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Federal Program Fiscal Monitoring

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Fiscal Monitoring Purpose and Authority

The South Dakota Department of Education (SD DOE) is responsible for overseeing and monitoring all programs and activities carried out under the Elementary and Secondary Education Act (ESEA) and the Individuals with Disabilities Education Act (IDEA). Under the General Education Provisions Act (GEPA), each state must establish and implement proper methods for administering federal programs, which includes monitoring the agencies, institutions, and organizations responsible for implementing them. Effective monitoring procedures must ensure that grant subrecipients are making progress toward program goals and objectives; complying with all applicable federal and state laws, regulations, and assurances; and operating in alignment with their approved applications, performance reports, and related documentation. Additionally, the Code of Federal Regulations (CFR) requires each State Education Agency (SEA) to monitor federal grants to ensure compliance with federal requirements and to confirm that performance goals are being met.

To meet these requirements, the SD DOE utilizes a risk-based fiscal compliance consolidated monitoring approach that provides comprehensive oversight of all federal programs administered by subrecipients. This approach promotes consistency across programs, reduces duplication, and ensures that federally funded programs are implemented effectively and in full compliance with applicable statutes and regulations. The following programs are monitored through this consolidated process:

- Title I Part A: Improving the Academic Achievement of the Disadvantaged
- Title I Part D: Prevention and Intervention Programs for Children and Youth Who are Neglected, Delinquent
- Title II Part A: Supporting Effective Instruction
- Title III Part A: English Language Acquisition, Language Enhancement, and Academic Achievement Act
- Title IV Part A: Student Support and Academic Enrichment Grants
- Title V Part B: Rural and Low Income
- Title I Part C: Migrant Education
- Section 1003: School Improvement
- IDEA Part B: Individuals with Disabilities Education Act
- Carl D. Perkins Grant: Strengthening Career and Technical Education
- 21st Century: Community Learning Centers
- McKinney Vento Homeless: Education for Homeless Children and Youth

This approach ensures effective use of federal funds and supports educational outcomes for students across South Dakota.

Grant Monitoring System

The SD DOE uses an electronic Grants Management System (GMS) to administer and manage federal grant applications and reimbursement requests. The GMS serves as the central platform for subrecipients to submit applications, budgets, amendments, assurances, grant award notifications, and supporting documentation. It also functions as the system of record for all reimbursement requests, which must align with approved program budgets.

Through the GMS, SD DOE program and fiscal staff can review applications, track approval workflows, verify allowability of costs, and ensure compliance with federal and state requirements such as assurances. The system enhances transparency, provides a clear audit trail of approvals, and supports consistent oversight of fiscal and programmatic activities across all federally funded programs.

Application Review Process

The GMS grant applications are designed with built-in business rules and validation checks that help ensure many basic programmatic and fiscal requirements are satisfied prior to submission. These automated rules prompt subrecipients to complete required fields, upload necessary documentation, and align budgets with allowable activities. As part of this process, each subrecipient must submit updated program information and program budgets annually for review and approval by the SD DOE.

Once submitted, applications move through a multi-level review process conducted by both program and fiscal staff. Reviewers evaluate each application to verify that proposed activities align with federal statutes and regulations. The review emphasizes compliance with Uniform Grant Guidance cost principles, ensuring that all expenditures are reasonable, necessary, allocable, and allowable for the intended program purpose.

Program applications are reviewed in the following order:

1. **Program Office Specialist** – Conducts the initial program review, verifies alignment with program requirements, and identifies any missing or inconsistent information.
2. **Program Office Administrator** – Confirms program compliance, ensures required elements are addressed, and evaluates alignment with subrecipient's needs and federal intent.
3. **Grants Management Office Program Specialist** – Performs a detailed fiscal review, verifying allowability, proper coding, budget alignment, and adherence to fiscal regulations.

4. **Grants Management Office Administrator** – Serves as the final approver after ensuring all programmatic and fiscal requirements have been met and all reviewer comments have been resolved.

At each level of review, if the application meets program and fiscal requirements, it is forwarded to the next reviewer with a recommendation for approval. Final approval is issued by the Grants Management Office Administrator.

If at any stage an application does not meet program or fiscal requirements, the reviewer may:

- Request additional information or clarification from the subrecipient or previous reviewers, or
- Return the application to the subrecipient with written feedback identifying specific deficiencies that do not meet federal requirements.

Technical assistance is provided to support the subrecipient in addressing the identified issues. The subrecipient must correct all noted deficiencies and resubmit the application for further review. Once the required corrections have been made and the application is resubmitted, it returns to the beginning of the review process with the assigned program office specialist. The application will then move sequentially through each level of review. When all programmatic and fiscal requirements have been fully satisfied, the application advances through the approval process until final approval is granted.

Subrecipients may submit budget amendment requests if adjustments are needed during the grant period—for example, to reallocate funds between line items or to budget additional carryover or newly available funds. Each amendment must align with program requirements and maintain consistency with allowable activities. The SD DOE reviews these amendments using the same multi-level review structure applied to initial applications. Amendments are approved only after all fiscal and programmatic requirements have been verified.

Approval/Disapproval of Applications Authority

Approval of Entitlement Program Applications (EDGAR §76.400)

For entitlement programs, the State Education Agency (SEA) must approve a subrecipient's application when both of the following criteria are met:

1. The subrecipient is entitled to receive a subgrant under the program; and
2. The SEA determines that the application satisfies all applicable federal statutory and regulatory requirements.

Because entitlement programs allocate funds based on formula, the SEA's role is to verify compliance rather than evaluate the competitiveness of the proposed project.

Approval of Discretionary Program Applications (EDGAR §76.400)

For discretionary programs, the SEA may approve an application when:

1. The applicant is eligible under the program;
2. The application meets all statutory and regulatory requirements; and
3. The SEA determines that the proposed project aligns with the purpose and priorities of the authorizing statute and implementing regulations.

Unlike entitlement programs, discretionary program approval includes a qualitative assessment of the project's merit and relevance to program goals.

Disapproval of Applications (Entitlement and Discretionary Programs)

Under EDGAR §76.400, the SEA must not approve an application that fails to meet federal requirements. This applies to both entitlement and discretionary programs.

If the SEA intends to disapprove an application, the applicant may be entitled to an opportunity for a hearing under EDGAR §76.401. The hearing process ensures due process and provides the subrecipient an opportunity to present additional information or challenge the basis for disapproval before a final decision is made.

Federal Grant Payments on the GMS

Approved subrecipients submit reimbursement requests for incurred expenses through the Grants Management System (GMS), based on the activities and amounts approved in their program budgets. An authorized fiscal representative of the subrecipient must log into the GMS using their unique username and password to ensure accountability and security.

Once logged in, the user navigates to the appropriate application and program section to create a reimbursement request. The system automatically populates the request with the approved budget line items by activity code and sub-object, ensuring consistency between the reimbursement and the approved budget. To promote compliance, the GMS restricts reimbursement requests to no more than 10 percent above each approved activity code and sub-object amount, while still requiring the subrecipient to stay within the total approved program budget.

At the end of the grant period, the subrecipient must also submit a closeout request through the GMS. Both reimbursement and closeout submissions require the authorized user to certify the accuracy and allowability of all expenditures by electronically signing the certification statement required under 2 CFR 200.415(a):

“By signing this report, I certify to the best of my knowledge and belief that the report is true, complete, and accurate, and the expenditures, disbursements and cash receipts are for the purposes and objectives set forth in the terms and conditions of the Federal award. I am aware that any false, fictitious, or fraudulent information, or the omission of any material fact, may subject me to criminal, civil or administrative penalties for fraud, false statements, false claims or otherwise.”

Submitted reimbursement requests are placed into a batch payment file within the GMS. The SD DOE accounting staff pull the batch once a month after the 10th day of the month. The batch file includes payment amounts listed by subrecipient and by program. Before payments are processed, the batch must receive approval from both the Grants Management Office Administrator and the Director of Finance (or their designees if unavailable). Once approved, the SD DOE accounting office processes the payments through the state financial system.

21st Century Reimbursement Requests

Due to previous instances of noncompliance within the 21st Century Community Learning Centers (21st CCLC) program, the Office of Grants Management (OGM) determined that it is in the best interest of both the department and subrecipients to conduct a comprehensive review of all reimbursement requests submitted under this program.

Reimbursement requests are submitted by subrecipients through the Grants Management System (GMS). Each reimbursement request must be accompanied by an account inquiry and supporting documentation that substantiates the expenditures. Supporting documentation may include, but is not limited to, receipts, invoices, quotes, vouchers, equipment inventory lists, payroll records, and documentation supporting staff salaries or time worked.

OGM staff review each reimbursement request to ensure consistency with the approved application budget and to verify the accuracy of account codes and transaction details provided by the subrecipient. This review allows staff to compare expenditures against the approved budget and assess compliance with fiscal requirements.

If a reimbursement request is not aligned with the approved budget or cannot be substantiated with adequate documentation, it will be returned to the subrecipient for revision. Payments associated with the request will be placed on hold until the subrecipient provides the required documentation or makes the necessary corrections. This may require the subrecipient to remove unsupported transactions or submit a budget amendment in GMS to reflect updated or revised activities.

Once all expenditures have been verified and are consistent with the approved budget, the Grants Management Program Specialist will approve the reimbursement request in GMS. After approval, payment will be processed in accordance with the procedures outlined in the Federal Grant Payments in GMS section.

Technical Assistance

As part of its overall monitoring strategy, the SD DOE utilizes multiple approaches to mitigate risk and promote subrecipient compliance, including:

- Providing training and technical assistance (TA).
SD DOE supports subrecipients through a variety of training and TA opportunities, such as monthly business manager calls, fall and spring business manager conferences, the annual new business manager training, and individualized support provided through email, phone, or virtual meetings as needed throughout the year.
- Conducting desk or on-site monitoring reviews.
Desk reviews serve as the primary monitoring method. However, on-site reviews are conducted for subrecipients with more complex fiscal operations, significant compliance issues, or other high-risk indicators that warrant closer examination.

Risk Based Monitoring System and Selection Process of Reviews

The SD DOE evaluates each subrecipient's risk of noncompliance with federal statutes, regulations, and the terms and conditions of their subawards, consistent with the requirements of 2 CFR 200.332(b) annually. Based on this analysis, and when appropriate, the SD DOE may apply specific conditions under 2 CFR 3474.10 to ensure proper stewardship of federal funds.

The purpose of the risk assessment process is to allow the SD DOE to tailor its monitoring and technical assistance activities based on the needs and risk profile of each subrecipient. A differentiated approach helps reduce unnecessary burden on low-risk subrecipients while ensuring that higher-risk subrecipients receive the level of oversight and support necessary to meet federal program requirements.

Federal law grants the SD DOE discretion to determine which type of monitoring activities are most appropriate for each subrecipient based on its assessed level of risk.

Risk Assessment Criteria

When assessing a subrecipient's risk of noncompliance, the SD DOE considers a variety of factors, including but not limited to:

- Size of the subrecipient's federal grant awards (larger awards may present greater fiscal risk)
- Length of time since the last monitoring review
- Recent turnover (within the last two years) of key administrative personnel, including superintendents and business managers
- Presence of audit findings or past monitoring findings
- Status for the responsibility for providing equitable services to private schools, which introduces additional programmatic and fiscal requirements

Additional Discretionary Risk Factors

Program Specialists and Office Administrators may also consider other variables that indicate potential risk, including:

- High average federal funding per student
- Turnover of key federal program directors or federal program staff
- Whether the subrecipient meets the threshold requiring a Single Audit
- LEA or school identification for Comprehensive or Targeted Support and Improvement (CSI/TSI)
- Late or incomplete submission of federal applications
- Failure to submit timely reimbursement requests
- Significant inconsistencies between actual expenditures and approved budgets
- Noncompliance with federal program terms and conditions
- Excessive or repeated carryover amounts
- Any other emerging factors or concerns identified through ongoing communication, observation, or programmatic data

This risk assessment process is reviewed and updated annually to ensure that monitoring efforts remain responsive, equitable, and aligned with federal expectations.

21st Century Specific Risk Assessment

Pre Award Risk Assessment

A pre-award risk assessment will be conducted to evaluate whether the entity has the capacity and internal controls necessary to operate the proposed 21st Century Community Learning Centers (21st CCLC) project. The assessment helps determine the entity's overall risk level and ensures that federal funds are awarded only to subrecipients capable of meeting program and fiscal requirements.

Based on the determined level of risk, the SD DOE may impose special conditions on the project award in accordance with 2 CFR § 200.208. Technical assistance may also be

provided to the subrecipient to support compliance with fiscal and programmatic requirements identified through the assessment process.

New sub-grantees operating a 21st CCLC project in the first year

Subgrantees receiving a 21st CCLC award for the first time may receive a teleconference or on-site visit mid-year to monitor early implementation of the project. This visit is designed to assess whether the program is being implemented as outlined in the approved application and whether the subrecipient is meeting all grant requirements.

During this review, SD DOE staff will examine both fiscal and program documentation. Technical assistance will be provided, as needed, to address any concerns related to program delivery, fiscal management, or compliance with governing statutes and regulations. The intent is to support the subrecipient in establishing strong practices early in the grant cycle.

Risk Assessment Tool

The SD DOE will use the State Internal Control Board's Pre-Award Risk Assessment document as the foundational tool for evaluating risk prior to awarding funds. In addition, the SD DOE may assess other relevant risk factors, which may include, but are not limited to:

- Time elapsed since the last monitoring review or technical assistance contact
- Cohort year of the grant
- Turnover in key fiscal or program staff
- Recent independent audit reports and any findings
- Results from previous fiscal or programmatic evaluations
- Timeliness of required program report submissions
- Any unresolved fiscal or program issues
- Participation in SD DOE technical assistance workshops
- Any other factors the SD DOE identifies as potential indicators of risk

The results of the risk assessment help inform the level of oversight and technical assistance provided to the subrecipient throughout the grant period.

Fiscal Monitoring

The SD DOE conducts fiscal reviews of a selected group of subrecipients each year based on an ongoing, data-driven risk analysis. While most fiscal reviews are completed as desk reviews, the SD DOE may conduct on-site reviews when the size, complexity, or risk level of a subrecipient warrants more in-depth examination. For high-risk or large subrecipients,

fiscal reviews may also be coordinated with programmatic monitoring to ensure a comprehensive evaluation of both fiscal and program compliance. Throughout the selection and review process, Grants Management collaborates closely with programmatic teams to identify emerging concerns, recent performance issues, or compliance risks that may influence the scope of the fiscal review.

The number of subrecipients selected each year depends on available resources, including staff capacity, as well as the size, complexity, and identified risk level of the subrecipients. Selection is carried out using the annual risk assessment but remains at the discretion of the SD DOE to address urgent or time-sensitive compliance issues. Reviews are initiated periodically throughout the year to accommodate workload distribution and to support the timely development of monitoring reports. Because monitoring activities can be time- and document-intensive, the SD DOE balances review frequency and depth with the need to maintain other essential grants management functions and avoid creating additional risk through resource strain.

Initial Engagement

Upon selection for review, the SD DOE issues an initial notification letter to the subrecipient's Superintendent, Director or CEO, and Business Official. This letter outlines the purpose of the review, the programs included, submission instructions, and deadlines. The subrecipient is provided 30 calendar days to submit the required initial documentation. The documentation requested typically includes, but is not limited to:

- Subrecipient Self-Assessment covering internal controls, fiscal procedures, and program implementation
- Detailed expenditure reports by fund, function, object, and activity
- Accounting system reference guides or chart of accounts documentation
- List of federally funded staff members, including funding sources and cost objectives
- Payroll reports and corresponding time and effort documentation for all federally funded positions

Review of Documentation

The Grants Management team reviews all submitted materials and uses program-specific monitoring protocols to evaluate compliance with the fiscal requirements of each federal grant program. These protocols are supplemented by the State's Subrecipient Monitoring Guide, which provides a standardized framework for planning, conducting, and documenting monitoring activities.

Based on the size of the budgets, the type and volume of expenditures, and any risk indicators identified during the initial review, Grants Management may request additional

documentation to verify allowability, allocability, reasonableness, and compliance. This may include, but is not limited to:

- Vendor invoices, purchase orders, receipts, and contracts
- Procurement documentation such as quotes, bids, or sole-source justifications
- Additional time and effort records, schedules, or job descriptions
- General ledger detail or journal entries
- Inventory records or equipment tracking documentation

Levels of Monitoring

There are multiple levels of fiscal monitoring:

- Universal monitoring
- Targeted cyclical monitoring
- Intensive risk-based monitoring

All subrecipients of federal funds participate in universal monitoring annually.

Universal Monitoring

Universal monitoring applies to all subrecipients of federal funds and is conducted annually. This level provides broad, foundational oversight of every subrecipient and includes the review of annual applications, required assurances, audit reports, budget amendments, and other standard documentation. Universal monitoring serves as the SEA's first line of oversight and helps identify emerging risk areas or subrecipients that may require additional support or more in-depth review.

Targeted Cyclical Monitoring

Targeted cyclical monitoring provides a more focused review of specific fiscal or programmatic areas identified through the annual risk assessment or through ongoing communication with subrecipients. These reviews may occur through desk reviews or on-site visits and typically evaluate areas such as procurement, time and effort documentation, inventory management, allowability of expenditures, or other identified risk factors. Each subrecipient participates in a targeted review on a cyclical basis. The SD DOE is working to return to a five-to-six-year review cycle after falling behind due to the increased workload associated with administering federal emergency relief funds. However, SD DOE may conduct more frequent targeted reviews when risk indicators or emerging concerns warrant additional oversight.

Intensive Risk-Based Monitoring

Intensive risk-based monitoring is reserved for subrecipients identified as high-risk based on significant compliance concerns, repeated or unresolved monitoring or audit findings,

large or complex federal allocations, or other indicators of fiscal vulnerability. These reviews may occur through desk reviews or on-site visits with joint programmatic reviews. Intensive risk-based monitoring is intensive and may involve increased oversight measures—such as pre-approval of expenditures, enhanced reporting requirements, monthly fiscal reviews, or additional documentation—to ensure compliance. These elevated expectations align with the authority in 2 CFR 200.208 to impose specific conditions on subrecipients that present heightened risk. Intensive risk-based monitoring is designed not only to safeguard federal funds but also to provide the subrecipient with the close support, structure, and accountability needed to restore full compliance.

Remedies for noncompliance

The SD DOE is responsible for taking enforcement action when a subrecipient does not comply with federal requirements or fails to correct identified areas of noncompliance. As a first step, SD DOE may attempt to resolve noncompliance by designating the subrecipient as a “high-risk grantee” and imposing specific conditions under 2 CFR 200.208(b)–(c). These conditions are intended to increase oversight, mitigate risk, and support the subrecipient in returning to full compliance.

If noncompliance persists, or if imposing high-risk conditions does not adequately address the deficiencies, the SD DOE may take one or more enforcement actions authorized under 2 CFR 200.339, as appropriate to the severity and circumstances of the situation. These actions may include:

- Temporarily withholding grant payments pending correction of the deficiency
- Disallowing all or part of the costs associated with activities that are not compliant
- Wholly or partially suspending or terminating the federal award
- Initiating suspension or debarment proceedings against the subrecipient
- Withholding future federal awards for the project or program
- Taking any other legally available remedies deemed necessary to protect the integrity of federal funds

Depending on the enforcement action taken, the subrecipient may be entitled to a hearing under EDGAR § 76.783 if such a hearing is properly requested. This ensures due process and provides the subrecipient with an opportunity to present additional information or contest the enforcement decision.

Circumstances When Specific Conditions May Be Imposed

SD DOE may impose specific conditions when any of the following apply:

- The subrecipient's financial instability, weak internal controls, inadequate management systems, or overall grant management performance poses a risk to federal funds.
- The subrecipient has a history of failing to comply with subgrant terms, conditions, or statutory requirements.
- The subrecipient fails to meet expected performance goals or deliverables aligned with the federal award.
- The subrecipient demonstrates other behaviors or patterns indicating it is not acting responsibly in managing federal funds.

Examples of Specific Conditions

Specific conditions may include, but are not limited to:

- Requiring the subrecipient to complete and demonstrate successful implementation of one project component before moving on to the next.
- Requiring additional or more detailed financial or performance reports on a monthly or quarterly basis.
- Requiring enhanced project monitoring, such as more frequent desk or on-site reviews.
- Requiring the subrecipient to obtain technical assistance or management support, such as training, corrective action guidance, or third-party services.
- Requiring the subrecipient to obtain prior written approval from SD DOE before taking certain programmatic or fiscal actions.

Notification Requirements

If the SD DOE imposes a specific condition, the notification to the subrecipient must clearly identify:

- The condition being imposed
- The rationale for the condition and the risk factor(s) involved
- The actions required to have the condition lifted
- The timeframe the subrecipient must complete the required actions
- How the subrecipient may request reconsideration or provide additional information

Removal of Specific Conditions

Specific conditions must be lifted once the subrecipient demonstrates that the issues prompting the conditions have been fully corrected and adequate controls are in place to prevent recurrence.

Monitoring Timelines

SD DOE aims to complete each subrecipient's full monitoring review within 18 months after the close of the subrecipient's fiscal year, ensuring timely resolution of identified areas of noncompliance. However, this timeline may be extended, when necessary, due to unforeseen circumstances—including SD DOE staffing changes, the complexity of the review, extensive documentation needs, or subrecipient staffing turnover.

Monitoring Report

As part of its monitoring process, the SD DOE may choose to issue a preliminary findings letter if initial review results identify potential areas of noncompliance or insufficient documentation. This preliminary letter provides the subrecipient with 30 calendar days to submit additional information, clarification, or supporting documents to address the identified concerns. SD DOE may consider alternative forms of documentation that reasonably verify compliance when traditional forms are incomplete or unavailable. For example, if an employee paid with federal funds did not maintain required time-and-effort documentation, SD DOE may consider secondary forms of verification as permitted under cooperative audit resolution procedures to minimize unnecessary repayment of funds while maintaining compliance integrity. The SD DOE does not waive federal requirements but provides flexibility in how compliance is demonstrated.

If applicable, after reviewing all preliminary documentation, the SD DOE will issue a final monitoring report, which includes all confirmed findings of noncompliance along with required corrective actions.

The SD DOE issues findings to the subrecipient and provides a five (5) calendar-day window for the subrecipient to review the findings and respond with any factual inaccuracies or missing information. If the subrecipient does not respond within the five-day period, or if the subrecipient confirms that no corrections are needed, the findings will be finalized and considered official.

Content of Findings

Each finding included in the monitoring report will contain:

- A statement of noncompliance, citing the applicable requirement
- A description of the condition or evidence that resulted in the finding
- The required corrective action(s) the subrecipient must take
- The documentation the subrecipient must submit to verify correction
- Any timelines or deadlines for completing the corrective action

Upon receiving the final report, the subrecipient has 30 calendar days to take one of the following actions:

- Submit a corrective action plan (CAP) outlining how each area of noncompliance will be corrected and what evidence will be provided, *or*
- Challenge the finding by submitting documentation or other evidence demonstrating that the finding is inaccurate or that compliance has already been met.

Corrective Action Plans

If a subrecipient receives a monitoring report that identifies findings of noncompliance, the subrecipient must address each finding within 30 calendar days. The subrecipient is required to submit a Corrective Action Plan (CAP) to the SD DOE that clearly outlines:

- The specific actions the subrecipient will take to correct each finding;
- The internal controls or process changes that will be implemented to prevent recurrence;
- The individual(s) responsible for implementing each corrective action; and
- The timeline for completing each corrective action.

The CAP must be submitted on the subrecipient's official letterhead, signed by an authorized official, and include all supporting documentation necessary to demonstrate the planned corrective measures.

Upon receiving the subrecipient response, the SD DOE will review all additional documentation to determine whether the submitted materials adequately demonstrate compliance. This may include revised documentation, updated policies and procedures, additional training materials, or records showing corrected financial or programmatic practices.

Once the subrecipient submits its corrective action plan, it must then provide evidence demonstrating full correction of each noncompliance issue. In evaluating the response, SD DOE will review all corrective action plans or challenges to determine whether findings can be closed or whether additional information is required.

Resolution and Monitoring Closeout

SD DOE considers findings of noncompliance resolved only after the subrecipient has submitted sufficient and appropriate evidence showing that all required corrective actions have been fully implemented. Once all findings are resolved, the Grants Management team

will issue a closeout letter confirming that all required actions have been satisfactorily completed and that the monitoring review is formally closed.

To systematically track findings and corrective actions, the Grants Management team maintains a subrecipient monitoring spreadsheet documenting each subrecipient's status, required actions, and any technical assistance provided. Based on identified needs throughout the monitoring process, SD DOE will deliver differentiated technical assistance to support subrecipient in strengthening their fiscal and programmatic practices and maintaining long-term compliance.

Single Audits

The South Dakota Department of Education (SD DOE) complies with all federal audit requirements outlined in 2 CFR Part 200, Subpart F – Audit Requirements. In addition, SDCL 4-11-7.1 requires each subrecipient to undergo a financial and compliance audit at least once every two years. If a subrecipient meets the Single Audit threshold under 2 CFR § 200.500, audits are typically conducted annually; however, the minimum requirement remains one audit every two years.

Oversight and Receipt of Audit Reports

The SD DOE Grants Management Office is responsible for monitoring subrecipient audit activity and reviewing audit reports. SD DOE receives copies of completed audits, including Single Audits, after they are reviewed and forwarded by the South Dakota Department of Legislative Audit (DLA). Subrecipients subject to Single Audit requirements who do not submit their reports to DLA must provide a copy directly to SD DOE.

Audit Tracking Log

SD DOE maintains a comprehensive log to track all entities that have received federal funding in the current and prior fiscal years. This log is compiled using data from the Grants Payment System, the South Dakota Accounting System (SDAS), and the Accounts Payable (AP) System. The log includes, at a minimum, the following information:

- Date the audit report is received
- Date the report becomes available on the Federal Audit Clearinghouse
- Date the audit is due for review (six months from the date received)
- Date the audit was completed
- Whether the audit report includes findings
- Whether the subrecipient expended more than \$1,000,000 in federal funds (based on totals from the three systems listed above)

- Whether a Management Decision is required
- Date the Management Decision letter is issued

Verification of SEFA Amounts and Follow-Up

For every audit reviewed, SD DOE verifies the amounts reported on the Schedule of Expenditures of Federal Awards (SEFA) for each DOE-administered grant. If discrepancies are identified, the audit is routed to the appropriate grant administrator for further review. Grant administrators must document the reason for any variance, sign the audit checklist, and attach all relevant correspondence. The audit report, checklist, supporting documentation, and communications are filed centrally.

The Grants Payment System, which documents awards to subrecipients across all DOE programs (including ESEA, IDEA, and Perkins), is available online.

Assurances regarding Single Audit requirements under 2 CFR § 200.500 are incorporated into all applicable grant agreements.

Timeliness of Audit Submissions

SD DOE Grants Management staff review each Single Audit report for findings related to federal grants administered by SD DOE. If a Corrective Action Plan (CAP) is not included, SD DOE issues a letter or email requesting submission of a CAP.

The auditee must provide a CAP addressing each applicable finding. The CAP must clearly identify the corrective measures taken, improvements implemented, or justification if the finding does not warrant corrective action. DOE staff evaluate the adequacy of the CAP.

When findings relate to a specific program, Grants Management collaborates with the relevant SD DOE program office to review the auditee's corrective action. SD DOE may request additional documentation to mitigate findings or resolve potential questioned costs before issuing a Management Decision.

Review of Audit Findings and Corrective Action Plans (CAPs)

SD DOE Grants Management staff review each Single Audit report for findings related to federal grants administered by SD DOE. If a Corrective Action Plan (CAP) is not included, SD DOE issues a letter or email requesting submission of a CAP.

The auditee must provide a CAP addressing each applicable finding. The CAP must clearly identify the corrective measures taken, improvements implemented, or justification if the finding does not warrant corrective action. DOE staff evaluate the adequacy of the CAP.

When findings relate to a specific program, Grants Management collaborates with the relevant SD DOE program office to review the auditee's corrective action. SD DOE may request additional documentation to mitigate findings or resolve potential questioned costs before issuing a Management Decision.

Management Decision Letters

SD DOE issues a Management Decision letter after determining whether to sustain each audit finding. The Management Decision will identify:

- Whether the auditee's proposed corrective action is accepted
- Whether additional corrective actions are required
- Any required completion dates
- Any enforcement actions, as appropriate

SD DOE follows up as needed to ensure that corrective actions are implemented. The auditee must provide sufficient documentation demonstrating that deficiencies have been corrected or that corrective action is underway. While a 30-day response window is typical, timelines may be extended depending on the circumstances. Once all issues are resolved, SD DOE issues a closure letter and maintains all correspondence in the audit file.

Subrecipient Awareness of Requirements

SD DOE ensures subrecipients are informed of federal award requirements and compliance expectations by:

- Conducting or participating in conferences and trainings
- Maintaining a grants website with program information
- Using the Grants Management System (GMS) for grant applications and guidance
- Requiring subrecipients to submit reimbursement requests through GMS based on approved budgets
- Requiring subrecipients to sign assurances within GMS acknowledging program requirements

Ongoing Monitoring of Subrecipient Activities

SD DOE reviews each grant application submitted in GMS and monitors subrecipient activity through reimbursement requests tied to approved budgets. Fiscal monitoring desk audits are conducted on a sample of subrecipients.

Unique Entity Identifier (UEI) and SAM Registration

All subrecipients receiving federal funds must provide a Unique Entity Identifier (UEI) in the GMS Central Data section and maintain active registration in the Federal System for Award

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Management (SAM). The GMS requires districts to enter both their UEI number and SAM registration date.

The SD DOE Accounting Office maintains a master spreadsheet that tracks UEI and SAM status, including SAM expiration dates. As expiration dates approach, SD DOE verifies updated registration in SAM or contacts subrecipients to request renewal.