



Improper Payment Audits

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Defining Improper Payments

Improper payments are payments made to the wrong person, in the wrong amount, or for the wrong reason. They are payments that should not have been made or that were made in an incorrect amount under statutory, contractual, administrative, or other legally applicable requirements.

Improper payments include:

- **Overpayments or underpayments:** made to eligible recipients (including inappropriate denials of payment or service, any payment that does not account for credit for applicable discounts, payments that are for an incorrect amount, and duplicate payments.)
- Any payment that was made to an **ineligible** recipient or for an ineligible good or service, or payments for goods or services not received (except for such payments authorized by law).

In the event a payment cannot be substantiated in accordance with the auditor's test procedures (i.e., a lack of or insufficient documentation), the payment will be considered improper.

Authority Oversight and Audits

2 CFR 200; Uniform Grant Guidance:

§ 200.302—Financial Management:

The non-Federal entity's financial management systems...must be sufficient to permit the preparation of reports required by general and program-specific terms and conditions; and the tracing of funds to a level of expenditures adequate to establish that such funds have been used according to the Federal statutes, regulations, and the terms and conditions of the Federal award.

§ 200.405—Allocable Costs

A cost is allocable to a particular Federal award or other cost objective if the goods or services involved are chargeable or assignable to that Federal award or cost objective in accordance with relative benefits received. This standard is met if the cost:

1. Is incurred specifically for the federal award
2. Benefits both the Federal award and other work of the non-Federal entity and can be distributed in proportions that may be approximated using reasonable methods; and
3. Is necessary to the overall operation of the non-Federal entity and is assignable in part to the Federal award in accordance with the principles in this subpart.

If a payment cannot be traced to the level of expenditure or is non-allocable, then the payment is **improper**.

Authority Continued

The Improper Payments Information Act

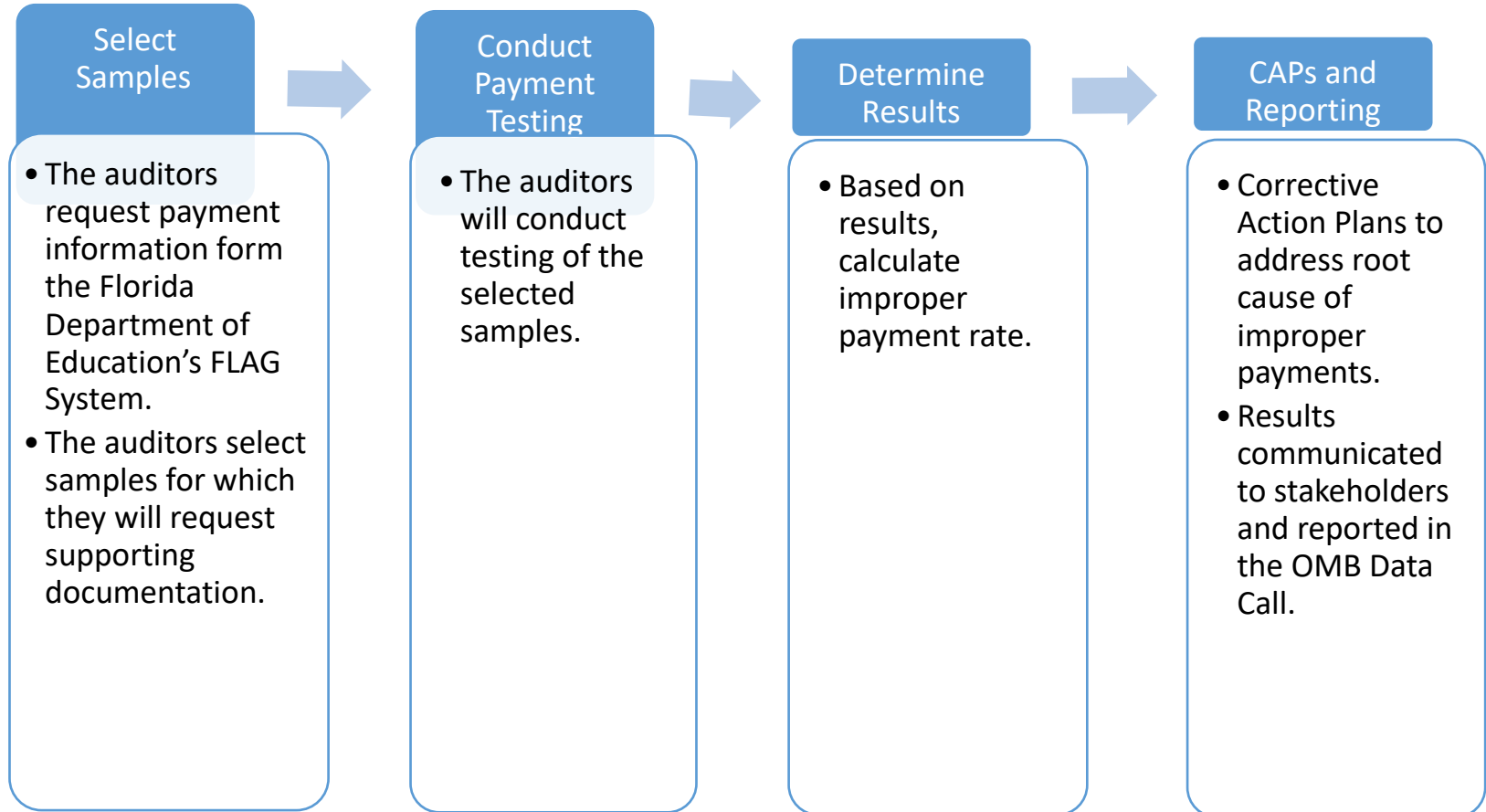
The Improper Payments Information Act of 2002 (IPIA), as amended by the Improper Payments Elimination and Recovery Act of 2010 (IPERA) and the Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA), requires the head of each Federal agency with programs or activities that may be susceptible to significant improper payments to report certain information to Congress. For any program or activity with estimated improper payments exceeding \$10 million and 1.5 percent, or \$100 million regardless of the improper payment rate, Federal agencies must report to Congress improper payment estimates, corrective action plans, and reduction targets. Programs are review pursuant to IPERA and Office of Management and Budget Circular A-123, Appendix C, "Requirements for Effective Estimation and Remediation of Improper Payments."



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Audit Process

Over All Process and Tasks



FLAGS Example—Restart FY 18/19

FY19 Disbursement Data Request 4_30_20.xlsx - Excel

Freeman, Sean

Award #	CFDA #	Control #	Requested/Drawdown Amount	Transmission	Deposit Date	Requested Date	Payee DUNS	State	Name of Grantee/recipient	Transaction Description
S938A180005	84.938	1058A	\$ 165,711.46	EFT	07/03/19	7/3/2019	010508844	Florida	PINELLAS COUNTY	CSHADV520
S938A180005	84.938	1058A	\$ 189,730.65	EFT	07/05/19	7/3/2019	042471060	Florida	HILLSBOROUGH CO	CSHADV290
S938A180005	84.938	1058A	\$ 13,668.61	EFT	07/05/19	7/3/2019	790877419	Florida	FSU	CSHADV371
S938A180005	84.938	1058A	\$ 943,867.20	EFT	07/05/19	7/5/2019	836311605	Florida	VOLUSIA COUNTY S	CSHADV640
S938A180005	84.938	1058A	\$ 5,149.00	EFT	07/09/19	7/9/2019	195771472	Florida	BCSB	CSHADV020
S938A180005	84.938	1058A	\$ 13,305.87	EFT	07/09/19	7/8/2019	065912354	Florida	LEE COUNTY SCHOO	CSHADV360
S938A180005	84.938	1058A	\$ 4,144.78	EFT	07/09/19	7/9/2019	100012962	Florida	MANATEE COUNTY	CSHADV410
S938A180005	84.938	1058A	\$ 98,120.00	EFT	07/09/19	7/9/2019	791439438	Florida	ST LUCIE COUNTY	CSHADV560
S938A180005	84.938	1058A	\$ 447,337.53	EFT	07/10/19	7/10/2019	080683048	Florida	DUVAL COUNTY PUB	CSHADV160
S938A180005	84.938	1058A	\$ 355.73	EFT	07/11/19	7/11/2019	195771472	Florida	BCSB	CSHADV020
S938A180005	84.938	1058A	\$ 113,741.97	EFT	07/11/19	7/11/2019	364622886	Florida	BREVARD COUNTY S	CSHADV050
S938A180005	84.938	1058A	\$ 582,865.40	EFT	07/11/19	7/11/2019	017311168	Florida	CLAY COUNTY SCHO	CSHADV100
S938A180005	84.938	1058A	\$ 54,336.00	EFT	07/11/19	7/11/2019	159621788	Florida	DIXIE DISTRICT S	CSHADV150
S938A180005	84.938	1058A	\$ (4,144.78)	EFT	07/12/19	7/12/2019	100012962	Florida		CSHADV410
S938A180005	84.938	1058A	\$ 15,783.00	EFT	07/12/19	7/11/2019	079214185	Florida	LCFSD	CSHADV350
S938A180005	84.938	1058A	\$ 33,241.18	EFT	07/12/19	7/11/2019	095553129	Florida	SARASOTA COUNTY	CSHADV580
S938A180005	84.938	1058A	\$ 313,064.49	EFT	07/15/19	7/12/2019	849287149	Florida	MONROE COUNTY SC	CSHADV440
S938A180005	84.938	1058A	\$ 851.79	EFT	07/16/19	7/15/2019	969176312	Florida	PUTNAM CO SCHOOL	CSHADV540
S938A180005	84.938	1058A	\$ 126,051.23	EFT	07/17/19	7/17/2019	156470163	Florida	ALACHUA COUNTY	CSHADV010
S938A180005	84.938	1058A	\$ 1,200.00	EFT	07/17/19	7/17/2019	131766966	Florida	UCP OF CENTRAL F	CSHADV48K
S938A180005	84.938	1058A	\$ 53,449.52	EFT	07/17/19	7/17/2019	100172980	Florida	SUMTER COUNTY SC	CSHADV600
S938A180005	84.938	1058A	\$ 108,492.73	EFT	07/19/19	7/19/2019	100012863	Florida	HIGHLANDS COUNTY	CSHADV280
S938A180005	84.938	1058A	\$ 1,272,598.24	EFT	07/19/19	7/19/2019	794367227	Florida	PASCO COUNTY SCH	CSHADV510
S938A180005	84.938	1058A	\$ 1,442.48	EFT	07/22/19	7/22/2019	100012699	Florida	COLLIER COUNTY	CSHADV110

Auditor's Sample

FY20 Payment Data Transaction Request_Restart_Florida - Excel

File Home Insert Page Layout Formulas Data Review View Acrobat Tell me what you want to do...

Clipboard Font Alignment Number Styles

Column1	Column2	Column3	Column4	Column5	Column6	Column7	Column8	Column9
Sample_ID	Payment_Amount	Award	CFDA	State	School	Unique_Identifier	Payment_Date	Payee_Name
159	86,334.16	S938A200007	84.938A	FL	Florida Department of Education	84938A2020PR15035	07/27/20	BAY COUNTY SCHO
163	126,456.22	S938A200007	84.938A	FL	Florida Department of Education	84938A2020PR15011	04/17/20	BAY COUNTY SCHO
166	293,791.85	S938A200007	84.938A	FL	Florida Department of Education	84938A2020PR15029	06/16/20	JACKSON
168	390,972.67	S938A200007	84.938A	FL	Florida Department of Education	84938A2020PR15043	08/21/20	BAY COUNTY SCHO
171	413,563.84	S938A200007	84.938A	FL	Florida Department of Education	84938A2020PR15050	09/25/20	BAY COUNTY SCHO
172	387,528.74	S938A180005	84.938A	FL	Florida Department of Education	84938A2020PR15002	08/24/20	M-DCPS
173	352,941.57	S938A180005	84.938A	FL	Florida Department of Education	84938A2020PR14974	04/17/20	M-DCPS
176	281,958.98	S938A180005	84.938A	FL	Florida Department of Education	84938A2020PR14963	04/02/20	COLLIER COUNTY
177	791,197.00	S938A200007	84.938A	FL	Florida Department of Education	84938A2020PR15045	09/03/20	GADSDEN COUNTY S
178	674,227.47	S938A180005	84.938A	FL	Florida Department of Education	84938A2020PR14899	11/19/19	PINELLAS COUNTY
183	644,636.00	S938A180005	84.938A	FL	Florida Department of Education	84938A2020PR14897	11/15/19	ORANGE COUNTY SC
185	626,879.25	S938A180005	84.938A	FL	Florida Department of Education	84938A2020PR14964	04/02/20	M-DCPS
188	5,424,226.97	S938A180005	84.938A	FL	Florida Department of Education	84938A2020PR14975	04/17/20	M-DCPS
189	1,150,937.51	S938A180005	84.938A	FL	Florida Department of Education	84938A2020PR14946	02/21/20	M-DCPS
191	1,357,755.73	S938A180005	84.938A	FL	Florida Department of Education	84938A2020PR14941	02/13/20	M-DCPS
193	1,478,423.99	S938A180005	84.938A	FL	Florida Department of Education	84938A2020PR14944	02/19/20	POLK COUNTY SCHO
197	4,829,899.74	S938A200007	84.938A	FL	Florida Department of Education	84938A2020PR15009	04/09/20	BAY COUNTY SCHO
201	1,298,099.36	S938A180005	84.938A	FL	Florida Department of Education	84938A2020PR14952	03/10/20	M-DCPS
202	1,305,972.83	S938A180005	84.938A	FL	Florida Department of Education	84938A2020PR15003	08/24/20	M-DCPS
203	2,674,781.88	S938A180005	84.938A	FL	Florida Department of Education	84938A2020PR14992	05/07/20	LEE COUNTY SCHO
204	864,028.38	S938A200007	84.938A	FL	Florida Department of Education	84938A2020PR15044	08/31/20	BAY COUNTY SCHO
205	2,946,910.98	S938A200007	84.938A	FL	Florida Department of Education	84938A2020PR15026	06/25/20	BAY COUNTY SCHO
206	1,006,021.49	S938A180005	84.938A	FL	Florida Department of Education	84938A2020PR14994	05/14/20	M-DCPS
207	4,690,518.38	S938A200007	84.938A	FL	Florida Department of Education	84938A2020PR15047	09/09/20	BAY COUNTY SCHO
208	1,404,800.50	S938A180005	84.938A	FL	Florida Department of Education	84938A2020PR15006	09/15/20	M-DCPS



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Supporting Documentation

Supporting Documentation Criteria

Supporting documentation is used to validate the sampled payment level data provided by the grantee.

- Grantees can provide documentation that may include, but is not limited to:
 1. Purchase Orders with accompanying Invoices
 2. Receipts
 3. Canceled check/check registry/screenshot from accounting system, proof of electronic payment/payment screen-shoots (as applicable) indicating that payment was made (paid)
 4. Payroll records/Timesheets, consolidated and reconciled to payment
 5. Contracts/Leasing agreements
 6. Excel spreadsheet with relevant supporting documentation reconciling payment documentation to dollar amount
 7. SEA/LEA documentation (as applicable) to substantiate the expenditures [grant application(s)]

Supporting documentation should:

1. Clearly show the payment amount
2. Provide a description of how funds were used
3. Provide a unique payment number
4. Show the date the payment was recorded
5. Show signatory approval



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Common Observations

Adjustments

Because adjustments are made throughout the fiscal year, a specific amount from the FLAGS sample may appear unsubstantiated to the auditors.

Split Funding

Invoices/Receipts often include expenditures for multiple programs.

To the auditors this could represent an excess of documentation that does not match the sampled FLAGS draw.

It could also be seen as an issue of allowability or allocability.

Cash Advance

Federal programs operate on a cash advance basis. However, school districts generally make draws on a mostly reimbursement basis to meet the three day requirement to spend the funds.

In some instance, the FLAGS draw does not line up one-to-one with any one set of expenditures. Nor is it not uncommon for a district to draw less than the recorded expenditures for a given time frame.

When districts submit documentation far exceeding the draw amount, this appears to be an issue of reconciliation to the auditors.



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Questions



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