Winter CTAE Leadership Conference & Perkins Strategic Planning

Hilton Atlanta/Marietta Hotel & Conference Center

Marietta, GA

February 4-6, 2015
New Federal Guidance and Georgia On My Mind

Presenter:
Gerald Schaefer, Internal Audit Manager
Georgia Department of Education
What’s on the menu?

Part I – Federal Uniform Grant Guidance

Part II – Other issues identified by GaDOE staff
I. UGG - Who is covered?

All “non-Federal entities” expending Federal awards

That is You!

“In general non-Federal Entities must comply with the terms and conditions of their Federal award, which will specify whether the Uniform Guidance applies. “ (FAQ. 110-6)
What is it?
Where is everything?

- **Subpart A** – contains acronyms and definitions used throughout the guidance
- **Subpart B** – general provisions including the purpose of the Guidance, its applicability, and effective date
- **Subpart C** – administrative requirements directed primarily at Federal agencies including pre-award activities and requirements for the contents of Federal awards
- **Subpart D** – property, procurement, internal controls, and subrecipient monitoring
- **Subpart E** – cost principles previously found in Circulars A-21, A-87 and A-122
- **Subpart F** – audit requirements
- Appendices I through XI – data collection form, Appendix XI – compliance supplement
Date of Applicability of Revised Rules

All Drawdowns, after

December 26, 2014 at State Level

July 1, 2015 at Local level
Why?

1. Eliminate duplication and conflicting guidance
2. Focus on performance over compliance
3. Encourage efficient use of information technology and shared services
4. Consistent and transparent treatment of costs
5. Limit allowable costs to make the best use of resources
Why?

6. Set standard business processes using data definitions

7. Encourage non-Federal entities to have family-friendly policies

8. Strengthen oversight

9. Target audit requirements on risk of waste, fraud, and abuse
“Should” vs. “Must”

“Must” means **Required**

“Should” indicates **best practices** or **recommended approach**
Uniform Guidance Changes

I. Time and Effort Documentation
II. Audits
III. Internal Control
IV. Procurement
V. Requirements for pass-through entities
VI. Other Changes
I. Time and Effort Documentation

Requirements under OMB Circular A-87

• If an employee worked on a single cost objective then a semi-annual certification is required

• If an employee worked on multiple cost objectives then a personnel activity report (PAR) is required
What is a cost objective?

• A cost objective is defined under OMB Circular A-87, Section B.11 of Attachment A, as:

  “a function, organizational subdivision, contact, grant, or other activity for which cost data are needed and for which costs are incurred.”
Time and Effort Guidance

OCFO of U.S. ED issued guidance on time and effort in September 2012

Clarified cost objectives

Possible to work on a single cost objective:

• Even if the employee works on more than one Federal award

• Even if the employee works on a Federal award and a non-federal award
Time and Effort Guidance

Single cost objective or multiple cost objectives?

Can the employee’s salary be supported in full from the Federal award?

Yes – then a single cost objective
Semi-annual Certifications

• The form must be signed by **either** the employee or by a **“supervisory official who has first hand knowledge of the work performed by the employee”**

• The form must be signed after-the-fact

• The form cannot cover a period longer than six (6) months

• The form must clearly state the cost objective (i.e. program or grant) worked on by the employee
Personnel Activity Reports (PARs)

PARs must:

• Be an after-the-fact record

• Account for the total activity of the employee being compensated (part-time work, overtime)

• Be prepared at least monthly

• Be signed and dated by the employee
Uniform Guidance

Time and Effort

• Time and Effort Documentation (CFR 200 Part 430)

• Most flexible and changed rule

Time distribution records must be maintained for all employees whose salaries are paid in whole or in part with Federal funds (this is not a new requirement)
New Standards

1. Be supported by a system of internal controls that provides reasonable assurance
2. Be incorporated into the official records
3. Reasonably reflect the total activity of the employee
4. Encompass both Federally assisted and all other activities
5. Comply with accounting policies and practices
6. Support the distribution of the employee’s salary among cost objectives
New Standards

The **good**: More consistent and flexible

The **bad**: Vague and no guidance on what the documentation should look like

The **ugly** (depends on your point of view): your current system will work assuming it is compliant
II. Audit Changes

Increased threshold for an Single Audit
• From $500,000 to $750,000

Increased Type A threshold
• From $300,000 to $750,000

Increased questioned costs reporting
• From $10,000 to $25,000
Audit Changes

Fewer expenditures tested
• From 25% TO 20% for low-risk auditees
• From 50% to 40% for all other auditees

Fewer requirements tested
• From 14 compliance requirements to 7
III. Internal Controls

• Non-Federal entities **MUST** establish and maintain effective internal controls over the Federal awards

• Internal Control requirements are listed as **“extremely important”** in the Uniform Guidance

• Comply with Standards for Internal Control in the Federal Government (Green Book)

• Comply with the Internal Control Integration Framework by COSO 2013
Internal Control Components

COSO PYRAMID

COSO CUBE

2/11/2015
IV. Procurement

All procurement methods **must** comply with the following standards:

- Documented policies and procedures
- Purchases are allowable, necessary, and reasonable
- Full and open competition
- Written conflict of Interest policy
- Proper documentation
Procurement

Five Procurement methods

1. **Micro Purchases**
   - Up to $150K
   - No quotations
   - No cost or price analysis

2. **Small Purchases**
   - $3K
   - No quotations
   - Equitable distributions

3. **Sealed Bids**
   - > $150K
   - Construction projects
   - Price is a major factor

4. **Competitive Proposals**
   - > $150K
   - Fixed price or cost reimbursement
   - RFP with evaluation methods

5. **Sole Source**
   - Unique
   - Public emergency
   - Authorized by agency (or PTE)
   - No competition

Procurement “Claw” (Section 200.320)
V. Requirements for Pass-Through Entities

• Subaward must be clearly identified and contains specific information outline in section 200.331

• Subaward must reference requirements of Federal grant and any additional requirements including standard information collections when providing financial and performance information.

• Subrecipients must allow access to records and financial statements as necessary for reviews and audits

• A risk assessment must be completed for all subrecipients to determine monitoring
Requirements for Pass-Through Entities

- Subrecipients must be monitored to assure compliance and performance goals are achieved.
- Subrecipients must comply with all audit requirements.
- Pass-through entities and subrecipients must adjust financial records based on audits, monitoring and on-site reviews.
- Pass-through entities must take enforcement action based on noncompliance.
Requirements for Pass-Through Entities

• Pass-through entities may terminate an award for “cause” by notice
• Pass-through entities must disclose appropriate terms and conditions concerning closeout of subawards
• Financial records, supporting documents, statistical records and all other records must be retained for three (3) years from the date of final expense report submission.
VI. Other Changes

The Uniform Guidance also requires:

• Increased competition for Federal grants
• Merit-based review of proposals
• Standardization of information
• Mandatory disclosures
• Term “vendor” replaced with “contractor”
Other Changes

The Uniform Guidance also updated a few key definitions:

**Supplies:** All tangible personal property other than those described in 200.33 Equipment. A computing devise is a supply if the acquisition cost is less than the lesser of the capitalization level established by the non-Federal entity for financial statement purposes or $5,000, regardless of the length of its useful life. 200.94
Other Changes

**Computing Devises:** Machines used to acquire, store, analyze, process, and publish data and other information electronically, including accessories for printing, transmitting and receiving, or storing electronic information. 200.20
Other Changes

Equipment Rules:

• Subrecipients cannot “encumber” the property without approval from the pass-through entity.

• Property records must be maintained that include a description, serial number, source of funding, who holds title, acquisition date, and cost.

• A physical inventory must be taken at least once every two years and reconciled with the property records.
Other Changes

Equipment Rules:

• Adequate safeguards must be developed to prevent loss, damage or theft of property.

• Adequate maintenance procedures must be developed to keep the property in good condition.

• The non-Federal entity must also share use of the equipment, as long as it will not “interfere” with the project or program for which it was purchased.
Other Changes

Equipment Rules:
Order of preference for shared equipment:
1. Projects supported by Federal awarding agency
2. Projects funded by another Federal agency
3. Use from non-Federally funded programs.
Other Questions:
II. Other issues

• Accruing summer salaries
• Indirect costs
• Indirect costs versus single audit costs
• PARs
• Equipment
• Tips for Financial Health and Fitness
• Financial records – how long
Accruing Summer Salaries

- Accrue salaries as of June 30th
- The accounting entry is:
  Debit to expenditures
  Credit to salaries and payables

This entry will get the expenditures recorded. Once they are recorded you can report them on the completion report.
Where to find the manual
Appendix I

Section VI - Regional Educational Service Agencies

Section VII - Appendices

Chapter 40 - Standards and Procedures
Chapter 41 - Standardized Test Score Reporting
Chapter 42 - School Improvement Plan
Chapter 43 - School Attendance
Chapter 44 - Charter Schools

Appendix A - Accounting Acronyms
Appendix B - Glossary of Terms
Appendix C - Glossary of Acronyms
Appendix D - nAEP Comprehensive Annual Financial Report (CAFR)
Appendix E - Data Transmission Dates
Appendix F - Fiscal Year Reporting Requirements
Appendix G - Accounting Policies and Procedures
Appendix H - Replacement Asset Disposition
Appendix I - Reimbursement of Salaries and Expenses
Appendix J - Financial Statement Checklist
Appendix K - OMB Expenditure Tools
Appendix L - CFA Instructions
Appendix M - Supplementary Materials

Section VIII - Recommended Best Practices

2/11/2015
Indirect cost rate

What is it? – indirect costs are general management costs that benefit multiple activities

Examples: budget, legal services, procurement, HR
Classifying expenditures

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2/11/2015
How is it calculated?

GaDOE calculates the indirect cost rate each fiscal year for each school system.

We use the DE46 financial reports – they are submitted each year to us.

We then determine by function and object which expenditures are excluded and not allowed under the indirect cost rate calculation.
## FY 2015 indirect rates

### Georgia Department of Education

Financial Review Data Collection System

**Indirect Cost Rate Report - For Year Ending June 30, 2015**

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Indirect cost example

FY 2015 CTAE Perkins Program Improvement grant: $72,596

Within this budget are plans to buy a 3D printer for $22,000 (function 1000, object 730)

This equipment purchase is considered an excluded cost for indirect cost purposes. The total amount of eligible direct costs is then $50,596 ($72,596 - $22,000)
Indirect cost example

Think we are done? – not quite. We have a couple more steps to complete.

Since the indirect costs are “included” in the grant, we need to remove them before applying the indirect cost rate.

In this example, the FY 2015 indirect cost rate is 1.91% (this is calculated by us).

To remove it we take the $50,596 and divide it by one plus the indirect cost rate (1+.0191)
Indirect cost example

This gives us a figure of $49,648. This is the amount that we multiply the indirect cost rate against. This equals $948 ($49,648 * .0191)

This amount is recorded in the budget under object code 880 “Federal Indirect Cost Charges”

As expenditures are incurred the indirect costs can be drawn down through GAORS
Single Audit Costs

These are considered direct costs.

We get an invoice each year from the Georgia Department of Audits.

This invoice has the cost of our audit and the cost of all of the audits of school systems.

This is the cost of the Federal compliance work only.

The amount billed is a 2 step process:

1. Prorated by the amount of Federal awards.
2. Prorated between the Federal awards.
Audit invoices

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<td>$31.61</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>$2,452.17</strong></td>
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</table>

### BAKER COUNTY

<table>
<thead>
<tr>
<th>Description</th>
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<tbody>
<tr>
<td>SCHOOL NUTRITION</td>
<td>$201.02</td>
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<tr>
<td>SPECIAL EDUCATION</td>
<td>$130.76</td>
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<tr>
<td>TITLE I - A</td>
<td>$380.27</td>
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<tr>
<td>TITLE I - C, MIGRANT</td>
<td>$20.61</td>
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<tr>
<td>TITLE II - A, IMPROVING TEACHER’S QUALITY</td>
<td>$69.05</td>
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<tr>
<td>VOCATIONAL EDUCATION</td>
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<td><strong>Total</strong></td>
<td><strong>$822.44</strong></td>
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### BALDWIN COUNTY

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<tbody>
<tr>
<td>SECOND NOTICE</td>
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</tr>
<tr>
<td></td>
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</tbody>
</table>
Risk assessment

This is the GaDOE risk assessment not to be confused with any risk assessment done by U.S. ED or any other Federal agency.

We have been doing a risk assessment of local school systems since FY 2007.
Risk assessment

Audit Report Information

• Number of Financial Statement Findings
• Number of Federal Award Findings
• Number of Management Letter Findings
• Auditors Opinion
• Low Risk Auditee
• Irregularity (20-2-67)
• Internal Control Over Financial Reporting Material Weakness
• Internal Control Over Federal Programs Material Weakness
Risk assessment

DE46 Information

• General Fund Deficit
• Capital Projects Deficit
• School Nutrition Program Deficit
• If in deficit, approved Deficit Elimination Plan
• Has General Fund been in Deficit > 2 years
• DE46 submitted timely
Risk assessment

Other Information

- New Financial Officer < 1 year
- New Superintendent < 1 year
- Change in FTE more than 5% (+/-)
- New Accounting Software
- Percent of Federal Funds Drawn down as of end of the Fiscal Year (June)
- Other Material matters
Risk assessment

Systems are ranked:
- High Risk (14 systems)
- Medium Risk (26 systems)
- Low Risk (155 systems)
CTAE Findings

Only 4 findings have been issued to local CTAE programs from fiscal year 2009 through fiscal year 2013

Why?

Perkins funds are not often audited as major programs
CTAE Findings

• Completion report over reported expenditures – repayment of $10,564.26

• Employee’s salary full charged to Title I-A but employee worked on several Federal programs, CTAE was one of these

• Completion report included an encumbrance of $554.70, which should not be included. Completion report is for expenditures
Common audit findings

• Time and effort documentation
  • Documentation cannot be found or was not done
  • Employees worked on multiple cost objectives but did not keep a PAR
• Capital assets – items purchased with Federal funds but not listed on the equipment inventory
• Journal vouchers – documentation kept to make payments to vendors, contractors, etc.
• Cash management – drawing funds before incurring expenses
## W-9 Request for Taxpayer Identification Number and Certification

**Part 1 Taxpayer Identification Number (TIN)**

Enter your TIN in the appropriate box. The TIN provided must match the name given on line 1 to avoid backup withholding. For individuals, this is generally your social security number (SSN). However, for a resident alien, sole proprietor, or disregarded entity, see the Part I instructions on page 3. For other entities, it is your employer identification number (EIN). If you do not have a number, see How to get a TIN on page 3.

Note: If the personal identification number you gave on the instructions for line 1 and the chart on page 4 for

<table>
<thead>
<tr>
<th>Social security number</th>
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<tbody>
<tr>
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</table>

<table>
<thead>
<tr>
<th>Employer identification number</th>
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<th></th>
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</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
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</tbody>
</table>
When is a 1099-MISC needed?

- A fee paid to a nonemployee, including an independent contractor, or travel reimbursement for which the nonemployee did not account to the payer, if the fee and reimbursement total at least $600.
Do I need to submit my driver’s license?

Working as part of the review team you might be asked to do this?
Salary only grants

For grants that only pay for salaries and TRS benefits how do you account for the other “automatic” benefits

These other benefits will need to be adjusted to another fund source (local funds) by your accounting or business office.
Contact Information

Gerald Schaefer
Georgia Department of Education
Internal Audit Manager

gschaefer@doe.k12.ga.us
(404) 463-1670