPI, along with other state agencies, has faced challenges with the federal reporting system. This has been, and will continue to be, a balance of information flow between my agency and the federal government.

These five areas of federal audit findings have been communicated to and addressed with our federal partners. My staff and I are committed to improving the reporting processes.

Respectfully,

A handwritten signature in cursive script that reads "Elsie Arntzen".

Superintendent Elsie Arntzen





Regarding 2023-043: Special Education Cluster, Federal regulation 34 CFR 300.705(b)(3) requires that the state allocate certain percentages of funding to schools based on the number of children enrolled in those schools.

The OPI concurs with this finding. While the OPI feels that we found this issue in allocation, the misallocation did happen. The OPI has verified that no schools were harmed in this misallocation and schools that received too little funding have been made whole.

Regarding 2023-031: Education Stabilization Fund (ESSER), Federal regulation 2 CFR 200.334 requires non-federal entities to retain records related to federal awards. Federal regulation 2 CFR 200.303, requires the non-Federal entities to establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

The OPI concurs with this finding. While we have documentation (sent to the LAD auditors) from the federal system stating that all reporting was correct and appropriate, we also understand that the LAD must audit OPI Programs for compliance and accuracy according to their requirements.

Regarding 2023-032: Education Stabilization Fund under the Coronavirus Aid, Relief, and Economic Security Act - Monitoring.

The OPI concurs with this finding.

Regarding 2023-039: Comprehensive Literacy State Development Grant – Cash Requests.

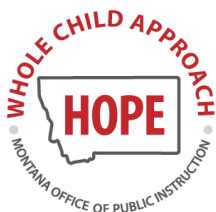
The OPI partially concurs with this finding. The OPI increased documentation requirements for cash requests at the end of the first year of this audit period. LEAs sign and certify that they have maintained all receipts and required documentation and that documentation is available upon request. No request for additional documentation was included as part of this audit process.

Regarding 2023-040: Comprehensive Literacy State Development Grant – Risk Assessment.

The OPI concurs with this finding.

Regarding 2023-046: Comprehensive Literacy State Development Grant - FFATA.

The OPI concurs with this finding.



Regarding 2023-001: Child Nutrition Cluster - FFATA.

The OPI partially concurs with this finding. Many of the issues found with this finding were related to, and/or caused by, the communication from the FFATA submission system and the USASpending application created and maintained by the Federal Government.

Regarding 2023-047: Title I Grants to Local Educational Agencies - FFATA.

The OPI partially concurs with this finding. Many of the issues found with this finding were related to, and/or caused by, the communication from the FFATA submission system and the USASpending application created and maintained by the Federal Government.

Regarding 2023-045: Education Stabilization Fund - FFATA.

The OPI partially concurs with this finding. Many of the issues found with this finding were related to, and/or caused by, the communication from the FFATA submission system and the USASpending application created and maintained by the Federal Government.

Regarding 2023-035: Title I Grants to Local Educational Agencies - Monitoring.

The OPI concurs with this finding.

Regarding 2023-034: Title I Grants to Local Educational Agencies - Personal Services Costs.

The OPI concurs with this finding.

Regarding 2023-038: Title I Grants to Local Educational Agencies - Cash Requests.

The OPI partially concurs with this finding. The OPI increased documentation requirements for cash requests at the end of the first year of this audit period. LEAs sign and certify that they have maintained all receipts and required documentation and that documentation is available upon request. No request for additional documentation was included as part of this audit process.

Regarding 2023-033: Title I Grants to Local Educational Agencies - School Improvement Expenditures

The OPI partially concurs with this finding. While the OPI did not provide sufficient documentation on the transactions questioned, the OPI is confident that its use of these funds was appropriate.

Regarding 2023-036: Title I Grants to Local Educational Agencies - Federal Level of Effort.

The OPI concurs with this finding.

Regarding 2023-037: Title I Grants to Local Educational Agencies - Indirect Cost Rate.

The OPI concurs with this finding.

Regarding 2023-041: Comprehensive Literacy State Development Grant - Eligibility

The OPI does not concur with this finding. The US Department of Education approved the OPI application eligibility requirements.

Regarding 2023-044: Special Education Cluster (IDEA) – State Financial Support.

The OPI concurs with this finding.

Regarding 2023-042: Comprehensive Literacy State Development Grant - ‘Other’ Expenditures.

The OPI concurs with this finding.