

United States Department of Education Impact Aid Funds and Single Audits

When auditors issue audit findings on LEA Impact Aid funds, the United States Department of Education (Department) is responsible for issuing a management decision and resolving the audit findings. The Department has noticed that auditors are issuing findings that cannot be sustained as they are inconsistent with the Impact Aid requirements.

Audit requirements

All non-federal government agencies including LEAs that expend \$750,000 or more in Federal awards in a given fiscal year are required to obtain a Single Audit annually.¹

- 1) Audits must:
 - a. Issue audits that conform with generally accepted government auditing standards;²
 - b. Determine if financial statements are consistent with generally accepted accounting principles;
 - c. Examine internal controls of the LEA;³ and
 - d. Determine whether the auditee has complied with Federal statutes, regulations, and the terms and conditions of Federal awards.
- 2) Each Federal Agency contributes to the compliance supplement. Information on the compliance supplement and the single audit can be found on the Department of Education’s Office of Inspector General’s website <https://www2.ed.gov/about/offices/list/oig/nonfed/singleaudits.html>.

Impact Aid requirements⁴

- 1) Most Impact Aid funds (Section 7002 and 7003(b) funds), except for the additional payments for children with disabilities (Section 7003(d)) and construction payments (Section 7007), are considered general aid to the recipient school districts.⁵
- 2) Districts may use the general aid funds (Section 7002 and 7003(b) funds) in whatever manner they choose consistent with their requirements for State and local funds.

Impact Aid audit testing. The following chart is based on the Department’s Compliance Supplement

| Compliance Requirement | General Aid (Section 7002 and 7003(b)) | Aid for Children with Disabilities (7003(d)) | Construction (7007) |
|--------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------|
| Allowable activities | No testing needed. | Test to ensure funds are used for children with disabilities. | Test to ensure funds are used for schools and not auxiliary buildings. |
| Procurement procedures and allowable costs (e.g. Uniform Guidance) | No testing needed. | No testing needed. | Test as Uniform Guidance applies to construction funds. |
| Level of Effort | No testing needed. | Supplement not supplant requirements apply. | Supplement not supplant requirements apply. |
| Reporting | Test whether the number of Federally affected children reported in the LEA application is accurate. | Using the procedures outlined in the Compliance Supplement test whether the number of Federally affected children reported in the LEA application is accurate. | No testing needed. |
| Special Tests | If funds are used for construction, test that prevailing wage requirements are implemented. | Test that LEA did not receive an overpayment of Impact Aid funds connected with educating children with disabilities. | Test that prevailing wage requirements are implemented. |

¹ Under limited exceptions, some LEAs may be audited every two years

² Found in the Government Accountability Office’s (GAO) Government Auditing Standards (also known as the “Yellow Book”) available at <https://www.gao.gov/products/GAO-18-568G>

³ See the GAO’s “Green Book on internal controls at <https://www.gao.gov/greenbook/overview>

⁴ For more information on Impact Aid see <https://oese.ed.gov/offices/office-of-formula-grants/impact-aid-program/>

⁵ The Department’s Impact Aid regulations are available at <https://www.ecfr.gov/cgi-bin/retrieveECFR?gp=&SID=c2c0bd209d014a3032ea5c555c11b74b&mc=true&n=pt34.1.222&r=PART&ty=HTML>

