



Understanding Federal Grants

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Topics

- **Legal Structure**
- **General Administrative Regulations Overview**
- **Federal Cost Principles**
- **Single Audit Process**
- **Monitoring**
- **Where to find help**

Legal Structure

1. Statutes

- ★ Program statutes (NCLB, IDEA, Perkins)
- ★ General Education Provisions Act (GEPA)

2. Regulations

- ★ Program regulations
- ★ Education Department General Administrative Regulations (EDGAR)

3. OMB Circulars

4. Guidance

Where to Find Requirements

- **Program Rules:** www.ed.gov
Statutes, Regulations, Guidance
- **General Education Provisions Act (GEPA):**
http://straylight.law.cornell.edu/uscode/html/uscode20/usc_sup_01_20_10_31.html
- **Education Department General Administrative Regulations (EDGAR):**
<http://www.ed.gov/policy/fund/reg/edgarReg/edgar.html>

Where to Find (cont'd)

Office of Management & Budget Circulars

<http://www.whitehouse.gov/omb/circulars/>

- ✦ **OMB Circular A-87 Cost Principles
(applies to LEAs/Charter Schools)**
- ✦ **OMB Circular A-133 Single Audit**
- ✦ **OMB Circular A-133 Compliance
Supplements**



EDGAR Overview

Education Department General Administrative Regulations: 34 CFR Parts 74-99

 **Part 74: Administration of Grants to Institutions of Higher Education, Hospitals, and other Nonprofit Organizations**

 **Part 75: Direct Grant Programs**

 **Part 76: State-Administered Programs**

 **Part 77: Definitions**

 **Part 80: Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments**



Financial Management Systems 34 CFR 80.20 (a)

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 fund spent properly**



Internal Controls 34 CFR 80.20(b)(3)

Recent “catch-all” for federal monitoring findings

Also described in A-133 Compliance Supplement, Part 6 (not ED’s agency specific Compliance Supplement)

ED has new Internal Control Evaluation Team



Objectives of Internal Control

Effectiveness and efficiency of operations

Reliability of financial reporting

Compliance with applicable laws and regulations

Safeguarding assets



Inventory/Property Management System

Equipment – 34 CFR 80.32

Specific requirements; highlights:

- **Use – 80.32 (c)**
- **Management – 80.32 (d)**
- **Disposition – 80.32 (e)**



Procurement -- 34 CFR 80.36

Threshold standards for procurement found in 80.36 (b) – (i)

- › **Contract administration system**
- › **Written code of standards/conflict of interest policy**
- › **Full and open competition**
- › **Procurement procedures**
- › **Cost or price analysis**

Records Retention – 34 CFR 80.42

Length of retention period – in general, 3 years after last expenditure report.

If an audit or other action has been started before the end of that 3-year period, records must be kept until the action is resolved, or until the end of the regular 3-year period, whichever is later.

Federal Cost Principles

OMB Circular A-87 applies to State, Local & Indian Tribal Governments

Basic Guidelines:

All costs must be

- ✓ **Necessary**
- ✓ **Reasonable**
- ✓ **Allocable**
- ✓ **Legal under state and local law**

A-87, Attachment B—Selected Items of Cost

43 specific costs detailed

Listed in alphabetical order



Cost Principles: Selected Items of Cost

Advertising/PR

Generally not allowable, except as specified in Attachment B

Alcohol

Not allowable

Audit Costs

Allowable to the extent provided under A-133

Other audit costs are allowable if included in a cost allocation plan

Cost Principles: Selected Items of Cost

Compensation for Personnel Services

If federal fund are used for salaries, “Time distribution records” must be kept

» **Sometimes referred to as “time and effort” records**

Must demonstrate that employees paid with federal funds actually worked on the specific federal program

Time and effort requirements (such as semi-annual certification or personnel activity report (PAR)) = receipt for payroll

The Single Audit Process

Single Audit Act

OMB Circular A-133

A-133 Compliance Supplement



Single Audit Act and OMB Circular A-133

Required if expend more than \$500K

Pressure on ED to ensure high-quality single audits

↪ **ED OIG is leading national project to measure quality of single audits – working with other federal agencies**

↪ **Quality control review**

Pressure on ED to monitor single audit findings more carefully

Single Audit Act and OMB Circular A-133

**Conducted by external, independent
auditors**

**Reviews the recipient's operations and
expenditures of federal funds and
prepares report**

**Recipient must address any findings,
prepare corrective action plans**

OMB Circular A-133 Compliance Supplement

- **Tool that auditors use**
- **Organize documents for audit using A-133 Compliance Supplement**
- **Specific audit tests included, such as the presumptions of supplanting**



Sub-Recipient Monitoring

Recent focus by ED: Pressure on States

Single Audit Act

EDGAR 80.40 (a)


SASA Program Monitoring Plan for Formula Grants:

“Overarching Requirement” – “States have mechanisms in place sufficient to ensure that states are able to collect and review critical implementation data ... to ensure effective (and fully compliant) programs under NCLB.”

Reminder

All of the above requirements are to ensure that federal funds are properly spent

Recipients of federal funds need to be able to tell the story of what happened to a federal dollar – the “lifecycle” of a federal dollar

 If there are gaps, there is likely weakness and potential audit findings

Monitoring

State-administered programs

SEA responsible for ensuring lawful expenditures

SEA must effectuate resolution



LEAs to be Monitored in 2007-08

October

Caldwell Co.
Pitt Co.
Sampson Co.
Harnett Co.

November

Charlotte-Mecklenburg
Davie Co.

December

Burke Co.
Lenoir Co.
Halifax Co.
Chatham Co.

January

Wake Co.
Pasquotank Co.
Brunswick Co.
Martin Co.

February

Craven Co.
Davidson Co.
Union Co.

March

Edgecombe Co.
Catawba Co.
Buncombe Co.
Hickory City

April

Onslow Co.
Cumberland Co.
Randolph Co.



Charter Schools to be Monitored in 2007-08

October

PreEminent Charter
Carter Community School
Maureen Joy Charter

November

Dillard Academy
STARS

January

Highland Kinder.
Charter Day Sch.

February

Grandfather Academy
Crossnore Academy

March

Carter G. Woodson
The Downtown Middle
Forsyth Academies

April

New Dimensions Sch.



Other Grant Requirements

Carryover limitations – monitored as of September 30 each year

PRC	Grant Name	Limitation
050	Title I	15%
059	Title V	15%
048	Safe & Drug Free	25%

Other Requirements (cont'd)

Administration Limitations – monitored at June 30 each year; codes specific to grant

PRC	Grant Name	Limitation
017	Vocational Education	5%
048	Safe & Drug Free	2%
050	Title I	10%
104	Language Acquisition	2%
106	Reading First	3.5%

Other Requirements (cont'd)

Match Requirements on specific grants:

PRC	Grant Name	Requirement
017	Vocational Education	Documentation of state-funded time & effort
064	Learn & Serve	Dollar-for-dollar match
065	Even Start	Year 1 – 10%; increases to 65% in Year 9 of grant
057	Abstinence	3 non-fed \$ for every 4 fed \$

Indirect Cost

Indirect costs are costs incurred to run programs that are not directly paid from federal funds (such as personnel and bookkeeping costs)

DPI calculates an indirect cost rate for each LEA/Charter School, and disseminates these rates via NetView, usually in May

Transferability

Authority under Title VI of NCLB

Applies only to certain programs (Title II-A, PRC 103; Title II-D, PRC 107; Title V-A, PRC 059; and Title IV-A, PRC 048; Title I-A, PRC 050 can accept transfers IN only)

Amount available to transfer depends on the LEA's AYP status

Federal Information on DPI website

Links to OMB Circulars, EDGAR:

<http://www.ncpublicschools.org/fbs/finance/federal/>

State Compliance Supplements:

<http://www.ncpublicschools.org/fbs/finance/reporting/>

Allotment Policy Manual:

<http://www.ncpublicschools.org/fbs/resources/manuals/>



It all boils down to this...

