



SD DOE Grants Management Federal Program Monitoring

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Monitoring Requirement

- South Dakota Department of Education is required by law to monitor its subrecipients use of federal program funds.

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Monitoring

- Ensure performance goals are met
- Federal funds are used for authorized purposes in compliance with laws, regulations, and grant agreements.

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Types of Monitoring

- Site Reviews
- Desk audits, or
- Both
- Single Audit Report Reviews

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Program Site Reviews

- Programmatic Requirements
- Performance Goals are met
- Staff Qualifications
- Professional Development Plans
- Non Public School Participation
- Etc.

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Fiscal Site Reviews

- On site collection of information for verification of compliance regarding Internal Controls, Financial Management Systems, Inventory Management Systems and Procurement Systems.

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Fiscal Desk Audits

- Ensure expenditures are in compliance with the rules and regulations of the program and the approved application
- Annually, 25 percent of the LEAs will be chosen (20% based on a four year schedule and 5% randomly)

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Fiscal Desk Audits

Process:

- Based on the Project Completion Report, accounting reports will be requested to verify expenditure totals reflected

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Fiscal Desk Audits

- Based on review of the accounting reports, a sampling of support documentation such as time distribution records, contracts, invoices, property records, district capitalization policy, and district procurement policy will be requested

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Fiscal Desk Audits

- Written response of findings will be provided to LEA and a corrective action plan will be requested from LEA.

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Fiscal Single Audit Reviews

- DLA verifies Governmental Auditing Standards and forwards to pass through agencies
- DOE verifies fund balances and follows up on findings pertaining to federal award programs

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Fiscal Desk Audits Internal Controls

- Knowledge of governing criteria
 - OMB Circular A-87 Cost Principles
 - EDGAR – Education Department General Administrative Regulations
 - Nonregulatory Program Guidance
 - Consolidated Application Assurances and approved Budget

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Internal Controls

- Internal controls ensure the integrity of federal funds
- **Communication** between fiscal and program staff

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Internal Controls

Allowable Costs

- Expenditure approval – what is allowable/unallowable
 - An approval process needs to be in place
 - Is the proposed cost consistent with federal cost principles (A-87)?
 - Is the proposed cost allowable under the grant program?
 - Is the proposed cost consistent with the approved consolidated plan and budget?

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Internal Controls

Allowable Costs

- Expenditure approval – what is allowable/unallowable
 - Is the proposed cost consistent with program specific fiscal rules?
 - Is the proposed cost consistent with EDGAR?
 - Is the proposed cost consistent with special conditions imposed on the grant?
 - Is the proposed cost consistent with the needs of the program

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Internal Controls

A-87 Guidelines

- All Costs Must Be:
 - Necessary
 - Reasonable
 - Allocable
 - Authorized or not prohibited under state and local law

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Internal Controls Necessary

- Must be necessary for the performance or administration of the grant
- Questioning "necessary"
 - Do we really need this?
 - Do we already have existing resources sufficient for this purpose?

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Internal Controls Reasonable Costs

- A-87 Definition - A cost is reasonable if it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision is made to incur the cost.

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Internal Controls Reasonable Costs

- Must follow sound business practices:
 - Follow federal, state and local laws
 - Follow terms of the grant award
- Market prices for comparable goods or services
- No significant deviation from established practices of the grantee - costs treated consistently State, Local, or Federal

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Internal Controls Allocable

- Can only charge in proportion to the value received by the program
- Example: The district purchases a computer to use 50% in the Title I program and 50% in a state program – can only charge half the cost to Title I

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Internal Controls Budgeting

- Involvement in the budget planning process
- Controls are in place to insure that grant funds are available sufficient to cover expenditures
- Routine reconciliation of actual expenditures to budget
- Budget Amendments approved by DOE

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Fiscal Desk Audit Financial Management Systems

DOCUMENT
DOCUMENT
DOCUMENT

Lack of documentation is #1
Audit Finding

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Financial Management Systems Accounting

- Approved Budget as a guideline for expenditures
- Cannot obligate funds until the later of:
 - The 1st day of the Grant Period (generally July1), or
 - The date the LEA submits an application to the State in a "substantially approvable" form
 - Reimbursements are subject to final approval of the application

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Financial Management Systems Accounting

- Accounting record for each federal grant LEA receives
- Title I funds need to be accounted for and tracked at the school level
 - Ensure funds are properly distributed to schools – public and private
 - Ensure any required set-asides or earmarks are met

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Financial Management Systems Accounting

- Expenditures are posted to the accounting records as they occur
- Accounting record tracks expenditures against the budget in the approved application
- Same accounting records track expenditures by category back to the original funding source

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Financial Management Systems Accounting Record

- Utilize indicators within coding to identify grant program
- Capability to generate reports using that indicator
- Reports support expenditures reflected on Project Completion Reports
- Follow applicable timeline requirements

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Financial Management Systems Support Documentation

- Support documentation sufficient to determine the nature of the expenditures and their allowability:
 - Cancelled checks;
 - Vouchers with supporting invoices;
 - Payroll records;
 - Contracts;
 - And time and attendance records.

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Financial Management System Time Distribution Records

- Required to charge salaries & wages to federal programs
- Must demonstrate that the employees actually worked on the specific federal program
- Applies to all employees who are paid with federal funds

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Financial Management System Time Distribution Records

- Depends on how many "cost objectives" the employee worked on
- The cost objectives must be connected to the employee's salary source
- What is a cost objective?
 - A specific grant award, *or other category of costs*, that requires the grantee to track specific cost information

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Financial Management System Time Distribution Records

- If an employee works on a **single** cost objective:
 - Semi-Annual Certification
 - Signed by employee or supervisor every six months
 - See Examples

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Financial Management System Time Distribution Records

- If an employee works on **multiple** cost objectives:
 - Personnel Activity Report (PAR) or equivalent documentation are required
 - See Examples

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Financial Management System Time Distribution Records

- PAR must be:
 - After the fact
 - Account for 100% of employee's work
 - Signed by employee
 - Prepared at least monthly and coincide with one or more pay periods
 - Time increments should be sufficient to recognize the number of different activities performed

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Inventory Management System

- Adequate controls are in place to account for non-consumable equipment (tangible, nonexpendable, personal property that has a useful life of more than one year) purchased with federal funds

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Inventory Management System Property Records

Property Records must consist of:

- a description of the property
- a serial or other identification number
- source of funding
- who holds title
- the acquisition date
- the cost of the property

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Inventory Management System Property Records

- the percentage of Federal participation in the cost
- the location, use and condition of the property, and
- any ultimate disposition data including the date of disposal and sale price of the property.

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Inventory Management System Physical Inventory

- Physical inventories of equipment should be taken every two years
- Inventories should be reconciled with the Property Records

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Inventory Management System Loss Prevention

- Ensure adequate safeguards to prevent loss, damage, or theft of the property
- Any loss, damage or theft shall be investigated

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Inventory Management System Maintenance

- Adequate maintenance procedures to keep equipment purchased with federal funds in good condition must be in place.

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Inventory Management System Disposition

- When equipment acquired with federal funds is no longer needed for the original program or other programs currently supported by federal funds, disposition of the equipment must follow EDGAR §80.32

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Procurement Systems

- Use existing state procurement procedures if they comply with EDGAR §80.36
- South Dakota Local Government Guide for Acquisitions, Disposals and Exchanges prepared by Department of Legislative Audit

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Supplement Not Supplant

- Cannot use federal funds to pay for services, staff, programs, or materials that would otherwise be paid with state or local funds
- Designed to ensure federal funds pay for something "extra"

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Supplanting Presumptions

Presume supplanting in 3 situations:

1. Used federal funds to provide services the district is required to make available under other federal, state or local laws
2. Used federal funds to provide services the district provided with state or local funds in the prior year
3. Used Title I, Part A or Migrant Education Program (MEP) funds to provide the same services to Title I or MEP students that the LEA or SEA provides with state or local funds to nonparticipating students

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References Federal Cost Principles

- OMB Circular A-87 Cost Principles for State, Local & Indian Tribal Governments

Applies to School Districts

Available at OMB website:

- <http://www.whitehouse.gov/OMB/circulars/index.html>

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EDGAR

- EDGAR – Education Department General Administrative Regulations

Part 80: financial management §80.20;
equipment inventory management §80.32;
and procurement §80.36

Available at US Ed website:

- <http://www.ed.gov/policy/fund/reg/edgarReg/edgar.html>

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US Ed Nonregulatory Guidance

Plain-language explanations how to implement programs.

Available on our website (scroll down towards bottom)

- <http://doe.sd.gov/ofm/grants/LEAapp/index.asp>

Or US Ed's website

- <http://www.ed.gov/about/offices/list/oese/programs.html>



Department of Legislative Audit

- South Dakota Local Government Guide for Acquisitions, Disposals and Exchanges

Available at website:

- http://www.state.sd.us/legislativeaudit/General%20resources/general_resources_all.htm