OHIO AUDITOR OF STATE
KEITH FABER

From: Auditor of State's Center for Audit Excellence

To: All IPA Firms

Subject: Updated Guidance: School Partnership and Consortium Activity

Date: November 15, 2024

In July 2023, the Ohio Department of Education and Workforce (DEW) issued Grants Management Guidance 2024-001 (the Guidance) which provided guidance to school districts and ESCs on reporting of consortium and partnership grant activity on the Schedules of Federal Awards Expenditures (SEFAs) of member and lead entities. The Guidance is attached for reference as it provides relevant background and explanations of consortium and partnership relationships.

The Guidance was effective for fiscal years ending June 30, 2023; however, during fiscal year 2023 there were inconsistencies in how partnership and consortium relationships were reported across the State of Ohio.

Due to concerns with inconsistent implementation and the implications of the Guidance to schools and ESCs, DEW rescinded the Guidance in October 2024. DEW is working to update the Guidance to ensure schools districts and ESCs can implement it correctly and consistently but does not have an estimate of when they believe the updated Guidance will be released.

In this interim period while DEW works to update and reissue the Guidance, Consortium leads **must** continue to report consortium activity on their SEFAs to ensure the Federal dollars are subject to audit. However, consortium members have a bit of flexibility.

Members of a consortium may choose to continue to follow the rescinded Guidance or to not report the consortium activity on their SEFAs. Auditors should discuss the implications of each choice with members to ensure they understand the potential impact of their decision and are aware that when DEW issues clarified guidance they will need to report accordingly, which may differ from what they decide for this fiscal year.

If members choose to continue to follow the Guidance and report consortium activity on their SEFAs, auditors will need to determine whether a subrecipient relationship is established with the lead. AOS believes that in most cases the leads could be determined to be subrecipients of the members. If a subrecipient relationship is established, the member (as the pass-through entity) is required by the Uniform Guidance to enter into a written subgrant agreement with the lead (as the subrecipient) and perform monitoring activities. We do not believe that most member entities are fulfilling these subrecipient requirements therefore there is an increased risk of noncompliance, control deficiencies, and opinion modifications for the members.

AOS auditors will allow members to update their SEFA without issuing a control deficiency if members choose *not* to follow the Guidance but have already provided auditors with a SEFA which includes the consortium activity.

Questions can be directed to Kelly Berger-Davis at AOSFederal@ohioauditor.gov.

Grants Management Guidance 2024-001

SUBJECT: Annual Reporting of Consortium/Partnership Grant Expenditures on the Single Audit - Schedule of Expenditure of Federal Awards (SEFA) and Recommended Memorandum of Understanding

DATE ISSUED: July 31, 2023

EFFECTIVE: *For Fiscal Years Ending June 30,2023, and after (for Reporting in FY2023 Single Audits –SEFAs)*

Overview

Subgrantees are responsible for reporting all financial transactions and grant expenses within their accounting system and the entity's annual financial statements. In accordance with 2 CFR 200.501 Audit requirements, "a non-Federal entity that expends $750,000 or more during the non-Federal entity's fiscal year in Federal awards must have a single or program-specific audit conducted for that year." As a result, any member meeting the single audit criteria would be required to report the total amount expended by or on the partnership member's behalf for a grant in which they are part of a consortium/partnership on the *Schedule of Expenditures of Federal Awards* (SEFA) with the released singe audit report.

The SEFA is a supplemental schedule to the financial statements that an organization is required to produce when it is subject to the single audit requirement. The single audit requirement is triggered when the federal expenditures reported on the SEFA exceed $750,000 or more over the organization's fiscal year. The SEFA, which is prepared by the auditee and considered supplementary information to the financial statements, is a key part of the reporting package required by the Uniform Guidance.

Guidance Sections

- 2 CFR §200.510(b) of the Uniform Guidance requires the auditee to prepare a SEFA for the period covered by the auditee's financial statements which must include the total federal awards expended as determined in accordance with §200.502 of the Uniform Guidance, "Basis for Determining Federal Awards Expended."
- 2 CFR 200.302 (b) (1) – "Identification, in its accounts, of all Federal awards received and expended and the Federal programs under which they were received."

SEFA Reporting - Amounts Transferred to a Consortium or Partnership Relationship Grant Benefits

Program funds may be awarded and allocated to a grantee and then transferred to a consortium relationship or partnership. This can be either required or optional; however, in both situations the entity has received a benefit from the federal grant(s). The information below outlines the common (not all inclusive) consortium/partnership models utilized by the Department. In the models the consortium/partnerships leads can provide the service to its members; contract for services that services it members; or act as a fiscal agent only (where they are responsible for paying for services from an invoice submitted by members). Models include:

- *Consortium -* The grantee that was awarded the funds prior to the transfer in CCIP; however, still receives the benefit of the grant regardless of the transfer.
    - *District/School Based* – School districts and community schools form a consortium with one of the districts or schools designated as the lead.
    - *ESC Based* – School districts and community schools with a regional educational agency, such as a county educational service center (ESC), designated as the lead.
- *Partnership Based* - A partnership relationship typically exists between entities that would be eligible to apply for a grant on their own but have elected to participate under an awardee proposal application. The lead, as the awardee, is entirely responsible for the program funding received. The members receive the benefit of the federal program administered by the lead partner. Most often the applications outline the members in the relationship. This relationship consists of the following
    - *District/School Based* – School districts and community schools form a consortium with one of the districts or schools designated as the lead.
    - *ESC Based* – School districts and community schools with a regional educational agency, such as a county educational service center (ESC), designated as the lead.
    - *Other Educational Organization Based* – Community based organization, such as a university or early childhood organization), designated as the lead.

Effective with this guidance, the following programs require and/or allow consortium arrangements as an option to receive funding: (this list is subject to change)

- ALN #84.365 - Title III English Learner – Required by Law - ESSA 3114(b) (grantees receiving less than $10,0000)
- ALN #84.425U – ARP Homeless Round II – Required by Law - Section 2001(b)(1) of the ARP Act (Grantees allocated less than $5,000)
- ALN #84.010 - Title I Delinquent/Negligent – *Optional*
- ALN #84.027 - IDEA Part B – School-aged Special Education – *Optional*
- ALN #84.173 - IDEA Part B- Early Childhood Special Education – *Optional*
- ALN #83.371C – Comprehensive Literacy State Development Grant – Optional – Considered a Partnership *(outlined in grant application of the lead partner)*
- ALN #84.287A – Nita M. Lowey 21st Century Community Learning Centers Grant – Optional – Considered a Partnership *(outlined in grant application of the lead partner)*

Effective with fiscal years ending 6/30/23 and after, consortium and/or partnership relationships are required to present on the SEFA with the grant award, ALN, and amount transferred to consortium lead and/or amount of the benefit received through grant partnership. This can occur with the following:

- any grant awarded and allocated in CCIP and then transferred to a consortium lead regardless of the grant or consortium model utilized. In the situations where the original grantee is receiving benefits greater than their allocation, the consortium lead should be identifying this additional amount to their members to ensure the amount reported is the proportionate share of the services rendered and received. At a minimum, the Department expects to see the consortium allocation amount transferred to the lead reported on the SEFA.

- all partners should report the amount identified from their partnership lead as the amount of grant benefit received through the awarded partnership to ensure the amount reported is the proportionate share of the services rendered and received.

  Please work with your consortium/partnership leads to determine the total amount to be reported. Also, we recommend consulting your auditors to ensure the entity is recording the accounting activity correctly in the financial records.

Example #1 - Reporting Consortium Funds on the SEFA

SEFA Presentation with Grant Funds Transferred to Consortium Lead Ohio Valley ESC

U.S. Department of Education
Consortium Amount Passed/Transferred to Ohio Valley Educational Service Center

Title III English Learner	ALN#84.365	$XX,XXX
IDEA Part B- Early Childhood Special Education	ALN #84.173	$XX,XXX

Example #2 - Reporting Partnership Funds on the SEFA

SEFA Presentation of On Behalf Grants/Proportionate Member Share - Partnership Lead Ohio Valley ESC

U.S. Department of Education
Consortium/Partnership Member On-Behalf Grants (Proportionate Member Share)
Partnership Lead - Ohio Valley Educational Service Center

Title III English Learner	ALN #84.365	$XX,XXX
IDEA Part B- Early Childhood Special Education	ALN #84.173	$XX,XXX

Consortium/Partnership leads should have an accounting/tracking mechanism in place to adequately provide both the financial activity and consortium financial reports of each member's proportionate share of expenses associated with the applicable grant(s). These reports should identify both what was expended for the grant, as well as, how much of an additional direct benefit was received from the lead if providing or contracting for grant related services for each member. Guidance on the accounting and reporting consortium activity and direct benefits received where entities do not receive the allocation directly or make disbursements for the grant is outlined in *Auditor of State Bulletin 2000-08*. [1]

Utilizing Memorandum of Understanding/Agreements for Consortium/Partnership Relationships

In addition to the above, the Department recommends consortium/partnership relationships utilize memorandums of understanding to establish the agreement of services between consortium/partnership members and the lead, and outline both the programmatic and financial reporting expectations of the lead. Since there is a wide range of services provided for a consortium/partnership, it is recommended the agreement be specific as to what services/programs/products the lead is providing to each member; and
establish the required financial information that members need to appropriately record expense information for annual financial audits performed (both regular - financial and single audits).

[1] Auditor of State Bulletin 2000-008 – ***Accounting for Cash Basis Local Governments' Participation in On-Behalf-Of Grants Or Improvement Projects*** – outlines the consortium fiscal agent may use any reasonable method to allocate receipt and disbursement activity of the consortium among consortium participants to document members receiving direct benefit without receiving cash or making disbursements as part of the program.

[2] For the purpose of this document, benefiting from a consortium/partnership relationship and the resulting fair share should be recorded by each consortium/partnership member. Members should be recording the fair share of the consortium/partnership expenses "as the cash value benefit of the program received under the agreement should be recorded as memorandum receipts and disbursements in the year on-behalf-of disbursements are made." (As outlined by the Auditor of State Bulletin 2000-008).

Resources:

2 CFR 200.501 Audit requirements

http://www.auditor.state.oh.us/publications/bulletins/2000/2000-008.pdf.

Please email questions to ODEMonitoring@education.ohio.gov.