U.S. Department of Education
Office of Inspector General

Inconsistent Grantee and Subgrantee Reporting of Education Stabilization Fund Subprograms in the Federal Audit Clearinghouse

August 26, 2021
ED-OIG/F21NF0037

FLASH REPORT

UNITED STATES DEPARTMENT OF EDUCATION
OFFICE OF INSPECTOR GENERAL

August 26, 2021

TO: Denise L. Carter
                   Acting Assistant Secretary/Chief Financial Officer, Office of Finance and Operations

FROM: Bryon S. Gordon /s/
                   Assistant Inspector General for Audit

SUBJECT: Final Flash Report, "Inconsistent Grantee and Subgrantee Reporting of Education
                   Stabilization Fund Subprograms in the Federal Audit Clearinghouse," Control Number ED-
                   OIG/F21NF0037

Attached is the subject final flash report that shares with the U.S. Department of Education
(Department) our observations concerning grantees and subgrantees inconsistently reporting audit data
on Department subprograms to the Federal Audit Clearinghouse. We have provided an electronic copy
to your audit liaison officer[s]. We received your comments agreeing with the observation and
suggestion in our draft report.

We appreciate your cooperation during this review. If you have any questions, please contact Mark
Priebe, Director, Non-Federal Audit Team at (202) 431-3192 or mark.priebe@ed.gov.

Attachment

Introduction

The purpose of this flash report is to share with the U.S. Department of Education (Department) observations made by the Office of Inspector General (OIG) concerning grantees and subgrantees inconsistently reporting audit data on Department subprograms, or unique components of a program, to the Federal Audit Clearinghouse (FAC), the designated repository of single audit data.[1] Coronavirus pandemic emergency relief funds were allocated to the Department under a single Federal program—the Education Stabilization Fund (ESF)—and were then awarded by the Department to grantees under 22 subprograms. Grantees and subgrantees are required to identify Federal award expenditures and their auditors are required to identify the award expenditures that are impacted by a Federal program audit finding. Breaking out the findings by award, or subprogram, is important to oversight, data reliability assessments, audit resolution, and transparency. Department guidance recommended that grantees identify subprograms in the audit report package, but did not give specific instructions on reporting by subprogram in the FAC.

During a routine check of FAC data as part of our responsibilities to ensure audit quality, it came to our attention that grantees and subgrantees are not consistently reporting ESF expenditure data by subprogram in the FAC, and consequently, auditors are not reporting audit findings by subprogram in the FAC. Grantees and subgrantees manually identify subprograms in the FAC because the FAC reporting system does not automatically populate subprogram identification fields. Widespread variations in these manual entries affect the utility of the FAC audit data used by the Department to inform work around program risk, audit finding trends, priorities, and strategies for effective grant management. The manual processes the Department must perform to identify subprogram information are time-consuming and could put a strain on the Department's limited resources. If FAC audit data was provided to the Department at the subprogram level, the Department could more effectively leverage audit resources to assist in grantee oversight.

Background

States, local governments, Indian tribes, institutions of higher education, and nonprofit organizations that expend $750,000 or more in Federal awards during a fiscal year are

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[1] The terms "grantee" or "subgrantee" are used throughout this report to refer to the legal entity that is awarded a Federal grant or subgrant and is subject to a single audit. Federal laws, regulations, and guidance applicable to reporting of Federal program awards in a single audit may refer to these entities as the non-Federal entity, auditee, recipient, or subrecipient.

subject to audit requirements commonly referred to as "single audits" under the Single Audit Act Amendments of 1996. The single audit covers all of the grantee's and subgrantee's Federal programs using a risk-based approach, rather than separate audits of each Federal program. Grantees and subgrantees are required to submit their single audit reports and cooperate with their auditor to complete and submit a form which collects certain data elements from the single audit reports. Submissions are made by the grantee or subgrantee to the FAC, which is operated by the U.S. Census Bureau. Those submissions permit Federal agency program offices to monitor the use of the Federal awards they are responsible for administering by leveraging the work of auditors.

For purposes of the single audit, all awards under a single Assistance Listing Number are considered one Federal program.[2] Many Department programs have subprograms that are included under the umbrella of one Assistance Listing Number but are awarded separately and identified by an alphabetic character at the end of the Assistance Listing Number. The ESF is one of the Department's programs that consists of multiple subprograms awarded under one Assistance Listing Number.

ESF Categories and Subprograms

The Coronavirus Aid, Relief, and Economic Security Act provided $30.75 billion for the ESF to prevent, prepare for, and respond to the coronavirus pandemic. The Coronavirus Response and Relief Supplemental Appropriations Act and the American Rescue Plan Act provided about $82 billion and $170 billion, respectively, for ESF. The Assistance Listing Number for ESF is 84.425.

ESF funds are allocated to 22 different subprograms among six major categories[3] that are administered by the Department's Office of Elementary and Secondary Education (OESE), the Office of Career, Technical, and Adult Education (OCTAE), and the Office of Postsecondary Education (OPE). The 22 subprograms are identified in Appendix B. The Department distributed ESF funds to grantees using 22 different alphabetic identifiers at

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[2] Each listing in the Assistance Listing (formerly the Catalog of Federal Domestic Assistance) has a five-digit identification number called the Assistance Listing Number. The first two digits identify the Federal department or agency that administers the assistance listing, and the last three numbers are assigned in numerical sequence. Assistance Listing Numbers cannot be recycled or used by another program.

[3] An additional ESF category consisted of funds set aside for programs operated or funded by the Bureau of Indian Education, in consultation with the Secretary of Interior. The Department transferred the funds to the U.S. Department of the Interior and therefore the funds were not distributed under the 84.425 Assistance Listing Number.

the end of the 84.425 Assistance Listing Number to identify the specific subprogram. Table 1 identifies these six categories, the assigned Assistance Listing alphabetic identifiers that fall under each category, as well as the program office(s) charged with administering each category.

Table 1. ESF Program Category Identifiers and Administering Program Offices

Category	Assistance Listing Number with Alphabetic Identifier	Program Office
Outlying Areas	84.425A, 84.425H, 84.425X	OESE
Education Stabilization Fund Discretionary Grants	84.425B	OESE
Education Stabilization Fund Discretionary Grants	84.425G	OCTAE
Governor's Emergency Education Relief Fund and Emergency Assistance to Non-Public Schools	84.425C, 84.425R, 84.425V	OESE
Elementary and Secondary School Emergency Relief Fund and Homeless Children and Youth	84.425D, 84.425U, 84.425W	OESE
Higher Education Emergency Relief Fund	84.425E, 84.425F, 84.425J, 84.425K, 84.425L, 84.425M, 84.425N, 84.425P, 84.425Q, 84.425S	OPE
American Indian Resilience in Education	84.425Y	OESE

Grantees submit a unique application in the form of a Certification and Agreement for Funding applicable to each subprogram. ESF grantees include governors, State educational agencies, State workforce boards, Tribal educational agencies, and institutions of higher education. Subgrantees include local educational agencies, institutions of higher education, and other education-related entities.

Department grantees receive guidance on single audit submissions from Attachment 3 of the Grant Award Notification. However, Attachment 3 of the Grant Award Notification does not address reporting at the subprogram level. The Department included guidance on the ESF subprograms in the addendum to the 2020 Compliance Supplement, a document developed annually to assist auditors by identifying existing,

important compliance requirements the Federal government expects to be considered as part of a single audit. In the addendum, the Department recommended that grantees identify the individual subprograms, including each separate alphabetic character, on the grantee's Schedule of Expenditures of Federal Awards. The Department's guidance in the addendum to the 2020 Compliance Supplement did not specifically address reporting subprograms in the FAC, though the Federal award expenditure data entered into the FAC includes information directly from the Schedule of Expenditures of Federal Awards.

FAC Submissions

A grantee's or subgrantee's submission to the FAC consists of the single audit reporting package and Form SF–SAC—Data Collection Form for Reporting on Audits of States, Local Governments, Indian Tribes, Institutions of Higher Education, and Nonprofit Organizations (Data Collection Form).[4] The Data Collection Form is a submission form which grantees, subgrantees, and auditors must complete online using information included in the reporting package.

The grantee or subgrantee use three fields within the Federal Awards Tab of the Data Collection Form to identify programs for which Federal awards were expended.

1. Assistance Listing Number. The five-digit number is identified by selecting the two-digit Federal Agency Prefix from a drop-down menu and then entering the three-digit extension.

2. Federal Program Name. The program name, as shown in the Assistance Listing, will be automatically populated if a valid Assistance Listing Number is entered. The program name can also be entered or modified manually.

3. Additional Award Identification. This field is optional if a valid Assistance Listing Number is entered. Data Collection Form instructions direct grantees and subgrantees to enter data used to identify the award in this field.

While not required, the grantee or subgrantee may choose to provide information requested by Federal awarding agencies, such as listing Federal awards expended for each award year or each subprogram separately, to make the information easier to use. To maximize the transparency and accountability of coronavirus-related award expenditures, OMB included a recommendation in the 2020 Compliance Supplement that grantees and subgrantees separately identify coronavirus expenditures on the Data Collection Form. OMB suggested that grantees and subgrantees could accomplish this

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[4] The current Data Collection Form is for fiscal period ending dates in 2019, 2020, or 2021. The Office of Management and Budget (OMB) control number for this information collection is OMB No. 0607–0518.

separate identification by entering "COVID-19" as a prefix to the program name in the Federal Program Name field and by entering "COVID-19" as the first characters in the Additional Award Identification field of the Data Collection Form.

Once the grantee or subgrantee identifies the Federal program awards in the Federal Awards tab of the Data Collection Form, the grantee or subgrantee enters additional information about each award, including amounts expended, whether the award was received directly from the Federal agency or a pass-through entity, and whether amounts were passed through to subrecipients. The auditor then indicates whether those awards were audited and any audit results, including findings associated with each award.

Public users, including Federal agencies and pass-through entities, can use the FAC's Image Management System to query and download selected data elements from single audit submissions. A Risk Management Specialist in the Risk Management Services Division (RMSD) within the Office of Finance and Operation's Office of Acquisition and Grants Administration stated that the Department pays a fee to have single audit data from the FAC imported into its Audit Accountability and Results Tracking System (AARTS) on a weekly basis. AARTS is a web-based application designed to assist the Department's management with audit reporting and follow-up. RMSD has overall responsibility for the Department's program risk management and single audit follow-up function and manages the Department's agreement with the FAC.

Observation. Grantees and Subgrantees are Not Consistently Identifying ESF Subprograms in the FAC

We found that grantees and subgrantees are not consistently reporting expenditures of ESF subprogram awards in the FAC. Specifically, when entering Federal award information into the Data Collection Form, grantees and subgrantees either (1) did not identify which ESF subprogram their expenditures were awarded under or (2) used widespread variations of subprogram identifying information to identify which subprogram their expenditures were awarded under.

As of May 18, 2021, the FAC had accepted 3,757 single audit submissions with a fiscal year end date in 2020 that included 4,961 ESF awards identified by grantees and subgrantees using the 84.425 Assistance Listing Number. Grantees and subgrantees were able to modify the Federal Program Name field and use the Additional Award Identification field to provide additional information about their ESF subprogram awards on the Data Collection Form, as the Department recommended they do, for the Schedule of Expenditures of Federal Awards. However, the Department's guidance on identifying subprograms, as it relates to the Data Collection Form, was not as specific as it could have been regarding how and in which Data Collection Form fields to identify subprograms. Additionally, the Department's guidance may not have been seen by grantees and subgrantees because it was included in the 2020 Compliance Supplement Addendum, a document developed for use by auditors and posted on OMB's website, rather than distributed directly to grantees and subgrantees. As a result, there were variations in the Federal Program Names and Additional Award Identifications used by grantees and subgrantees to identify ESF subprogram awards.

There were 845 unique variations of Federal Program Names used by the 3,757 grantees and subgrantees to identify their ESF awards. The most common name was the default "Education Stabilization Fund," which automatically populates when 84.425 is entered as the Assistance Listing Number. Grantees and subgrantees used the default name with no modifications for 58 percent of the ESF awards. Further, while 1,710 of 3,757 grantees and subgrantees (46 percent) with ESF awards used the optional Additional Award Identification field to identify the subprogram, there were still 521 unique variations of identifiers used by those grantees and subgrantees in that field. Grantees and subgrantees used this field to identify subprograms by name, alphabetic identifier, award number, or a combination of multiple identifiers. The most common entry in the Additional Award Identification field, the alphabetic identifier "D" (representing the Elementary and Secondary School Emergency Relief Fund subprogram) was only used for 13 percent of the ESF awards.

Even though OMB recommended grantees and subgrantees separately identify coronavirus expenditures on the Data Collection Form, only 26 percent of Federal Program Name fields and 27 percent of Additional Award Identification fields of ESF awards contained the word "COVID."

Impact of Data Inconsistencies on the Department's Oversight Activities

As a result of the FAC reporting system not automatically populating subprogram identification fields and the lack of specific guidance directed at grantees and subgrantees on how to manually identify subprograms on the Data Collection Form, Federal award expenditure data reported to the FAC by grantees and subgrantees cannot be reliably used by the Department to identify information at the ESF subprogram level. Additionally, because Federal award data is linked to other areas of the Data Collection Form, the associated data elements on audit results, audit findings, corrective action plans, and pass-through entity identification are also not consistently reported at the subprogram level. Consequently, the FAC single audit data the Department accesses through AARTS is not tracked by subprogram.

In order to perform its responsibilities related to program risk management and audit follow-up, a Risk Management Specialist stated that RMSD has to identify subprograms by manually examining single audit reporting packages. RMSD staff have to review the text of each auditor's report and audit finding(s) to obtain the information necessary to process and assign audit findings to the appropriate program office and to analyze audit data and provide results to program offices. These manual tasks diminish the overall efficiency of the Department's risk management and audit resolution processes and negatively impact its ability to use the data to inform work around program risk, audit finding trends, priorities, and strategies for effective grant management.

The Director of RMSD stated that they could do more automated audit resolution if the data came to them at the subprogram level. A Risk Management Specialist within RMSD stated that discussions were held last year between the Department and FAC about the possibility of upgrading the Data Collection Form on the FAC to allow for additional characters at the end of the Assistance Listing Numbers, but those upgrades never materialized. The U.S. Census Bureau does not plan to operate the FAC past the current collection, which will accept audits of fiscal period ending dates through 2021, and no changes are being made to the current Data Collection Form.

ESF is not the only Department program with subprograms, and there are also other Department programs with subprograms that are administered by more than one program office. For example, the Disaster Recovery Assistance for Education

subprograms (all under the 84.938 Assistance Listing Number) are administered by OESE or OPE.

The Director of RMSD stated that the incompatibility of the Department's subprogram awards and the FAC existed prior to ESF and that it was particularly challenging in programs that are administered by more than one program office. The Director added that the issues stemming from this incompatibility were worsened by the increase in the number of single audits due to the large amount of funds expended under ESF. A Risk Management Specialist stated that RMSD has been tasked with resolving findings related to the ESF's Higher Education Emergency Relief Fund, which is in addition to audit resolution for all of the Department's discretionary grant findings and certain formula grant findings the division was already resolving. The manual processes RMSD must perform to identify subprogram information are time consuming and could put a strain on the division's limited resources.

Clarifying the guidance provided to grantees on identifying subprograms in the Schedule of Expenditures of Federal Awards and extending the guidance to address how and in which Data Collection Form fields grantees and subgrantees should identify subprograms could improve the usefulness of FAC data for the remaining fiscal year 2020 single audit submissions as well as fiscal year 2021 single audit submissions.

Suggestion

We suggest that the Assistant Secretary/Chief Financial Officer for the Office of Finance and Operations develop and issue guidance directly to grantees that further encourages them to identify subprogram awards in the Schedule of Expenditures of Federal Awards and that addresses how and in which fields subprograms should be identified on the Data Collection Form by grantees and their subgrantees. The guidance should promote consistency in reporting by grantees and subgrantees, and not conflict with guidance issued by OMB on separately identifying coronavirus expenditures.

Department Comments

We provided a draft of this report to the Department for comment. The Department agreed with the observation and suggestion. The Department stated that it will issue guidance to grantees and auditors with instructions and an example of how auditees should report subprogram information on their Data Collection Forms that aligns with instructions previously provided by OMB. The Department stated that it would reach grantees with this guidance by posting to the G5 Bulletin Board, sending an Email Blast through G5, and revising the Grant Award Notification attachments. G5 is the Department's grants management system. The Department also stated that it would develop language for the Compliance Supplement Addendum to reach auditors of

Department grants. The full text of the Department's comments is provided at the end of the report.

OIG Response

The Department's proposed actions, if implemented as described, are responsive to our suggestion.

Appendix A. Scope and Methodology

We assessed grantees' and subgrantees' reporting of ESF program and subprogram awards in the FAC and the impact of such reporting on the Department's oversight activities. To achieve our objective, we interviewed Department officials in RMSD who are responsible for the Department's program risk management and single audit follow-up function. In addition, we performed an assessment of the following.

- Federal laws, regulations, and guidance applicable to grantees' and subgrantees' reporting of Federal program awards in a single audit, including Title 2 of the Code of Federal Regulations, Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards; August 2020 Compliance Supplement; December 2020 Compliance Supplement Addendum; March 2020 and March 2021 Attachment 3 to the Grant Award Notification; and FAC instructions included in the March 2019 Single Audit Checklist, Instructions, and Form for Fiscal Years 2019–2021 and the March 2019 Internet Data Entry System Instructions for Fiscal Years 2019–2021.

- A summary report downloaded from the FAC's Image Management System containing data for audits with Federal awards under the 84.425 Assistance Listing Number with a fiscal year end date in 2020.

- A Subprogram Information Report generated from the Department's G5 system containing subprogram records for funding in fiscal year 2020.

The conclusions drawn in this report are based on our review of FAC and G5 reports and testimonial evidence.

Use of Computer-Processed Data

The use of computer-processed data for our flash report was limited to (1) a summary report downloaded from the FAC's Image Management System containing data for audits with Federal awards under the 84.425 Assistance Listing Number with a fiscal year end date in 2020 and (2) a Subprogram Information Report generated from the Department's G5 system containing subprogram records for funding in fiscal year 2020. Recognizing that the Department relies on these two systems to track and monitor audit findings and to manage programs and subprograms, we analyzed the data in the reports to assess how grantees and subgrantees were following reporting suggestions and whether there were other programs with multiple subprograms for which our observations could also apply. For the purposes of this review, we did not assess the reliability of the two reports nor the systems used to generate these reports.

Compliance with Standards

We prepared this flash report in alignment with OIG's quality control standards and the Council of Inspectors General for Integrity and Efficiency's "Quality Standards for Federal Offices of Inspector General," which require that we conduct our work with integrity, objectivity, and independence. We believe that the information obtained provides a reasonable basis for the conclusions and suggestions contained in this report.

Appendix B. Education Stabilization Fund Subprograms

Assistance Listing Number and Alphabetic Character	Name
84.425A	Education Stabilization Fund–State Educational Agency (Outlying Areas)
84.425B	Discretionary Grants: Rethink K–12 Education Models Grants
84.425C	Governor's Emergency Education Relief Fund
84.425D	Elementary and Secondary School Emergency Relief Fund
84.425E	Higher Education Emergency Relief Fund–Student Aid Portion
84.425F	Higher Education Emergency Relief Fund–Institutional Portion
84.425G	Discretionary Grants: Reimagining Workforce Preparation Grants
84.425H	Education Stabilization Fund–Governors (Outlying Areas)
84.425J	Higher Education Emergency Relief Fund–Historically Black Colleges and Universities
84.425K	Higher Education Emergency Relief Fund–Tribally Controlled Colleges and Universities
84.425L	Higher Education Emergency Relief Fund–Minority Serving Institutions
84.425M	Higher Education Emergency Relief Fund–Strengthening Institutions Program
84.425N	Higher Education Emergency Relief Fund–Fund for the Improvement of Postsecondary Education Formula Grant
84.425P	Higher Education Emergency Relief Fund–Institutional Resilience and Expanded Postsecondary Opportunity
84.425Q	Higher Education Emergency Relief Fund–Proprietary Institutions Grant Funds for Students
84.425R	Emergency Assistance for Non-Public Schools

Assistance Listing Number and Alphabetic Character	Name
84.425S	Higher Education Emergency Relief Fund–Supplemental Assistance to Institutions of Higher Education
84.425U	American Rescue Plan–Elementary and Secondary School Emergency Relief
84.425V	American Rescue Plan–Emergency Assistance to Non-Public Schools
84.425W	American Rescue Plan–Elementary and Secondary School Emergency Relief–Homeless Children and Youth
84.425X	American Rescue Plan–State Educational Agency (Outlying Areas)
84.425Y	American Rescue Plan–American Indian Resilience in Education

Appendix C. Acronyms and Abbreviations

AARTS	Audit Accountability and Results Tracking System
Data Collection Form	Form SF–SAC—Data Collection Form for Reporting on Audits of States, Local Governments, Indian Tribes, Institutions of Higher Education, and Nonprofit Organizations
Department	U.S. Department of Education
ESF	Education Stabilization Fund
FAC	Federal Audit Clearinghouse
OCTAE	Office of Career, Technical, and Adult Education
OESE	Office of Elementary and Secondary Education
OIG	Office of Inspector General
OMB	Office of Management and Budget
OPE	Office of Postsecondary Education
RMSD	Risk Management Services Division

UNITED STATES DEPARTMENT OF EDUCATION

OFFICE OF FINANCE AND OPERATIONS

July 30, 2021

TO: Bryon S. Gordon
            Assistant Inspector General for Audit, Office of Inspector General

FROM: Phillip R. Juengst
            Deputy Assistant Secretary for Acquisition and Grants Administration/Office of
            Acquisition and Grants Administration

SUBJECT: Draft Flash Report, "Inconsistent Grantee and Subgrantee Reporting of Education
            Stabilization Fund Subprograms in the Federal Audit Clearinghouse," Control
            Number ED-OIG/F21NF0037

Thank you for the report issued by your office, which has brought attention to an important issue
for the Department of Education (Department). The Department administers a large number of
grant programs compared to most other Federal agencies. It is helpful to know the use of
Assistance Listing Numbers (ALNs) plus an alpha character (for example 84.425E) for the
Stabilization Fund subprograms is not being consistently reported by auditees on their Data
Collection Form that is reported to the Federal Audit Clearinghouse (FAC) as part of an audit
package.

We agree with the observation and concur with the suggestion in the Draft Flash Report.
Consistent reporting of the alpha character will improve the utility of the FAC audit data to
inform the Department's work around program risk, audit finding trends, priorities, and
strategies for effective grant management including efficient and effective audit resolution. The
Department formed a team to address the suggestion and has reached out to the Office of
Management and Budget (OMB), the FAC, and the Association of International Certified Public
Accountants to determine the best way forward.

The Department plans to address the suggestions that the Assistant Secretary/Chief Financial
Officer for the Office of Finance and Operations (OFO) develop and issue guidance directly to
grantees that further encourages them to identify subprogram awards in the Schedule of
Expenditures of Federal Awards and that addresses how and in which fields subprograms should
be identified on the Data Collection Form by grantees and their subgrantees in the following
way:

> OFO in coordination with the Office of the General Counsel and Department program offices
> will issue guidance to grantees/auditees and auditors with instructions and an example of
> how auditees should report ALN information on their Data Collection Forms that is in
> alignment with instructions previously provided by OMB through:

400 MARYLAND AVENUE, SW; WASHINGTON, DC 20202
www.ed.gov

*The Department of Education's mission is to promote student achievement and preparation for global competitiveness
by fostering educational excellence and ensuring equal access.*

a) A posting to the G5 Bulletin Board to reach Department grantees;
b) An Email Blast through G5 to reach Department grantees;
c) Revising Grant Award Notification attachments to reach Department grantees; and
d) Developing language for the 2020 OMB Compliance Supplement Addendum to reach auditors of Department grants.

As we continue to implement these corrective actions, we will work with your office's Non-Federal Audit Team to ensure our guidance reaches its intended audience in an informative way without conflicting with guidance issued by OMB on separately identifying coronavirus expenditures.

If you have any questions regarding this letter, please contact Mark Robinson, Director, Risk Management Services Division at mark.robinson@ed.gov or 202-453-6463.