

FEDERAL PROGRAM MONITORING

Heather Daud, Christy White Associates

Andi Loree, San Diego County Office of Education



SAN DIEGO COUNTY
OFFICE OF EDUCATION

Purpose

Gain an understanding of requirements for federal programs under the Uniform Grant Guidance.



Agenda

- Source of regulatory authority
- Who is subject to a single audit
- Compliance Requirements



Regulatory Authority

- Office of Management and Budget (OMB) is a division of the Federal government that provides the compliance requirements for Federal program funds.
- Although Uniform Grant Guidance (UGG) Subpart F superseded Circular A-133 (among others) in 2015-16, it is still appropriate to call “Single Audit”



When is a Single Audit required?

- All entities with greater than **\$750,000** in Federal program **expenditures** annually are required to have a Single Audit performed.
 - Under \$750K, not subject to Single Audit
 - Over \$750K, continue with Single Audit procedures



Single Audit

- Uniform Guidance Audit Requirements
 - Effective for fiscal years ending on or after Dec 31, 2015 (Now in effect for all of our audit clients)
 - Type A program threshold raised to \$750,000 (for expenditures up to \$25m; 3% for expenditures of \$25m up to \$100m; \$3m for expenditures from \$100m up to \$1b)
 - Type B threshold is equal to 25% of the Type A threshold (\$187,500 if Type A threshold is \$750,000)



Single Audit – Risk

- Uniform Guidance Audit Requirements
 - Coverage requirements:
 - 20% for low risk auditees
 - 40% for non-low risk auditees
 - Threshold for reporting of questioned costs is \$25,000
 - Findings must include method of questioned costs calculation, perspective; if repeat must identify this and include prior finding number

Risk Determination

- To be considered a low-risk auditee an entity must meet all of the following criteria for each of the previous two years:
 - Single audit prepared and submitted to FAC within specified timeframe. (Note: If this is the entity's first Single Audit, they would not be considered low-risk)
 - Auditor's opinion on the financial statements and schedule of expenditures of Federal awards were unmodified.
 - No material weaknesses reported in the Yellow Book (GAS) report on internal control
 - Auditor did not report a substantial doubt about the auditee's ability to continue as a going concern
 - No federal program audit findings related to:
 - I/C deficiencies identified as material weaknesses
 - Modified opinion with respect to major program
 - Known or likely questioned costs that exceeded five percent of the total Federal awards expended for a Type A program during the audit period.



Understanding the Major Programs

- Testing is based on the most recent Compliance Supplement (2017 will most likely not be available until end of summer)
- Refer to grant letters for additional understanding of the program requirements.
- http://www.whitehouse.gov/omb/circulars_default
- <https://www.cFDA.gov/>
- <http://www.cde.ca.gov/fg/aa/ca/>



Compliance Requirements

- There are 12 types of compliance requirements that may be applicable for the major programs selected for testing:
 - A. Activities Allowed or Unallowed
 - B. Allowable Costs/Cost Principles
 - C. Cash Management
 - D. *Reserved* (Formerly Davis Bacon)
 - E. Eligibility
 - F. Equipment and Real Property Management
 - G. Matching, Level of Effort, Earmarking
 - H. Period of Performance
 - G. Procurement and Suspension and Debarment
 - H. Program Income
 - I. *Reserved* (Formerly Real Property Acquisition Relocation Assistance)
 - J. Reporting
 - K. Subrecipient Monitoring
 - L. Special Tests and Provisions



Activities Allowed/ Allowable Costs – Objective

Ensure Federal awards are expended only for allowable activities and that the costs of goods and services charged to Federal awards are allowable and in accordance with the applicable cost principles.



Activities Allowed/ Allowable Costs – Controls

- Are reports, such as a comparison of budget to actual, provided to appropriate management for review on a timely basis?
- Are reports, such as a comparison of budget to actual, provided to appropriate management for review on a timely basis?
- Are training programs, both formal and informal, provided to responsible individuals to provide the knowledge and skills necessary to determine activities and costs allowed?
- Does management review supporting documentation of allowable cost information?
- s there a flow of information from Federal agency to appropriate management personnel?



Activities Allowed/ Allowable Costs

Never Allowed:

- Alcohol
- Entertainment (generally, no meals when not on travel unless specific business conducted)
- General administrative equipment/supplies
- Sales Tax (except when unavoidable)
- Donations/Lobbying/Fines/Interest

Be prepared to justify every expenditure

UGG - Other Notable Changes

- Conflict of Interest
 - All non federal entities must establish conflict of interest policies, and disclose in writing any potential conflict to federal awarding agency in accordance with applicable Federal awarding agency policy (200.112)

TIME ACCOUNTING



REQUIREMENTS



Time and Effort Reporting – Where are the Requirements?

- Required under OMB's Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*
- EDGAR (Uniform Guidance)

EDGAR – Uniform Guidance

- Time Accounting Records Must:
 - Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated
 - Be incorporated into the official records of the LEA
 - Reasonably reflect the total activity for which the employee is compensated, not exceeding 100% of compensated activities
 - Encompass both federally assisted and all other activities compensated by the LEA

EDGAR – Uniform Guidance

- Comply with the established accounting policies and practices of the LEA
- Support the distribution of the employee's salary or wages among specific activities or cost objectives
- Budget estimates do not qualify as support for charges to Federal awards



When is Time and Effort Reporting Required?

- Time and effort reporting is required when any part of an individual's salary is:
 - Charged to a federal program
 - Used as a required match for a federal program (even though not charged to a federal program)
- If employee paid with federal funds, then employee worked on that specific federal program and/or cost objective



What Type of Reporting is Required?

- Single or blended cost objective
 - Semi annual certification

- Multiple cost objectives
 - Personnel activity reports (PARs)



COST OBJECTIVE



What is a “Cost Objective”

- A cost objective is a function, organizational subdivision, contract, grant, or other activity for which cost data are needed and for which costs are incurred
- In practical terms, a cost objective is a set of work activities allowable under the terms and conditions of a particular funding source.



Single Cost Objective Interpretation

- If the activity meets these requirements, consider it to be a single cost objective:
 - Serves one function (i.e. Instruction)
 - Serves one group (i.e. Special Education Students)
 - As soon as you can segregate the groups, it becomes multiple cost objectives
 - Is allowable under all grants the employee is charged to (i.e. Special Education Teacher paid out of 3310 and 6500)



Single Cost Objective in a Nut Shell

All duties of the position serve the same
population of students

AND

Funding and activities of the position can be
supported 100% by funding source(s)

= Single Cost Objective

Typical Examples of a Single Cost Objective

The set of work activities allowable under:

- A single federal program
- A single required set-aside/reserve in a federal program
- Federal Special Education and State Special Education
- A schoolwide program
- A federal program and its state/local match



Schoolwide Programs

- A schoolwide plan **must** specify programs to be combined
- A schoolwide program is a single cost objective if an employee works 100 percent on programs combined → Group or Individual *Semi-annual certification permitted*
- If an employee works partially on programs combined and partly on those not combined → *Monthly time report (PAR) required*



Typical Examples of Multiple Cost Objectives

If an employee works on:

- More than one federal award (with different cost objectives);
- A federal award and a non-federal award (with different cost objectives);
- A federal award with specific earmarking or matching requirements



“Blended” Cost Objective

A set of work activities that are allowable to one or more funding sources and which may be funded out of a variety of eligible funding sources where the activities and purposes or population served are not distinguishable.



“Blended” Cost Objective (cont.)

- Provides flexibility because focus is on “work activity”
- OK to simply report activity and not specific federal program cost objective
- Activity must be allowable under grant



Typical Examples of a Blended Cost Objective

The set of work activities allowable under:

- Federal IDEA funds and State and/or local special education funds
- Professional development that is allowable under more than one federal program (i.e., professional development that is authorized under Titles I, II, and V)
- A federal program and its state/local match



DOCUMENTATION OF TIME EFFORT



What is a semi-annual certification?

- Statement individual(s) worked solely on activities related to a single (or blended) cost objective
- Completed at least every six months
- Signed by employee or supervisor with first-hand knowledge of work performed



Sample Semi-Annual Certification

- If employee is subject to semi-annual certification, send certification to direct supervisors twice a year
 - June 30
 - December 31
- Attachment A

_____ School District

SEMI ANNUAL CERTIFICATION FORM

(Use for positions funded from a single Federal or State program or single cost objective)

Period Covered: July 1 to December 31, 20____ January 1 to June 30, 20____

Employee Name: _____

Site/Department: _____ Position: _____

Single Cost Objective: _____

Program	Account Code	Percent of Effort*
Total		

* % of Effort must total 100% for the employee

I hereby certify that this report is an after-the-fact determination of actual effort expended for the period indicated, and that I have full knowledge of 100 percent of these activities.

Employee or Direct Supervisor (Print Name)

Employee or Direct Supervisor (Signature) _____
Date

[The Office of Management and Budget \(OMB\) Circular A-87, Attachment B, Item 8 \(h\) \(3\)](#) states that where employees are expected to work solely (100%) on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semiannually (at least every six months) and will be signed by the employee or supervisory official having first-hand knowledge of the work performed by the employee.



What is a Personnel Activity Report (PAR)?

- Accounts for total employee effort as units of time as opposed to percentages
- Prepared & signed at least monthly (must coincide w/one or more pay periods)
- Must be Signed by employee
- Reflects actual work performed (not budgeted % or FTE)
- Agrees to supporting documentation
- Attachment B



Substitute System – Sampling

The State has two approved substitute systems; Sampling and Predetermined Schedule, but LEA can only use one of the two.

- Sampling System
 - All multi-funded employees must participate at the same time – August or Sept good start month
 - PARs must be completed for 3 sample months a year
 - PAR in subsequent months used to make adjustments
 - Can reduce to 2 times per year if change is less than 10%



When is an Accounting Adjustment Required?

- If the quarterly difference is 10% or more:
 - Payroll charges must be adjusted at the time of comparison
 - **AND:** The following quarter's estimate must be adjusted to more closely reflect actual activity.
- If the quarterly difference is less than 10%:
 - No action required until next quarterly reconciliation.
 - **BUT:** Difference between estimated and actual time as supported by time and effort reports must be adjusted at year-end regardless of size.



Substitute System –Predetermined Schedule

- Predetermined Schedule
 - Indicate specific activity or cost objective for each segment of work
 - Account for all hours worked
 - Semi-Annual Certification
 - Must be signed by **both** the employee and supervisor
 - Deviations of 5% or more must be accounted for using a PAR
- LEA's must have written policies and procedures and should provide training on the substitute system process



Administrators

- Superintendent, assistant superintendent, principal, assistant principal are usually not allowable charges to federal programs;
 - Exceptions require detailed documentation to support
 - Generally a supplant issue



Timekeeping Policies & Practices

- Should be specific to the LEA
- Discuss training, reconciliation, process for funding changes
- Detail internal controls and deadlines, including identifying who is responsible for each step
- Are NOT restatements of federal or state regulations
- Are NOT a summary statement in an email or memo
- Are NOT generic formalities for compliance reviews



EXAMPLES



Example #1

- Employee is a resource teacher that spends 100% of his/her time working with kids who are failing or at risk of failing.
- Employee is paid 50% from Title I (3010) and 50% From Unrestricted Sources (0000)
- Is this a single cost objective?
- What documentation is required?

Example #1 - Answers

- Single Cost Objective
- Documentation Requirement:
 - Periodic certification that the employee worked solely on that single cost objective.
 - Certification should be signed by employee or the employee's direct supervisor who has first hand knowledge of actual activities performed



Example #2

- Employee teaches 5th grade and is paid with unrestricted funds for that position.
- Employee picks up extra duty hours providing tutoring to at risk students and is paid from Title I funds for the extra duty hours.
- Is this a single cost objective?
- What documentation is required?



Example #2 - Answers

- **NOT** A Single Cost Objective
- Documentation:
 - Extra duty time sheet with the following information:
 - Description of activities performed/cost objective
 - Full account string being charged
 - Statement that indicates this employee is certifying the extra duty hours
 - Be able to access documentation of regular pay for employee



Example #3

- Substitute teacher that spends some days substituting in a special education classroom, some days substituting under Title II while teachers are receiving training, and some days substituting in a regular classroom.
- Is this a single cost objective?
- What documentation is required?



Example #3 Answers

- **NOT** A Single Cost Objective
- Documentation:
 - Prepare a log for the month that identifies what programs/cost objectives the substitute teacher worked for.
 - Have the log signed by a supervisor having first hand knowledge of the substitute teacher's activities
 - This may require multiple signatures if the substitute worked for multiple school sites.

AUDIT FINDINGS



Why Does Time and Effort Continue to be an Audit Problem?

- Large percent of federal education funds used for staffing
- Staff turnover
- Decentralized responsibilities
- Lack of adequate communication between program and fiscal staff
- Complexity of applying requirements to variety of situations
- No written procedures



Common Overarching Findings

Time Accounting:

- Personnel Activity Reports (PARS) reflect budgeted instead of actual hours
- Federally funded personnel not justified in site plan/LEAP
- Time records do not show allowable activities for federally funded personnel
- Job descriptions do not provide sufficient evidence that staff funded with categorical funds provide services to targeted students consistent with the statutory requirements



CASH MANAGEMENT



Cash Management- Requirements

- Requirements specific to direct funded programs using a cash drawdown method of funding
- District receives funding for this program from the California Department of Education (CDE) and is not subject to the requirements as documented in the Compliance Supplement
- **However**, the CDE has passed along one of their compliance requirements (remittance of interest earned) to their subrecipients, thus making a compliance requirement for the District.



Cash Management- Requirements

- (1) the drawdown of federal cash is only for immediate needs
- (2) reimbursement is requested only after costs have been incurred
- (3) states comply with applicable Treasury agreements
- (4) recipients limit payments to subrecipients to immediate cash needs.



Cash Management – Types of Controls

- Is there an appropriate assignment of responsibility for approval of cash drawdowns, request for reimbursements, and payments to subrecipients?
- Are budgets for drawdowns consistent with realistic cash needs?
- Is there a process for calculating the interest earned on federal funds?
- Has management identified programs that receive cash advances and/or reimbursements and is management aware of cash management requirements?



EQUIPMENT & REAL PROPERTY MGMT.



Equipment & Real Property Mgmt. – Requirements

- proper records are maintained for equipment acquired with Federal awards
- equipment is adequately safeguarded and maintained
- disposition or encumbrance of any equipment or real property is in accordance with Federal requirements
- Federal awarding agency is appropriately compensated for its share of any property sold or converted to non-Federal use



Equipment & Real Property Mgmt. – Types of Controls

- Does sufficient accountability exist to discourage temptation of misuse of Federal assets?
- Are procedures in place to identify risk of misappropriation or improper disposition of property acquired with Federal awards?
- Does management understand the requirements and operations sufficiently to identify potential areas of noncompliance (e.g., decentralized locations, departments with budget constraints, transfers of assets between departments)?
- Are accurate records maintained on all acquisitions and dispositions of property acquired with Federal awards?
- Are property tags are placed on equipment?



MATCHING, LEVEL OF EFFORT, & EARMARKING



Matching, Level of Effort, & Earmarking. – Requirements

- Is evidence obtained, such as a certification from the donor, or other procedures performed to identify whether matching contributions:
 - – Are from non-Federal sources;
 - – Involve Federal funding, directly or indirectly; and
 - – Were used for another federally-assisted program.
- Note: Generally, matching contributions must be from a non-Federal source and may not involve Federal funding or be used for another federally assisted program.

Matching, Level of Effort, & Earmarking. – Requirements

- Is the accounting system capable of:
 - Separately accounting for data used to support matching, level of effort, or earmarking amounts or limits or calculations;
 - Ensuring that expenditures or expenses, refunds, and cash receipts or revenues are properly classified and recorded only once as to their effect on matching, level of effort, or earmarking; and documenting the value of “in-kind” contributions of property or services, including:
 - Basis for local labor market rates for valuing volunteer services.
 - Payroll records or confirmation from other organizations for services provided by their employees.
 - Quotes, published prices, or independent appraisals used as the basis for donated equipment, supplies, land, buildings, or use of space.

Matching, Level of Effort, & Earmarking. – Types of Controls

- Does the budgeting process address/provide adequate resources to meet matching, level of effort, and/or earmarking goals?
- Does an official written policy exist outlining:
 - – Responsibilities for determining required amounts or limits for matching, level of effort, or earmarking;
 - – Methods of valuing matching requirements, e.g., “in-kind” contributions of property and services, calculations of levels of effort;
 - – Allowable costs that may be claimed for matching, level of effort, or earmarking; and
 - – Methods of accounting for and documenting amounts used to calculate amounts claimed for matching, level of effort, or earmarking.



TITLE I, SUPPLEMENT, NOT SUPPLANT



Title I, ESSA and Supplement, Not Supplant

- For the FPM review, Supplement, Not Supplant is still in effect, but the test for compliance has changed
- Equitable Distribution of Title I Funds: LEAs must demonstrate that the methodology used to allocate state and local funds ensures that each site receives all state and local funds it would otherwise receive if Title I funds were not available
- *Meaning: LEAs should have allocated sufficient state and local funding to each site to provide basic educational program and services*

Supplement, Not Supplant Procedures

SEC 1118, FISCAL REQUIREMENTS, ESEA OF 1965 AS AMENDED BY THE ESSA (DECEMBER 10, 2015)

- SUPPLEMENT NOT SUPPLANT (SEC 1118 (b))
 - To demonstrate compliance, an LEA shall demonstrate the methodology used to allocate State and local funds to each school receiving Federal funds and that the school(s) are receiving the same allocation of State and local funds that it would in the absence of any Federal funds
 - An LEA should meet the compliance requirements no later than 2 years after the enactment of ESSA (ESSA enacted December 2015)
 - An LEA may use methodology in place prior to the enactment of ESSA

Supplement, Not Supplant

- Schools must receive all the state and local funds it would otherwise **NEED TO OPERATE** in the absence of Federal Funds
- Includes routine operating expenses such as building maintenance and repairs, landscaping and custodial services

Supplement, Not Supplant Example

Facts: Weighted per pupil allocation

- Basic per-pupil: \$5,000
- Additional allocation per low-income: \$500
- Additional allocation per Spec Ed: \$1,500
- Additional allocation per EL: \$700

A district would violate the supplemental funds test if it denied the extra \$500 per low income student because the school received Title I funds.

PERIOD OF AVAILABILITY OF FEDERAL FUNDS



Period of Availability of Federal Funds – Types of Controls

- Does management understand and is management committed to complying with period of availability requirements?
- Are the entity's operations such that it is unlikely there will be Federal funds remaining at the end of the period of availability?
- Does the budgetary process consider the period of availability of Federal funds as to both obligation and disbursement?
- Is the review of disbursements performed by a person knowledgeable of period of availability of funds?
- Is there a periodic review of expenditures before and after cut-off date to ensure compliance with period of availability requirements?



PROCUREMENT & SUSPENSION AND DEBARMENT



Procurement & Suspension and Debarment – Requirements

Covered transactions (as defined in the suspension and debarment common rule) are not made with a debarred or suspended party.

<https://uscontractorregistration.com/search-federal-contracts/>



Procurement & Suspension and Debarment – Requirements (Notable Changes Under UGG)

- Procurement Procedures
 - All non-Federal entities must have documented procurement procedures which reflect applicable Federal, State, and local laws and regulations. (200.318a)
 - All procurement transactions must be conducted in a manner providing full and open competition (200.319a)
 - Non-Federal entities must maintain oversight to ensure that contractors perform in accordance with the terms, conditions, and specifications of their contracts or purchase orders (200.318b)
 - OMB has provided leniency by allowing for a 2-year grace period to adopt these changes, but client must establish in writing that they intend to utilize this grace period . In effect, June 30 YE client will have to have the new policies in effect by July 1, 2017.



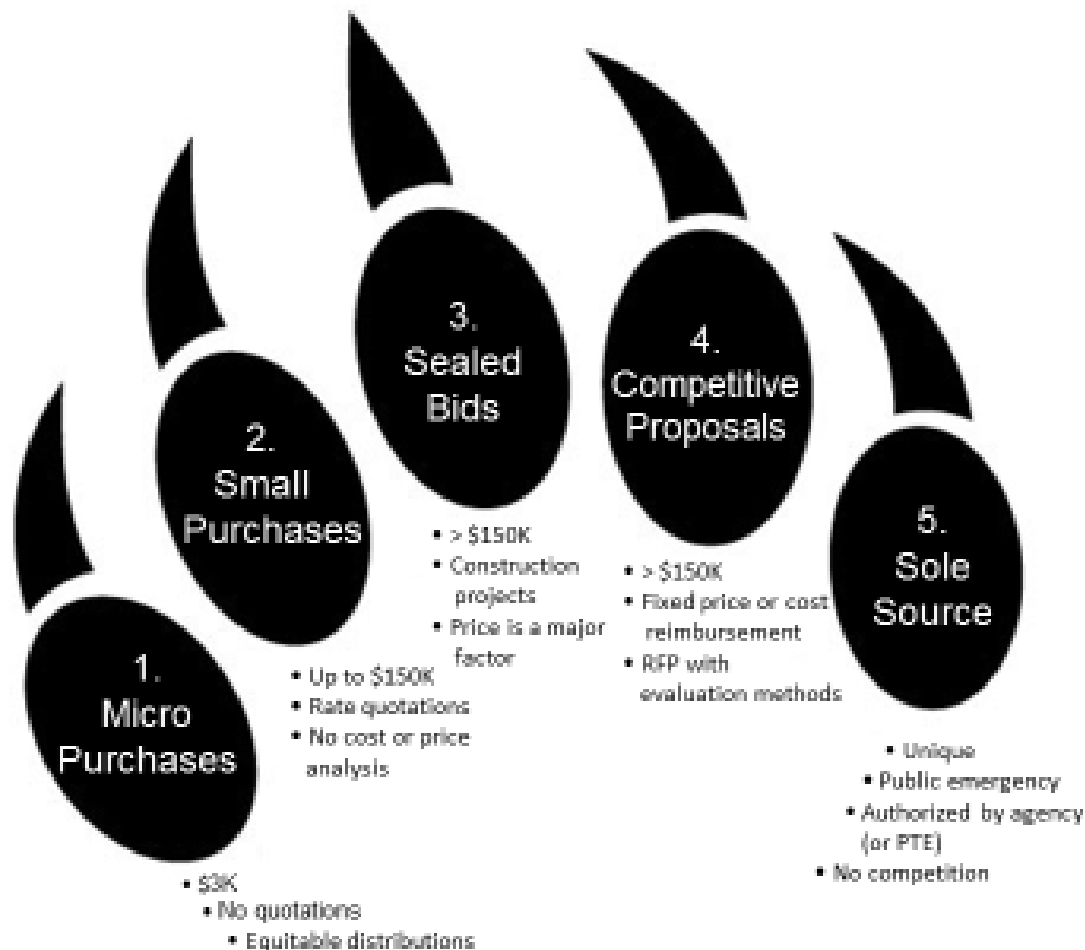
Procurement & Suspension and Debarment – Requirements (Notable Changes Under UGG)

- Method of Procurement
 - Non-Federal entities must use one of the following methods (200.320)
 - Micro-Purchases (under \$3,000) Does not have to be competitive process as long as entity determines price to be reasonable. Distributed equitably among suppliers to the extent practicable.
 - Small purchase procedures (up to the Simplified Acquisition Threshold of \$150,000) – Use judgment to obtain adequate number of price or rate quotes from qualified sources
 - Procurement by sealed bids (formal advertising)
 - Procurement by competitive proposals
 - Procurement by non-competitive proposals (should be rarely used; possibly single source availability or inadequate competition.)



Procurement & Suspension and Debarment – Requirements (Notable Changes Under UG)

Procurement “Claw” (Section 200.320)



Procurement & Suspension and Debarment– Types of Controls

- Does management understand and is management committed to complying with period of availability requirements?
- Are the entity's operations such that it is unlikely there will be Federal funds remaining at the end of the period of availability?
- Does the budgetary process consider the period of availability of Federal funds as to both obligation and disbursement?
- Is the review of disbursements performed by a person knowledgeable of period of availability of funds?
- Is there a periodic review of expenditures before and after cut-off date to ensure compliance with period of availability requirements?

REPORTING



Reporting– Requirements/Controls

- Do persons preparing, reviewing, and approving the reports possess the required knowledge, skills, and abilities?
- Do mechanisms exist to identify risks of faulty reporting caused by such items as lack of current knowledge of, inconsistent application of, or carelessness or disregard for standards and reporting requirements of Federal awards?
- Is there a supervisory review of reports performed to assure accuracy and completeness of data and information included in the reports?
- Does the accounting or information system provide for the reliable processing of financial and performance information for Federal awards?



Special Tests & Provisions - Participation of private school children

- LEA receiving funds has conducted timely consultation with private school officials to determine the kind of educational services to provide to eligible private school children
- planned services were provided
- required amount was used for private school children



Special Tests & Provisions - Schoolwide programs

- Schools operating schoolwide programs were eligible to do so, at least 40 percent of the children enrolled in the school or residing in the school attendance area for the initial year of the schoolwide program must be from low-income families.
- Schoolwide programs included the core elements and components
 - (1) Schoolwide reform strategies (34 CFR section 200.28(a)).
 - (2) Instruction by highly qualified professional staff (34 CFR section 200.28(b)).
 - (3) Strategies to increase parental involvement (34 CFR section 200.28(c)).
 - (4) Additional support to students experiencing difficulty (34 CFR section 200.28(d)).
 - (5) Transition plans for assisting preschool children in the successful transition to the schoolwide program (34 CFR section 200.28(e)).



Special Tests & Provisions - Identifying schools needing improvement

- in collecting, compiling, and reporting progress of LEAs and schools that receive Title I, Part A funds, the LEA complied with the proper identification requirements.



Special Tests & Provisions

- hiring only highly qualified teachers to teach core academic subjects in general
- hiring only qualified paraprofessionals in programs supported with Title I, Part A funds



QUESTIONS?



SAN DIEGO COUNTY
OFFICE OF EDUCATION