

**NCLB**  
**Fiscal Issues**

**Fall 2008**

# AGENDA

- REAP-Flex Compared to Transferability
- Allocation Criteria & Related Information
- Overview of Cash Management
- Program Requirements
- Financial Management Systems
- Time Distribution

# REAP-Flex Comparison to Transferability

# Transferability of Funds

All LEAs may transfer up to 50% of Title II.A, IV.A and V to any of these programs or to Title I.A. May not transfer out of Title I.A.

When an LEA transfers funds from one program to another, the transferred funds increase the allocation of the receiving program and are subject to rules and requirements of the receiving program.

# Title V Transferability Issues

- Zero allocation for the 2008-2009 school year.
- LEA may carryover any unused 2008 funds until the end of their 2008-2009 school year.
- LEA may use transferability authority into or out of Title V until the end of their 2008-2009 school year.

# Transferability of Funds

- If LEA has been identified for District Improvement, LEA may transfer up to 30% if the transferred funds are spent for school improvement purposes.
- If LEA has been identified for corrective action, no funds may be transferred.

# REAP-FLEX

- Reap-Flex gives an LEA that is eligible for the SRSA grant a broader authority in spending “applicable funding” for alternative uses under selected federal programs.
- Eligibility for SRSA – ADA of less than 600 and be in an area that is considered rural

# REAP-FLEX

- “Applicable funding”, under Reap-Flex are Title II.A, Title II.D, Title IV.A and Title V funds. These funds may be used for activities authorized under Title I.A, Title II.A, Title II.D, Title III, Title IV.A, Title IV.B and Title V.
- Under REAP-Flex, an LEA does not have to meet the set-aside requirements of the programs under which the “applicable funding” is used.

# REAP-Flex

REAP-Flex is intended to assist the LEA in ensuring that all students meet academic achievement standards as measured by the definition of adequate yearly progress (AYP) in our accountability system.

The state may allow LEAs that fail to make AYP to continue to participate in the SRSA program only if the LEA uses all of its “applicable funding” to carry out school improvement activities.

# Title V REAP-Flex Issues

- LEAs that are eligible for SRSA funding may continue to exercise REAP-Flex authority to use any funds received under Title II.A and Title IV.A to carry out local activities authorized under Title V.

## **Comparisons of Reap-Flex & Transferability**

Both require that the LEA notify DESE of its intent to “flex” or “transfer” funds. For this year, this is done on the Allocation page for both.

When ePeGS becomes available, the “transfer” funds will be handled on the Allocation page but the REAP-Flex will be handled on the budget page for the “applicable funding.”

	Title I	Schoolwide	Title I.C Migr Ed	Title II.A	Title II.D	Title III	Title IV.A	Title V	Title VI.B
	Detail I			Detail II.A			Detail IV.A	Detail V	
<b>Original Allocation</b>	240233		0	54803	5920	0	5012	4342	0
<b>Carryover</b>	<u>55498</u>	-	-	<u>5439</u>	<u>0</u>	<u>0</u>	<u>156</u>	<u>0</u>	<u>0</u>
<b>Reallocated Funds</b>	0			0	0	0	0	0	0
<b>Additional Funds Released</b>	0	0	0	0	0	0	0	0	0
<b>TOTAL</b>	295731	0	0	60242	5920	0	5168	4342	0
<b>Flex Type: Reap Flex 100%</b>									
<b>Title III Flex (+)</b>	0				8667		4525	3029	
<b>Title II.D Flex (+)</b>	0			0			0	0	
<b>Title IV.A Flex (+)</b>	0			0	0			0	
<b>Title V Flex (+)</b>	0			0	0		0		
<b>To Schoolwide (-)</b>	293586			0	0		0	0	
<b>TOTAL AVAILABLE</b>	2145	293586	0	44021	14587	0	9693	7371	0
	<b>Title I</b>	<b>Schoolwide</b>	<b>Title I.C Migr Ed</b>	<b>Title II.A</b>	<b>Title II.D</b>	<b>Title III</b>	<b>Title IV.A</b>	<b>Title V</b>	<b>Title VI.B</b>

# Program Budget Summary



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County/District:

Cycle: Cycle2 Year: 2003

Select District

	6100	6200	6300	6400	Indirect Cost	Program Admin	6500	6600	TOTAL
	Salaries	Employee Benefits	Purchased Services	Materials & Supplies			Capital Outlay	Other (Interest)	
Title IA	0	0	0	0	0	0	0	0	0
Title ISW	215600	57906	5000	7225	0	10000	0	0	295731
Title IC Migr Ed	0	0	0	0	0	0	0	0	0
Title IIA	32514	7649	3858	0	0	0	0	0	44021
Title IID	2300	275	7771	639	0	0	3600	0	14585
Title III	0	0	0	0	0	0	0	0	0
Title IV.A	4460	533	0	4700	0	0	0	0	9693
Title V	5206	598	0	1567	0	0	0	0	7371
Title VIB	0	0	0	0	0	0	0	0	0
<b>TOTAL</b>	<b>260080</b>	<b>66961</b>	<b>16629</b>	<b>14131</b>	<b>0</b>	<b>10000</b>	<b>3600</b>	<b>0</b>	<b>371401</b>

# Final Expenditure Report



County/District:

Year: 2003 Seq: 1 of 1

Authorized Representative Approve Date: 8/7/2003

DESE Acceptance Date: 8/12/2003

	6100 Salaries	6200 Employee Benefits	6300 Purchased Services	6400 Materials & Supplies	Indirect Cost (rate: 0.0007)	Program Admin	6500 Capital Outlay	6600 Other	Total
Title I	0	0	0	0	0	0	0	0	0
Schoolwide	215600	57906	3762	6318	0	10000	0	0	293586
Title I.C Migrant Ed	0	0	0	0	0	-	0	0	0
Title II.A	32514	7649	2396	0	0	0	-	-	42559
Title II.D	2300	275	4350	1200	0	0	3700	0	11825
Title III	0	0	0	0	0	0	0	0	0
Title IV.A	4460	533	0	0	0	0	0	0	4993
Title V	5206	598	0	0	0	0	0	0	5804
Title VI.B	0	0	0	0	0	0	0	0	0
<b>TOTAL</b>	<b>260080</b>	<b>66961</b>	<b>10508</b>	<b>7518</b>	<b>0</b>	<b>10000</b>	<b>3700</b>	<b>0</b>	<b>358767</b>

## Distribution of Funding Source Expenditures

	Title I	Title I.C Migr. Ed	Title II.A	Title II.D	Title III	Title IV.A	Title V	Title VI.B	FER Pgm. Totals
Title 1	0	0	0	0	0	0	0	0	0
Schoolwide \$	293586	0	0	0	0	0	0	0	293586
Schoolwide %	100	0	0	0	0	0	0	0	100
Title I.C Migrant Ed	0	0	0	0	0	0	0	0	0
Title II.A	0	0	42559	0	0	0	0	0	42559
Title II.D	0	0	8667	3158	0	0	0	0	11825
Title III	0	0	0	0	0	0	0	0	0
Title IV.A	0	0	4525	0	0	468	0	0	4993
Title V	0	0	3029	0	0	0	2775	0	5804
Title VI.B	0	0	0	0	0	0	0	0	0
Total by Fund Source	293586	0	58780	3158	0	468	2775	0	358767

# Grant Summary



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County/District:

Cycle: Cycle2 Year: 2003

Select District

Program	Allocation	Budget	Expenditure	Payment
<a href="#">Title I Targeted Assistance</a>	295731	293586	293586	251371
<a href="#">Title I Migrant Education</a>	0	0	0	0
<a href="#">TITLE II.A</a>	60242	60242	58780	51206
<a href="#">TITLE II.D</a>	5920	5918	3158	4439
<a href="#">TITLE III</a>	0	0	0	0
<a href="#">TITLE IV.A</a>	5168	5168	468	4393
<a href="#">TITLE V</a>	4342	4342	2775	3691
<a href="#">TITLE VI.B</a>	0	0	0	0

[Yearly Payment Estimates](#)

[Payment History](#)

ar: 2008-2009

Request 2 **Status:** CREATED

### Title II.A - Grant Budget - Amendment 1

Funds Available: \$13,000    Direct Admin. Rate: 5%    Restricted Cost Rate: .13%    Non-restricted Cost Rate: 15.56%

	<b>6100</b> Certificated Salaries	<b>6150</b> Noncertificated Salaries	<b>6200</b> Employee Benefits	<b>6300</b> Purchased Services	<b>6400</b> Materials & Supplies	<b>6500</b> Capital Outlay	
<b>1000</b> Instruction	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
<b>2210</b> Professional Development	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
TI.A - 2210 Professional Development <input type="button" value="v"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
TI.A - 1000 Instr. Resources <input type="button" value="v"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
TII.D - 1211 Gifted <input type="button" value="v"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Select Function Code <input type="button" value="v"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Select Function Code <input type="button" value="v"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Select Function Code <input type="button" value="v"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
<b>Direct Administration</b>							
<b>Indirect Cost</b>							
<b>TOTAL</b>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>

Add More REAP Lines

Save

Compare Budget Grids

**This is a draft mock-up of REAP-Flex for the ePeGS**

Modified Date: June 29, 2007    Last Modified User: DESE  
and Service"

# Formula Grant Allocation Criteria and Related Information

# Allocation Page

- Original Allocation (Current Year Allocation)
  - Allocation Detail button shows nonpublic info
- Carryover funds
  - Carryover Detail
- Transferability or REAP-Flex options
- Schoolwide Pool - Move needed amount of funds from the funding source (Title I or others) into the Schoolwide pool.

	Title I	Schoolwide	Title I.C Migr Ed	Title II.A	Title II.D	Title III	Title IV.A	Title V	Title VI.B
	Detail I			Detail II.A			Detail IV.A	Detail V	
<b>Original Allocation</b>	240233		0	54803	5920	0	5012	4342	0
<b>Carryover</b>	55498	-	-	5439	0	0	156	0	0
<b>Reallocated Funds</b>	0			0	0	0	0	0	0
<b>Additional Funds</b>									
<b>Released</b>	0	0	0	0	0	0	0	0	0
<b>TOTAL</b>	295731	0	0	60242	5920	0	5168	4342	0
<b>Flex Type: Reap Flex 100%</b>									
<b>Title II.A Flex (+)</b>	0				8667		4525	3029	
<b>Title II.D Flex (+)</b>	0			0			0	0	
<b>Title IV.A Flex (+)</b>	0			0	0			0	
<b>Title V Flex (+)</b>	0			0	0		0		
<b>To Schoolwide (-)</b>	293586			0	0		0	0	
<b>TOTAL AVAILABLE</b>	2145	293586	0	44021	14587	0	9693	7371	0
	<b>Title I</b>	<b>Schoolwide</b>	<b>Title I.C Migr Ed</b>	<b>Title II.A</b>	<b>Title II.D</b>	<b>Title III</b>	<b>Title IV.A</b>	<b>Title V</b>	<b>Title VI.B</b>

# Formula Grant Allocation Criteria

The allocation amount is dependent upon poverty counts, enrollment counts, or other formula counts.

The allocation amount is **NOT** dependent on need or use of funds.

# Allocation Criteria for 2008-2009

- **Census Poverty -Income Year 2005**
- **Free and Reduced Lunch Counts-January 2008**
- **Neglected and Delinquent Counts – Fall 2007**
- **Nonpublic Enrollment & F/R Lunch Counts – Fall 2007**
- **LEP & Immigrant Counts – Spring 2008**
- **Migrant Counts – 2007-2008 Data**
- **Hold Harmless Percentages**

# Allocation Criteria

- Census Poverty - The USDE uses this information to calculate all of the formula grants.
- This count may be accessed through the US Census Bureau
- [www.census.gov/hhes/www/saipe/](http://www.census.gov/hhes/www/saipe/)

# Allocation Criteria – Title I

- NCLB law requires the use of census data
- Large districts (total populations of 20,000 or more) receive their allocation based solely on census poverty data.
- Smaller districts – Missouri uses alternative poverty data (State Board Approved & USDE Approved)
  - 80% census poverty data and foster child counts
  - 20% January free/reduced lunch counts as reported on Core Data

# Allocation Criteria – Title I

- Title I allocation consists of four separate funding calculations:
  - Basic Grant
  - Concentration Grant
  - Targeted Grant
  - Education Finance Incentive Grant (EFIG).
- Each funding category has different criteria and formula to distribute these funds.
- Has hold-harmless criteria – no less than 85% if criteria are met and funding is sufficient
- School Improvement and Administration Set-Asides

# Allocation Criteria – Title II.A

- Hold Harmless – 100% of 2001-2002 Title II Eisenhower funds + 100% of 2001-2002 Class Size Reduction funds.
- Additional funds over the hold harmless amount should be distributed as follows:
  - 20% is distributed based on census population ages 5-17
  - 80% is distributed based on census poverty

# Allocation Criteria – Title II.D

Law allows SEAs to distribute 50% formula grants and 50% competitively OR to distribute 100% competitively

For the past 3 years, Missouri has chosen to distribute 100% competitively due to major cuts in federal allocation (approved by Committee of Practitioners each year)

# Allocation Criteria – Title IV.A

- 60% - Distributed based on relative amount received under Title I.A for the preceding fiscal year
- 40% - Distributed based on relative enrollment (public and non-profit nonpublic schools).

# Title V Issues

- Zero allocation for the 2008-2009 school year.
- LEA may carryover and use transferability authority until the end of the 2008-2009 school year. After that time, any unused Title V funds are no longer available to the school.
- LEA that are eligible for SRSA funding may continue to exercise REAP-Flex authority to use any funds received under Title II.A and Title IV.A to carry out local activities authorized under Title V.

# Allocations - Nonpublic Services

- Equitable Services Required for Title I, Migrant, II.A, III, IV.A
- Bypass Services for Title II.D, Title V and some Title I Districts
- Title I services ... where the student resides
- The rest of the programs ... where the nonpublic school is physically located.

## 2006-2007 Title IV.A Allocations Detail

076083 OSAGE CO. R-III

	Enrollment	Enrollment Based	Title I Based	Total
<b>Public</b>	770	1398	645	2043
<b>NonPublic</b>	443	802	370	1172
<b>Total</b>	1213	2200	1015	3215

<b>Non-Public Schools</b>	<b>Enrollment</b>	<b>Total</b>
ST. JOSEPH SCHOOL	159	421
SAINT MARY'S SCHOOL	36	95
HOLY FAMILY SCHOOL	73	193
SACRED HEART SCHOOL	85	225
IMMACULATE CONCEPTION SCH	90	238

# Nonpublic Services for Title II.A Program

Determine the total amount of Title II.A funds that will be used for professional development in the current school year. Calculate the per-pupil amount based on the enrollment numbers for both public and nonpublic students.

Hold-Harmless Calculation -- Determine the amount of funds that were expended for professional development in fiscal year 2001-2002 under Title II Eisenhower and Class Size Reduction. Calculate the per-pupil professional development amount expended based on the enrollment numbers for both public and nonpublic students.

Use the higher of the two per-pupil rates calculated.

# Nonpublic Services

LEA must include funds for equitable nonpublic services in Consolidated Application

- Titles I.A, I.C, II.A, III, and IV.A budgets reflect appropriate amounts for proposed expenditures

Required forms to be completed to document that timely and meaningful consultation has occurred and will continue throughout the year:

- Public/Private Design for Educational Services
- Consultation/Participation Forms for each program

# Nonpublic Services

Consultation should take place in Spring so consultation forms can be submitted with the application (due July 1).

Then consultation should take place again in the Fall when allocations are known and discussions of actual expenditures can take place.

# Title I Nonpublic Services

## Assessment Required

During consultation, must discuss what standard will be used to measure the effectiveness of the Title I program (baseline data, targets and progress made)

## Title I Professional Development

PD services to nonpublic teachers of private school Title I participants

# **Title I Nonpublic Services**

Are private school children who receive Title I services eligible for Supplemental Educational Services?

No, only children from low income families attending public schools identified for school improvement are eligible for SES.

# Terms

## Third Party Provider vs. Bypass Contractor

LEAs may contract with Third-Party Provider. The LEA is responsible to make sure that the third party provider follows all requirements of the law.

Bypass Contractor - The USDE contracts for bypass services in Missouri. Neither the LEA or SEA are required to monitor these services.

# Contract Administration

- Recent focus by USDE (SES contracts or third party providers for nonpublic services)
- Must maintain a contract administration system that ensures that contractors perform in accordance with the terms, conditions, and specification of the contract
- Must have written contracts (purchase orders ok)
- Contract should include clearly defined deliverables
  - Description of services to be performed or goods to be delivered
  - Description of dates when services will be performed or goods delivered
  - Description of number of students/teachers/etc. to be served (if applicable).

# Contract Administration

- LEA should pay contracts based on written invoices that provide a description of the:
  - services performed or goods delivered
  - dates when services were performed or goods delivered
  - location services were performed or goods delivered
  - number of students/teachers served (if applicable).
- Invoice should be reviewed & approved before payment (segregation of duties and documented approvals).

# Overview of Cash Management

## Payment Process Terms

Obligation

Liquidation

Payment

# Obligations

- Obligations are transaction that require a payment
- Every grant has a “period of availability” = period in which grantee can obligate funds

# Obligations: Period of Availability

- Grantees and subgrantees may begin to obligate funds when:
  - Awarding agency approves application; or
  - Awarding agency determines application is “substantially approvable” (reimbursement subject to final approval)
- **NOTE: When using federal funds, LEAs may not liquidate (pay) prior year obligations from a current year application!**

# Obligations: Period of Availability

- Tydings Amendment
  - Allows extra year to obligate funds
  - Does not apply to all grants
- Under Tydings, funds are available for 24-27 months:
  - 12-15 months under the grant award  
(July 1, 2008 – September 30, 2009)
  - Plus 12 months  
(October 1, 2009 – September 30, 2010)
- State may limit period of availability – Missouri allows two school years.

# Obligations: Period of Availability

- Under Tydings, unobligated funds can usually be “carried over” from first year
- Generally, no limit on “carryover” unless stated:
  - Title I = 15% carryover, SEA may waive once every 3 years
  - Title IV = 25% carryover, SEA may waive every year

# 9/30 Report-Carryover Amount

- State fiscal year ends June 30. We call the funds not used in the initial year as carryover funds.
- The federal fiscal year runs through September 30. So in order to determine the actual “carryover funds” based on the federal definition, we use the 9/30 Report to collect this information.




# 9/30 Report

- There are two reasons that SEA collects 9/30 Report of Expenditures & Obligations
  - Determine if actual carryover amount is greater than carryover limitations (end of 15 months of grant) -- Title I and Title IV
  - Determine that funds are appropriately obligated by end of funding period (end of 27 months of grant) -- Reading First and Title I School Improvement.

<b>THE OBLIGATION IS FOR...</b>	<b>THE OBLIGATION IS MADE...</b>
acquisition of property,	Date of binding written commitment.
personal services by an employee of the LEA	When the services are performed.
personal services by a contractor who is not an employee of the LEA,	Date of binding written commitment
Travel	When travel is taken
rental of real or personal property	when the LEA uses the property.



# Allocations

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County/District:

Cycle: Cycle1 Year: 2007

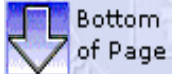
Select District

	Title I	Schoolwide	Title I.C Migr Ed	Title II.A	Title II.D	Title III	Title IV.A	Title V	Title VI.B
	<a href="#">Detail I</a>			<a href="#">Detail II.A</a>			<a href="#">Detail IV.A</a>	<a href="#">Detail V</a>	
Original Allocation	20022		0	14631	0	0	1520	515	0
Carryover	2979			2206	1	0	110	9	0
Reallocated Funds	0			0	0	0	0	0	0
Released	0	0	0	0	0	0	0	0	0
TOTAL	32002	0	0	16837	1	0	1639	524	0

Flex Type: [Reap Flex 100%](#)

Title II.A Flex (+)	0				0		0	0	
Title II.D Flex (+)	0			0			0	0	
Title IV.A Flex (+)	0			183	0			1347	
Title V Flex (+)	0			0	0		0		
To Schoolwide (-)	0			0	0		0	0	
TOTAL AVAILABLE	32002	0	0	17020	1	0	109	1871	0
	Title I	Schoolwide	Title I.C Migr Ed	Title II.A	Title II.D	Title III	Title IV.A	Title V	Title VI.B

Allocation Printable Version



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County/District:

Cycle: Cycle1 Year: 2007

**Title I Carryover Details**

<b>2006 Available</b>	342215
- Expended	194102
- Released	0
<b>2006 Carryover to 2007</b>	148113

<b>2006 Allocation</b>	226477
<b>2006 Transfer</b>	0
<b>2006 Max Carryover</b>	33972
+ Adjustments	0
<b>Total 2006 Max Carryover</b>	33972

<b>2006 Carryover</b>	148113
- 2006 Total Max Carryover	33972
<b>= Required Expenditures as of 9/30/2006</b>	114141
- Reported Expenditures as of 9/30/2006	0
<b>= 2006 Excess Funds to be released to the 2006 Reallocation Pool</b>	114141

<b>Waiver Received on</b>	
<b>Waiver Approved on</b>	
<b>Waiver History</b>	2006
<b>9/30 Report Received on</b>	

Audit ID: BMORFF



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# Liquidation

- Liquidation = Settle an obligation by paying funds

# Liquidation

- Must liquidate all obligations within 90 days after the end of the period of availability
  - Period of availability: July 1-September 30
  - Liquidation period ends: December 30
- **It is important that DESE does not “lapse funds”.**

# Payments

- Payment Request
  - Reimbursement is preferred method
  - SRSA (REAP) grant from USDE
- At present time, Consolidated Application programs receive payments based on a percentage of approved budget.
- ePeGS will use Payment Requests only

# Payments for Consolidated Program

Payments are based on a percentage of approved budget.

- Consolidated federal programs pays this method, at present time
- Only 70% of funds are paid until FER has been submitted
- Many districts requested too much funds

Problem: If approved budget is not realistic, the payments are not realistic.

# Payments: Funds to LEAs

- **Reimbursement is the preferred method.**
- If LEA receives advance funds from the SEA, the LEA must minimize the time elapsing between transfer and disbursement in accordance with CMIA (Cash Management Improvement Act) guidelines
- Must time draw downs as close as possible to disbursements (3-day rule)
- Accounting system must track interest
- Interest earned must be returned to USDE
- SEA must monitor LEA to ensure timely payments

# ePeGS Payment Method

- ePeGS will use Payment Requests only
- The LEA will need to certify that the funds have either been spent or are being expended within three business days of receipt.

# Final Expenditure Report (FER)

- Preliminary Federal Programs FER due May 15, in order to receive payment in the year funds were expended.
- Report only **actual**, known expenditures.
- Program person should work with finance person
- Do not over-estimate expenditures which would cause the district to have funds on hand
- LEA can submit a revised FER when final expenditures are known.

# Indirect Cost

- Cost incurred for common or joint purposes
- Cost cannot be readily and specifically identified with a particular cost objective without effort disproportionate to the results achieved.

# Indirect Cost

- The SEA, on the basis of a plan approved by the USDE, shall approve an indirect cost rate for each LEA. The indirect cost rate is determined by using information from the previous year's ASBR (Annual Secretary of the Board Report).
- Questions about indirect cost rate? Contact School Finance 573-751-0357.

# Indirect Cost

- Indirect Cost = (Restricted indirect cost rate) x (Total direct costs of the grant minus capital outlays and other unallowable items)
- The federal program indirect costs allowance must be transferred to the district's general operating funds. There they lose their identity as federal funds and can be spent by the district.

# OMB Circular A-133

## Compliance Supplement

- Single Audit is required if LEA expends more than \$500K of federal funds
- Pressure on ED to ensure high-quality single audits & to review audit findings more carefully
- Conducted by external, independent auditors
- Recipient (LEAs) must address any findings, prepare corrective action plans within 6 months after receipt of audit report.

# Are Audits Reliable??

- Auditors only review a “sample” of transactions
- Percentage of items reviewed depends on the “risk” rating of the district
- A “clean audit” is not an assurance that all federal rules are followed.
- Recently, the reliability of single audits are being questioned.
- Federal Audit Clearinghouse reviews Single Audit Reports

# Financial Management Systems

## 34 CFR 80.20

- Financial Reporting
- Accounting Records
- Internal Controls
- Budget Control
- Allowable Costs
- Source Documentation
- Cash Management

# Financial Management Systems

## 34 CFR 80.20

State, and its subgrantees, must have fiscal control and accounting procedures sufficient to:

- Prepare Reports
- Trace funds to a level of expenditure adequate to show funds spent properly

# Financial Reporting

- Accurate, current and complete disclosure of financial information
  - All financial reports required by USDE or SEA

# Accounting Records

- Fiscal control and account procedures must be sufficient to:
  - Prepare Reports
  - Trace funds to a level of expenditures adequate to show funds spent properly
- This is one of the areas that the USDE has written findings during monitoring visits. Therefore, this is an area that DESE will monitor.

# Accounting Records

- Use Accounting Codes in the Missouri Financial Accounting Manual
- These codes include Fund Code, Function Code, Object Code, Operational Code, and Source of Funds Code.
- Source of Funds/Project Code should be used to identify individual federal programs

# Accounting Code Overview

Example: 129 1251 6411 402 51

- Fund Code (129)
- Function Code (1251)
- Object Code (6411)
- Operational Unit Code (402)
- Source of Funds/Project Code (51)

# ePeGS Funding Application

- In ePeGS, all budgets will use object and function codes that are in the Missouri Financial Accounting Manual.
- In preparing for the 2009-2010 budget, you will want to make sure that your accounting system is set up appropriately.

# Instruction Function Code Examples

- 1000 Instruction
- 1111 Elementary
- 1131 Middle School
- 1200 Special Programs
  - 1211 Gifted
  - 1250 Culturally Different
    - 1251 - Title I Instruction

# PD Function Code Examples

- **2000 Support Services**
  - **2100 Pupils (attendance, social workers, guidance, etc)**
  - **2200 Instructional Staff (Professional Development)**
    - **2210: Improvement of Instruction Services**
      - 2211 Service Area Direction
      - 2212 Instruction and Curriculum Development Services
      - 2213: Instructional Staff Training Services (fall outside the direction of Board approved plan)
      - 2214: Professional Development (1% - meets the objectives of the board approved school improvement plan)

# Other Function Code Examples

- 2540 Operation and Maintenance of Plant Services
  - 2542 Care and Upkeep of Building Services (included are the costs of building rental)
  - 2546 Security Services (police activities, building alarm systems, etc.)
- 2550 Pupil Transportation
- 2560 Food Services
  - 2569 Other Food Services (Title I milk and snacks for PreK)
- 3700 Non-Public School Pupils' Services

# Accounting Records – Record Retention

- Must retain records that show:
  - Amount of funds by grant
  - How the funds are used
  - Total cost
  - Share of costs provided from other sources
  - Compliance with program requirements
  - Other records to facilitate an audit
- Federal records must be retained for 3 years after the end of the budget period
- Statute of limitations: 5 years

# Internal Controls

- LEAs must maintain “effective controls and accountability.”
- LEAs must adequately safeguard all federal funds and property.
- LEAs must assure that all federal funds and property are used solely for authorized purposes.
- Auditors are required to test internal controls.
- This area has become a “catch-all” for monitoring findings.

# Components of Internal Controls

- Control Environment – Organization Structure and Culture
- Risk Assessment – Internal and External
- Control Activities – Proper segregation of duties, physical controls over assets, **proper authorization, and appropriate documentation**
- Information and Communications – updated guidance from SEA; **and communication between program and financial staff**
- Monitoring – Periodic review; program assessments; and reconciliations/comparisons of data

# Control Over Reporting

Effective internal control over financial reporting

- provides reasonable assurances that misstatements, losses, or noncompliance with applicable laws and regulations, material in relation to financial reports, would be prevented or detected.

# Budget Control

- LEA should ~~should~~ **MUST** submit Consolidated Federal Program Application **by July 1**
- Actual expenditures must be compared with budgeted amounts for each grant **on a routine basis**
- Amendments to the approved application must be submitted **prior to obligation of funds**

# Allowable Costs

## Basic Guidelines:

- All costs must be necessary, reasonable, allocable and legal under state and local law.
- In addition all costs must conform with federal law & grant terms and must be adequately documented

# Necessary and Reasonable

- Must be necessary for the performance or administration of the grant
- Must follow sound business practices:
  - Arms length bargaining (procurement processes)
  - Follow federal, state and local laws
  - Follow terms of the grant award
- Fair market prices
- Act with prudence under the circumstances
- No significant deviation from established prices

- Allocable
  - Can only charge in proportion to the value received by the program
- Legal under state and local law
  - If you cannot do under state law, cannot pay with federal funds
  - Example: (Title II.A allows for hiring incentives, but Missouri law does not allow)
  - Example: (Some services to nonpublic schools- That is why Missouri has bypass for Title II.D, Title V, and for some districts Title I)

# Source Documentation

- Accounting records must be supported by source documentation such as cancelled checks, paid bills, payrolls, time and attendance records, contract and sub-award documents.
- Electronic copies are okay.
- Proper authorization – Example: Make sure that time and effort logs are signed by the staff.
- Must retain for a least 3 years from the end of the grant. The statute of limitations is 5 years.

# Inventory/Property Management System

- Equipment – (Items costing \$1,000)
  - Title vests with the USDE for all purchases with Federal dollars
- Management Requirements – Inventory
- Disposition

# Management Requirements

- Property records (Inventory List)
- Physical inventory (at least every two years)
- Control system to prevent loss, damage, theft (all must be investigated), LOCKS!
- Adequate maintenance procedures
- If authorized to sell, proper sales procedures for highest return

# Inventory

EQUIPMENT INVENTORY								
Item Description	Date of Purch	Location	Serial I.D. #	Vendor	Unit Cost	Funding Source	Condition	Transfer
AMS PRO 250 laptop	2/10/99	Elem Rm # 3	5037900303	Comp.Center Quincy ILL	\$1,658.00	50% Title I 50% Title VI	Good May 2000	
Gateway 1250 laptop	8/12/99	Elem Rm#4	52566784	Comp.Center Quincy, ILL	\$1,830.00	100% Title I	Good May 2000	
Noble view/celeron 466,64MBcomp	3/10/00	LMC	946412420 ID# 3651	Pro Tech. Columbia MO	\$825.00	100% Title VI	Excellent May 2001	
Noble view/celeron 466,64MBcomp	3/10/00	LMC	946412424 ID# 3663	Pro Tech. Columbia MO	\$825.00	100% Title VI	Good May 2001	
Noble view/celeron 466,64MBcomp	3/10/00	Elem Rm#5	951712439 ID# 3680	Pro Tech. Columbia MO	\$825.00	100% Title I	Good May 2001	
Noble view/celeron 466,64MBcomp	3/10/00	Elem Rm#6	951712440 ID# 3659	Pro Tech. Columbia MO	\$825.00	100% Title I	Good May 2001	
Noble view/celeron 466,64MBcomp	3/10/00	Elem Rm#4	951712440 ID# 3650	Pro Tech. Columbia MO	\$825.00	100% Title I	Good May 2001	
Noble view/celeron 466,64MBcomp	3/10/00	Elem Rm#2	946413181 ID#3662	Pro Tech. Columbia MO	\$825.00	100% Title I	Good May 2001	

# Disposition

- Key questions to ask when deciding to dispose of equipment purchased with federal funds:
  - Has the item exceeded its useful life?
  - Is the item no longer effective for the program for which it was purchased?
  - Is the item no longer effective in another federal program?
  - If answer is yes, **SUBMIT PURGE REQUEST.**

# Disposition

- Disposition of Equipment that is no longer effective or needed in the federal program:
  - acquisition cost < \$5,000 may be purged or transferred to the school district at no cost, upon DESE approval.
    - Records of transferred equipment must be retained for three years from date of transfer.
    - The written request to purge or transfer must include: item, date of acquisition, original cost, reason for purge or transfer, and anticipated use.
  - Acquisition cost > \$5,000 LEA must request disposition instructions from DESE

# Supplies

- Must maintain effective control and accountability
- Must adequately safeguard all such property
- Must assure that it is used solely for authorized purposes

# Procurement

- 34 CFR 80.36 applies
- LEAs will use their own procurement procedures which reflect applicable State and local laws and regulations, provided that the procurement conform to applicable Federal law and the standards under 80.36.
- Procurement Procedures should be written

# Procurement Standards

- All costs have to be necessary
- All costs must be reasonable
- Must review all proposed purchases to avoid unnecessary or duplicative items
- All procurement transactions must be conducted with full and open competition
  - Code of Conduct to avoid conflict of interest
  - Protest procedures to handle disputes
  - Must not restrict competition

# Procurement Records

- Suspension and Debarment  
[www.epls.gov](http://www.epls.gov)
- Retain records to document:
  - Rationale for the method of procurement
  - Selection of contract type
  - Contractor selection or rejection
  - Basis for contract price

# Time Distribution

# Time Distribution

- If federal funds are used for salaries “time distribution records” are required (sometimes referred to as “time and effort” records)
- Must demonstrate that employees paid with federal funds actually worked on the specific federal program/cost objective
- Time and Effort Requirements:
  - Semi-annual certification
  - Time and Effort logs

# Time and Effort Requirements

- All federally funded FTEs must be recorded on Core Data.
- All partially-funded FTEs must maintain time and effort logs or classroom schedules.
- Single Funding Certification Form – signed by employee or building principal

# Time Distribution

A “Cost Objective” is a specific grant award/program that requires grantees to track specific cost information

Who must participate?

- All employees paid with federal funds
- Some employees paid with non-federal funds (match or cost-sharing activities, i.e., Even Start program)

# Time Distribution

- If employee works 100% on single cost objective, need Single Funding Certification, signed **every six months** by supervisor or employee
- If employee works on multiple cost objectives, need **monthly** Time and Effort Log

# Time Distribution - Schoolwide

- Schoolwide Programs ... Guidance says that time and effort depends upon if the district combines funds into a single account.
  - If school consolidates Federal, State and local funds in a single account, not required to file single funding certification
  - If school does not consolidate funds into a single account, must complete single funding certification or time & effort log for federal employees.

# Time and Effort Log

- Time and Effort Log must be:
  - After the fact
  - Account for total activity
  - Signed by employee
  - Prepared at least monthly and coincide with one or more pay periods
  - Time increments reported on this log should be sufficient to recognize the number of different activities performed and the dynamics of these responsibilities

# Time Distribution

To minimize audit/monitoring findings:

1. Plan budget well
2. Develop written time distribution policies
3. Make sure that all logs are in sufficient detail and signed by appropriate staff
4. Train employees
5. Provide close supervision

# Fiscal Issues

Maintenance of Effort

Comparability of Services

Supplement, Not Supplant

# Maintenance of Effort

LEA's combined fiscal effort per student or the aggregate expenditures of the LEA from **state and local funds** for free public education for the preceding year is not less than 90 percent of the combined fiscal effort or aggregate expenditures for the second preceding year.

This year, we will compare school year 2006-2007 to school year 2007-2008.

Through ePeGS, DESE will calculate Maintenance of Effort for every LEA each year.

LEAs will have access to this printout for the past two years. These printout can be shared with the district's independent auditor.

We anticipate having the MOE report available this fall on the ePeGS.

# Waiver of Fiscal Requirements

Maintenance of Effort – USDE Secretary may waive the requirements if it is determined that a waiver would be equitable due to exceptional and uncontrollable circumstances, such as a natural disaster; or a precipitous decline in the financial resources of the LEA.

# Comparability of Services

LEAs having multiple attendance areas serving same or similar grade spans must demonstrate compliance with comparability requirements **annually**.

**State and local funds** used to provide services in Title I schools are at least comparable to services provided in schools not receiving Title I funds.

**If an LEA doesn't meet Comparability requirements, the result is the loss of all Title I funds. No waiver available.**

An LEA has options for demonstrating comparability:

- Comparing Student/Teacher FTE Ratios – Title I schools do not exceed 110% of the average for non-Title I schools
- Comparing Student/Teacher Salary Ratios – Title I schools ratio is at least 90% of the average in non-Title I schools.
- Comparing State and Local Per Pupil Expenditure Ratios – Title I schools ratio is at least 90% of the average in non-Title I schools.

## Written Assurance Option

- Instead of using the previous test options, an LEA shall be considered to have met the requirements of comparability if the LEA has filed with DESE a written assurance that it has established and implemented:
  - a local educational agency-wide salary schedule;
  - a policy to ensure equivalence among schools in teachers, administrators, and other staff; and
  - a policy to ensure equivalence among schools in the provision of curriculum materials and instructional supplies.

# Comparability of Services

- DESE has been using Core Data information to compare Student/Teacher FTE Ratios – Title I schools do not exceed 110% of the average for non-Title I schools.
- Is this reliable? Only to the extent that the district has reliable information on Core Data.
- LEA must be able to document compliance regardless of what DESE determines.

# Supplement-Not-Supplant

- Requirement: An LEA shall use Federal funds received under NCLB programs only to supplement the funds that would, in the absence of such Federal funds, be made available from non-Federal sources for the activities authorized under the individual programs, and not to supplant such funds.

# Supplement-Not-Supplant

A-133 Compliance Supplement presumes supplanting in 3 situations:

1. Used federal funds to provide services the LEA is required to make available under other federal, state or local laws
2. Used federal funds to provide services the LEA provided with state or local funds in the prior year

# Supplement-Not-Supplant

3. Used Title I, Part A or Migrant funds to provide the same services to Title I or Migrant students that the LEA or SEA provides with state or local funds to nonparticipating students

# Supplement-Not-Supplant

- **KEY Question: What would have happened in the absence of federal funds?**
- Cannot use federal funds to pay for services, staff, programs, or materials that would otherwise be paid with state or local funds

# Supplement-Not-Supplant

To monitor the Supplement Not Supplant Requirement,

1. DESE compares Core Data staff to staff coded on the Consolidated Federal Program Application
  2. DESE requires the LEA to submit a Supplement, Not Supplant Worksheet for class size reduction teachers
- Class Size Reduction Teachers – District must meet MSIP required student/teacher ratio before federal funds can be used to reduce class size.

# Supplement-Not-Supplant

Presumption of supplant is rebuttable if the LEA can demonstrate (written documentation such as budget information, planning documents, class-size data from previous years and upcoming year, board minutes, other material) that it would not have provided the services in question with non-federal funds had the federal funds not been available.

# Supplement-Not-Supplant

- It is difficult to rebut supplant after the fact.
- Board meeting should occur before the decision to hire.
- LEA must document with budget information.

# QUESTIONS