



FINANCIAL AND ADMINISTRATIVE SERVICES

*Federal Grants Management Workshops
“OMNI”
ESEA/NCLB Finance*

March 17-18 2015

Missouri Department
of Elementary and Secondary Education

Agenda

- ❑ Subrecipient Monitoring
- ❑ Allowable/Reasonable/Allocable Costs
- ❑ Cash Management and Improvement Act (CMIA)
- ❑ Equipment and Supplies Management
- ❑ Financial Management/Separate Tracking
- ❑ Period of Availability/Obligations
- ❑ Procurement
- ❑ Supplement/Supplant
- ❑ Time and Effort
- ❑ Title I.A Provisions



Subrecipient Monitoring

High Risk Status:

The Secretary retains the authority under 74.14 and 80.12 to impose high risk conditions on individual grants and individual grantees at time award is made or after an award is made.



Tiered Monitoring Timeline

Task	2013-14	2014-15	2015-16
Desk Audit	Cohorts 1,2,3	Cohorts 1,2,3	Cohorts 1,2,3
Desk Monitoring (Tiered Monitoring System)	Cohort 3	Cohort 1	Cohort 2
On-site /telephone (Tiered Monitoring System)	Cohort 2 On-site and telephone	Cohort 3 On-site and telephone	Cohort 1 On-site and telephone
Clean-up	Cohort 1	Cohort 2	Cohort 3

Tiered Federal Monitoring

Possible Risk Factors – On-site or Telephone

- ❑ Amount of federal funds (large amounts = greater risk)
- ❑ A-133 audit findings
- ❑ Late MOSIS/Core Data Reports
- ❑ Financial Distress
- ❑ Administrator Changes/Other Issues Reported by Auditor or LEA
- ❑ Late FER
- ❑ Late Budget Application
- ❑ Violation of CMIA



Allowable/Reasonable/Allocable

LEAs assume responsibility for ensuring that federal funds have been expended and accounted for consistent with program regulations and approved applications.



Allowable

- Written procedures for determining the allowability of costs in accordance with Subpart E – Cost Principles
- Should explain the process used throughout the grant development and budget process
- Training tool and guide for employees

2 CFR Part 200.302



Allowability of Costs

All costs must be:

- Necessary and reasonable for the performance of the grant
- Conform to any limitations or exclusions
- Consistent with state and local policies
- In accordance with GAAP
- Adequately documented
- Net of all applicable credits

2 CFR Part 200.403



Allowable Costs/Use of Funds

- ESEA funds are spent according to the approved plan, budget and Final Expenditure Report (FER). LEA has accounting records to support expenditures on the FER.
- ESEA funds are expended for allowable activities.
- ESEA funds are used to supplement and not supplant non-federal funds.



Unallowable Costs

- ❑ Alcoholic beverages
- ❑ Entertainment, including amusement, diversion, and social activities
- ❑ Goods or services for personal use
- ❑ Interest costs incurred for the use of a governmental unit's own funds (CMIA)
- ❑ Promotional items and memorabilia, including models, gifts, and souvenirs
- ❑ Materials and supplies deemed unnecessary for ESEA program



Reasonable

A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost.

2 CFR Part 200.404



Reasonable

Consideration must be given to:

- Recognized as ordinary and necessary for the operation of the grant;
- Conforms to limitations or exclusions of state or federal grant;
- Fair market price;
- Act with prudence under the circumstances;
- No significant deviation from established prices.



Allocable

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

2 CFR Part 200.405



Allocable

The standard is met if:

- Cost is specifically for the award;
- Cost is in proportion to benefit of the award;
- Cost is necessary to the overall operation of the award.



Cash Management

- The Cash Management Improvement Act (CMIA) was placed in operation to prevent interest earnings on federal funds.
- The CMIA requires LEAs/Districts to demonstrate when receiving federal funds that they have either already spent the funds or will spend the funds within three business days of receipt of funds.

2 CFR Part 200.305



Cash Management

- DESE must monitor LEA to ensure timely payments.
- Expenditures are transactions that are recorded on the books and delivered to the recipient.
- Federal expenditures coded to state/local need journal voucher to federal sources within three days.
- Responsibility of the LEA to document administrative expenses claimed as an interest offset.
- Interest earned on federal funds must be returned. Up to \$500 per year may be retained for administration.



Cash Management

- **NEW** – LEA must have written procedures to implement the requirements of minimizing the time elapsing between receipt and expenditure of federal funds.
- **NEW** - Interest amounts up to \$500 may be retained by LEA for administrative purposes.



Equipment Management

Equipment means tangible personal property (including information technology systems) having a useful life of more than one year and a per-unit acquisition cost which equals or exceeds \$1,000. The following items are subject to the inventory management and contract requirements:

1. Equipment items with an acquisition cost of \$1,000 or more per unit.
2. Items with an acquisition cost under \$1,000 per unit which are considered attractive or easily pilfered.

2 CFR Part 200.33



Equipment Management

- ❑ Purchases are consistent with the approved application
- ❑ Used to supplement and not supplant non-federal funds
- ❑ Property Records are maintained and up-to-date
- ❑ Maintains inventory list with ALL required components
- ❑ Used for its intended purpose
- ❑ Controls/safeguards are in place to prevent loss, damage or theft
- ❑ Physical inventory conducted at least once every two years
- ❑ Adequate maintenance procedures to keep the property in good condition



Property Record Components

Property Records/Inventory List must be maintained and include:

- ❑ Description of the property
- ❑ Serial number or other identification number
- ❑ NEW -- Funding source of property (Including FAIN)
- ❑ Who holds the title, if applicable
- ❑ Acquisition date
- ❑ Cost of the property
- ❑ Percentage of federal participation in the project costs for the Federal award under which the property was acquired
- ❑ Location, use and condition of the property
- ❑ Any ultimate disposition data including the date of disposal and sale price of the property



Equipment Disposition

When equipment acquired under a Federal award is no longer needed for the original project or program the LEA must dispose of the equipment as follows:

- Items with current per unit fair market value of \$5,000 or less may be retained, sold or otherwise disposed of with no further obligation.
- Items with current per unit fair market value in excess of \$5,000 may be retained by the LEA or sold.
- Proper sales procedures must be established to ensure the highest possible return.
- LEA must request disposition instructions from ESEA Finance.

2 CFR Part 200.313(d)(1)



Supplies

Anything that is not equipment is considered supplies

- “Significant Technological Devices”

NEW: Computing devices

- Machines used to acquire, store, analyze, process, public data and other information electronically
- Includes accessories for printing, transmitting and receiving or storing electronic information
- Computing devices are supplies if less than \$1,000

2 CFR Part 200.314



Supplies

- Must maintain effective control and accountability
- Must adequately safeguard all such property



Financial Management

For each award, LEA financial management system must provide:

- ❑ Account identification of awards and expenses
- ❑ Accurate, current, and complete financial disclosure
- ❑ Source and application of funds
- ❑ Effective accountability for all fund, property and assets
- ❑ Comparison of expenditures with budget
- ❑ Written procedures on minimizing the time elapsing between expenditure and reimbursement
- ❑ Written procedures for determining allowability
- ❑ Separate tracking and must not comingle funds

2 CFR Part 200.302



Separate Tracking

- 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
- Program person should work closely with the finance person to make sure the accounting system is set up appropriately

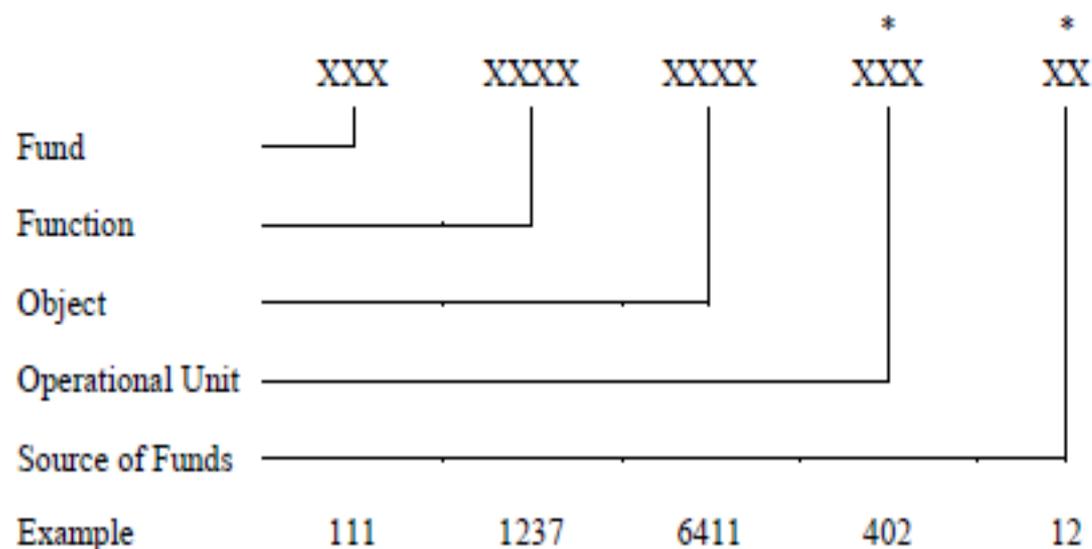


Code Structure

The overall account code structure is designed to standardize account coding across all LEAs. It creates a common language for use in controlling, recording, accumulating and reporting the activities of the school districts.

This accounting code structure is designed to satisfy many uses by segmenting the code into several dimensions. Each dimension has a set of descriptors that permits the retrieval of information in whole or in part to answer commonly asked questions. In addition, revenues and expenditures can be aggregated using one or more dimensions of the account code.

The code ranges of the basic system are illustrated below:



* Optional Use



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 at least 3 years from the end of the grant. The statute of limitations is 5 years.



Financial Management

OMNI emphasis:

- Focus on Outcomes
- Financial Management Policies Written and Implemented
- Corrective Action



Period of Availability/Obligations

- Each grant has a period for which funds can be obligated and expended
- The approved project period is the time frames for which obligations may be incurred and liquidated
- LEA may charge to the award only costs resulting from obligations incurred during the funding period

34 CFR 75.707 and 2CFR Part 200.309



Period of Availability of Funds

Grant Cycle	Obligation Period	FER Reporting Period
July 1 – June 30	Date of Substantially Approved Application – June 30	July 1 – September 30
Period during which funds may be obligated and expended.	Obligations occur during the grant cycle, but <u>only after a substantially approved budget application has been submitted.</u>	Expenditures for obligations made <u>during the obligation period (date of substantially approved application – June 30)</u>

When is an Obligation Made?

IF THE OBLIGATION IS FOR--	THEN THE OBLIGATION IS MADE--
Acquisition of real or personal property	On the date the school district makes a binding written commitment to acquire the property
Rental of real or personal property	When the school district uses the property
Personal services by an employee of the school district	When the services are performed
Personal services by a contractor who is not an employee of the school district	On the date the school district makes a binding written commitment to obtain the services
Performance of work other than personal services	On the date the school district makes a binding written commitment to obtain the work
Public utility services	When the school district receives the services
Travel	When the travel is taken



Procurement Standards

Procurement standards apply to the purchase of supplies, equipment, and other services funded in whole or in part by federal grant funds.

LEA must:

- Use its own written procurement procedures which reflect applicable Federal, State, and local laws and regulations
- Maintain oversight to ensure performance
- Maintain written standards of conduct covering conflicts of interest

2 CFR Part 200.318



Procurement Standards Continued

- ❑ Maintain written standards of conduct covering organizational conflicts of interest.
- ❑ Avoid acquisition of unnecessary or duplicative items.
- ❑ Maintain records sufficient to detail the history of procurement. The records will include: rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price.
- ❑ Be responsible for the settlement of all contractual and administrative issues arising out of procurements.



Procurement Competition

- All procurement transactions must be conducted in a manner providing full and open competition. Restrictive competition include:
- Placing unreasonable requirements on firms
- Requiring unnecessary experience
- Organizational conflicts of interest
- Specifying only a “brand name” product instead of allowing “an equal” product

2 CFR Part 200.319



Method of Procurement

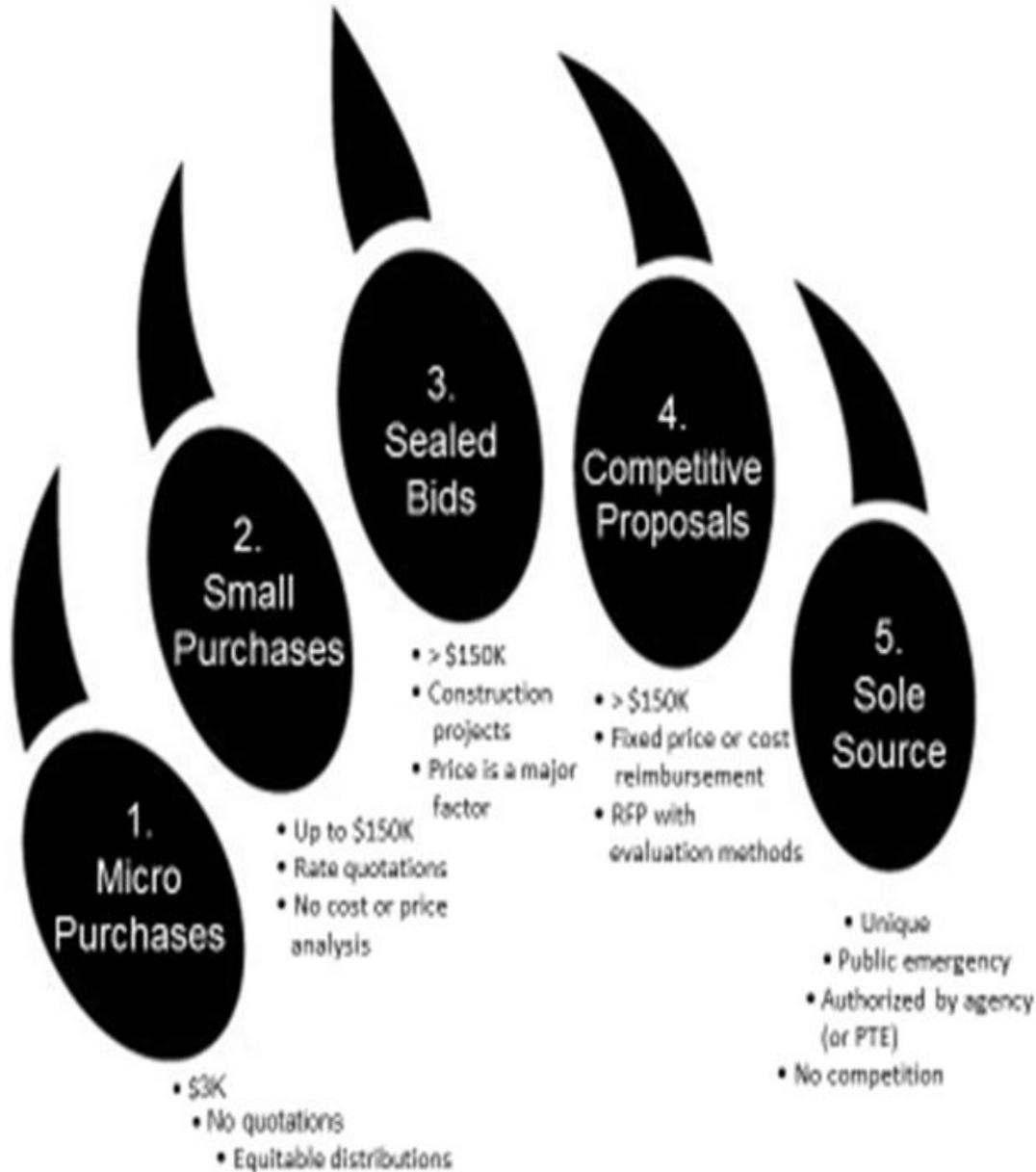
The LEA must use one of the following methods of procurement or be more restrictive with their policies:

- ❑ Micro-purchase up to \$3,000
- ❑ Small purchase \$3,000 to \$150,000
- ❑ Competitive sealed bids
- ❑ Competitive proposals
- ❑ Noncompetitive proposals

2 CFR Part 200.320



Procurement “Claw” (Section 200.320)



Supplement/Supplant Requirements

An LEA shall use Federal funds received under ESEA/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.



ESEA/NCLB Supplement-Not-Supplant

KEY Question: What would have happened in the absence of federal funds?

LEA cannot use federal funds to pay for services, staff, programs, or materials that would otherwise be paid with state or local funds.



Time and Effort

Compensation for personal services are allowable to the extent they satisfy specific requirements:

- Is reasonable for the services rendered and conforms to the established written policy of the non-Federal entity consistently applied to both Federal and non-Federal activities.
- Follows an appointment made in accordance with the non-Federal entity's laws or written policies.
- Is determined and supported by appropriate documentation.

2 CFR Part 200.430



Time Distribution Records

- If federal funds are used for salaries, then time distribution records are required. *
- Must be allocable; demonstrate that the employee worked on that specific federal program cost objective.
- Time and Effort Requirements:
 - Semi-annual certification
 - Personnel Activity Report
 - Substitute System Certification & Fixed Schedule
 - Written Agreement



Time Distribution – Schoolwide Pool

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.



What is “Cost Objectives”

Program, function, activity, award, organizational subdivision, contract, or work unit for which cost data are desired and for which provision is made to accumulate and measure the cost of processes, products, jobs, capital projects, etc.



**OMB Circular A-87
Time and Effort Reporting Quick Reference Guidelines**

Cost Objective	Criteria	Documentation Required
Single Cost Objective	<ul style="list-style-type: none"> Employee works solely on a single Federal award or cost objective 	<p>Semi-Annual Certification</p> <ul style="list-style-type: none"> Must be prepared at least semi-annually; and Must be signed after-the-fact by employee or supervisory official having firsthand knowledge of the work performed by the employee.
Multiple Cost Objectives	<ul style="list-style-type: none"> More than one Federal award; Federal award & non-Federal award; Indirect cost activity & direct cost activity; Two or more indirect activities that are allocated using different allocation bases; Unallowable activity & a direct or indirect cost activity; or One Federal award with multiple cost objectives. 	<p>Personnel Activity Report (PAR)</p> <ul style="list-style-type: none"> Reflect an after-the-fact distribution of the actual activity of the employee; Account for the total activity for which each employee is compensated; Be prepared at least monthly & coincide with one or more pay periods; and Must be signed after-the-fact by the employee. At least quarterly, the actual time reflected on the PAR must be compared to the payroll charges, and if differences exist, then payroll adjustments must be made.
Multiple Cost Objectives w/ Fixed Schedule (Substitute System)	<ul style="list-style-type: none"> Currently work on a schedule that includes multiple activities or cost objectives that must be supported by monthly personnel activity reports; Work on specific activities or cost objectives based on a predetermined schedule; and Not work on multiple activities or cost objectives at the exact same time on their schedule. 	<p>Substitute System Certification & Fixed Schedule</p> <ul style="list-style-type: none"> Indicate the specific activity or cost objective that the employee worked on for each segment of the employee's schedule; Account for the total hours for which each employee is compensated during the period reflected on the employee's schedule; and Be certified at least semi-annually & signed by the employee & a supervisory official having firsthand knowledge of the work performed by the employee.
Stipend and Extra Duty Pay	<ul style="list-style-type: none"> Pay for extra work beyond an employee's regular contract 	<p>Written Agreement</p> <ul style="list-style-type: none"> Indicates the extra work to be performed; Date(s) of performance; Amount to be paid to the employee; and Must be signed by the employer & the employee to show the acceptance of the terms. <p>And</p> <p>Semi-Annual Certification or Personnel Activity Report (PAR)</p> <ul style="list-style-type: none"> See requirements above

Time and Effort Reporting

- If employee works 100% on single cost objective, need Single Funding Certification, signed semi-annually by supervisor or employee.
- If employee works on multiple cost objectives, need monthly Personnel Activity Report (PAR).
- If employee works on multiple cost objectives with fixed schedule, option of Substitute System signed semi-annually by supervisor and employee.



Personnel Activity Report (PAR)

Documentation Required:

- ❑ Reflect an after-the-fact distribution
- ❑ Account for the total activity
- ❑ Be prepared at least monthly and coincide with one or more pay periods
- ❑ Must be signed after-the-fact by the employee
- ❑ At least quarterly, the actual time reflected on the PAR must be compared to the payroll charges, then payroll adjustments must be made if differences exist



Substitute System

Certification & Fixed Schedule

- Option for employees with multiple cost objectives with fixed schedules, in lieu of PARs
- LEA must first complete and submit for approval a management certification form
- Reflect an after-the-fact distribution
- Account for the total activity
- Must be signed after-the-fact by the employee and a supervisor
- At least semi-annually



Written Agreement – Stipend & Extra Duty Pay

Documentation Required:

- Indicates the extra work to be performed
- Date(s) of performance
- Amount to be paid to the employee
- Must be signed by the employer and the employee to show the acceptance of the terms

AND

- Semi-Annual Certification or PARs



Time and Effort Guideline

It is possible to work on a single cost objective even if an employee works on more than one Federal award or on a Federal award and a non-Federal award:

- The key to determining whether an employee is working on a single cost is whether the employee's salary and wages can be supported in full from each of the Federal awards on which the employee is working, or from the Federal award alone if the employee's salary is also paid with non-Federal funds.





Title I.A Provisions

Title I.A Provisions

- a. Each eligible district receives the allocated amount of funds indicated on Step 4 of the BOA and current building level budgets and expenditures correspond to the BOA.
- b. Targeted Assistance school services are used only by participating students.
- c. One percent expended for Parent Involvement (LEAs with over \$500,000 allocation).
- d. Carryover provision and records supporting 9/30 Report.
- e. Comparability of Services written guidance (LEAs with overlapping grade spans).



Title I Breakdown of Allocations – Step 4

Allocations to Served Attendance Centers

Attendance Center	Grade Span	School Improvement Status	Approved Schoolwide Plan	Title I Status	Total Percent Economic Deprivation	Total Allocated to Attendance Center	\$ Per Pupil	Public Low Income	Public Allocation	Contribute to SW Pool	Nonpublic Low Income	Nonpublic Allocation
0 NORTH PARK ELEM.	K-02	SIL2	<input checked="" type="checkbox"/>	Served	63.76%	222727.66	\$1,048.03	206.52	\$216,439.47	<input type="checkbox"/>	6.00	\$6,288.19
0 GRATZ BROWN ELEM.	03-05	SIL2	<input checked="" type="checkbox"/>	Served	63.40%	379387.41	\$1,048.03	357.00	\$374,147.25	<input type="checkbox"/>	5.00	\$5,240.16
0 SOUTH PARK ELEM.	PK-02	SIL2	<input checked="" type="checkbox"/>	Served	61.25%	178919.93	\$1,048.03	164.72	\$172,631.74	<input type="checkbox"/>	6.00	\$6,288.19
Total Allocated to all Attendance Centers						\$781,035.00	Totals:	728.24	\$763,218.46		17.00	\$17,816.54
Difference (Total Distribution Amount for Attendance Centers - Total Allocated)						\$0.00						



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.



Resources

ESEA/NCLB Finance:

<http://dese.mo.gov/financial-admin-services/eseanclb-finance>

- **ESEA/NCLB Finance**
 - News and Updates
 - 9/30 Report Instruction
 - Allocations
 - Census Data
 - Fiscal Monitoring
 - General Federal Guidance
 - NCLB Fiscal Requirements
 - Payment Requests and FERs
 - Small Rural School Achievement



Resources

- **ESEA/NCLB Finance web page**

<http://dese.mo.gov/financial-admin-services/eseanclb-finance>

- **ESEA Finance Monitoring Guide**

<http://dese.mo.gov/financial-admin-services/eseanclb-finance/fiscal-monitoring>

- **General Federal Guidance**

<http://dese.mo.gov/financial-admin-services/general-federal-guidance>

- **NCLB Administrative Manual**

<http://dese.mo.gov/quality-schools/federal-programs/federal-legislation-guidance>



Pat Kaiser
573-751-8643

Jennifer Frank
573-751-2641

Sara Hagenhoff
573-526-8493

ESEA/NCLB Finance
<http://dese.mo.gov/financial-admin-services/eseanclb-finance>