

**Iowa Fiscal Management Guidelines:
Adult Education and Family Literacy Act (AEFLA) Funds**



September, 2011

Iowa Program Year 2012 Fiscal Monitoring Process

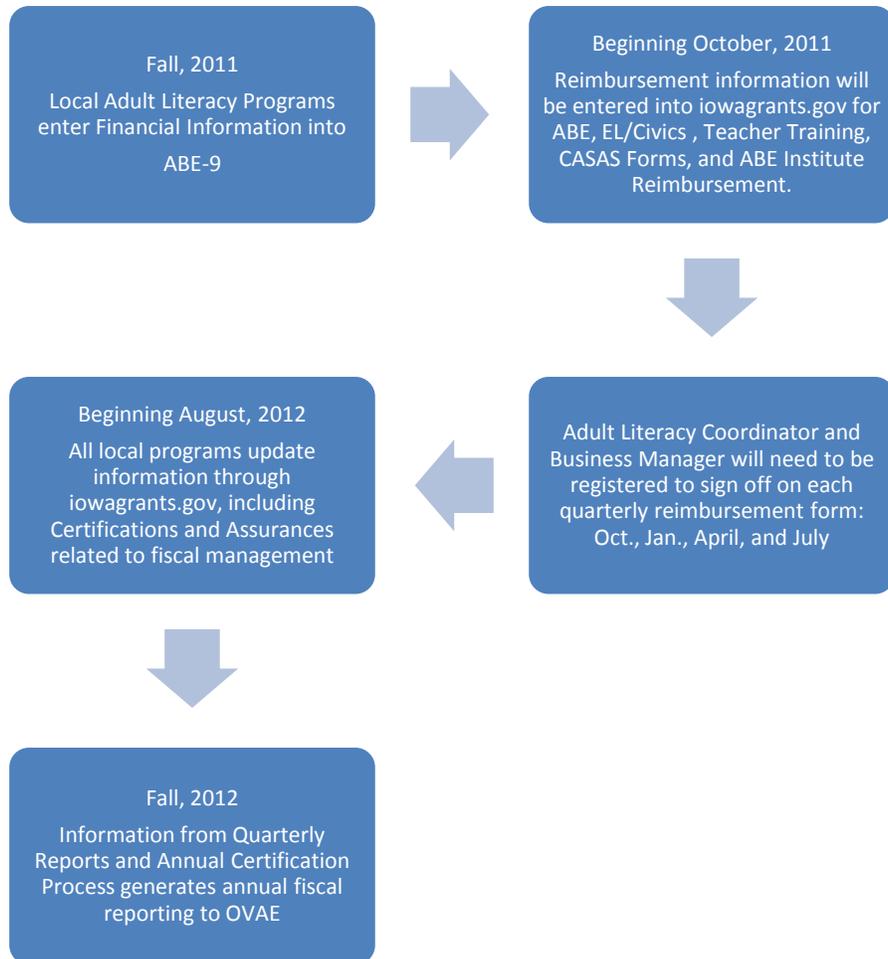
In an effort to meet the accountability requirements of the U.S. Dept. of Education, Office of Vocational and Adult Education, the Iowa Dept. of education is implementing a more diligent fiscal monitoring policy and processes that will assist community college adult literacy local programs to report fiscal information accurately and consistently.

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Flowchart Showing Procedures Beginning Program Year 2012



Contents of New Quarterly Reports (Using iowagrants.gov)

Reimbursement Requests

ABE
L/Civics
Teacher Training
ABE Institute
CASAS

Invoices and documentation are to be submitted quarterly as an electronic attachment on iowagrants.gov

Accountability Reporting Areas

Administrative % and amount for each quarter
Indirect
Local match
Program Income
Amount of funds used for corrections

These areas are addressed in the PowerPoints included in this Handbook.

Quarterly Narrative

Professional development activities
Program successes and challenges
Use of funds
Data collection highlights
Program evaluation efforts
Other relevant information

The Quarterly Narrative will be submitted through iowagrants.gov briefly (1-3 paragraphs) reporting for each section.

Fiscal Information to be Addressed Through Monitoring

- ▶ Financial Accounting System - Adequate, generally accepted principles
- ▶ Policies and Procedures – Written, adequate, followed
- ▶ Internal Controls – Adequate, followed
- ▶ Expenditures – Appropriately documented, recorded, allocated, allowable
- ▶ Personnel time and activities - Appropriately documented and allocated
- ▶ Match (cash and in-kind) – Appropriately documented, recorded, allocable
- ▶ Financial reports – Internal and external; supported by accounting records
- ▶ Source documentation – Clear, retained, sufficient audit trail
- ▶ The documentation will be carefully reviewed.
 - ✓ Additional information may be requested.
 - ✓ No additional action is required.
 - ✓ On-site visit is requested, offered or provided.
- ▶ Those programs experiencing on-site visits will be asked to provide additional financial documentation and information for monitoring.
- ▶ Additional programs may be monitored depending on risk.
- ▶ A local program may request an on-site fiscal monitoring visit.

A - Background Information

Authorization:

Adult Education and Family Literacy Act, (AEFLA), Title II of the Workforce Investment Act of 1998, 20 U.S.C. 9201 et seq.

Objectives (050):

To fund local programs of adult education and literacy services, including workplace literacy services, family literacy services, and English literacy and integrated English literacy-civics education programs. Participation in these programs is limited to adults and out-of-school youths aged 16 and older who do not have a high school diploma or equivalent and who are not enrolled or required to be enrolled in a secondary school under State law. See 20 USC 9202(1).

Target Population(s)

Adults needing adult education services according to AEFLA, Section 203 DEFINITIONS.

(1) ADULT EDUCATION. – The term “adult education” means services or instruction below the postsecondary level for individuals –

(A) who have attained 16 years of age;

(B) who are not enrolled or required to be enrolled in secondary school under State law; and

(C) who –

(i) lack sufficient mastery of basic educational skills to enable the individuals to function effectively in society;

(ii) do not have a secondary school diploma or its recognized equivalent, and have not achieved an equivalent level of education; or

(iii) are unable to speak, read, or write the English language.

FORMULA GRANTS

Uses and Use Restrictions:

The Act lists specific performance measures on which States are assessed. These include: demonstrated improvements in literacy skill levels in reading, writing, and speaking the English language, numeracy, problem-solving, English language acquisition and other literacy skills; placement in, retention in, or completion of postsecondary education, training, unsubsidized employment, or career advancement; receipt of a high school diploma or its equivalent; other objective, quantifiable measures, as identified by the State agency.

1. Not more than **12.5 percent** of the State allotment may be used for State leadership activities, including professional development;

2. **82.5 percent** or more of the State allotment must be used to support local programs and corrections education and other institutionalized individuals.
3. Not more than **10 percent** of the State allotment (the 82.5% supporting local programs) may be used for correctional education and other institutionalized individuals;
4. Not more than **5 percent (or \$65,000, whichever is greater)** of the State allotment may be used for State administrative costs.
5. Similarly, not more than 5% of the local allocation may be used for administrative purposes. (Note: A 5% ceiling may be too restrictive to allow for adequate planning, personnel development, and interagency coordination. In these instances, the program is permitted to negotiate with the state to determine an adequate level of funds to be used for non-instructional purposes.
6. This program is subject to **non-supplanting** requirements and must use a restricted indirect cost rate which is referenced under 34 CFR 76.564-76.569.
7. Local programs receiving federal funds are required to provide a 25% match, with non-federal funds, of the total amount expended for adult education and literacy activities. This match must not be the same source that is used as contributions for any other federally assisted project or program.
8. FEDERAL funds are to be used for ABE, AHSC/GED preparation, ESOL and English Language/Civics Education (EL/Civics) programming.
 - AEFLA (to be used for ABE [literacy], AHSC, and ESOL)
 - EL/Civics Education (to be used for English language acquisition with an emphasis on civics understanding and civics involvement)
9. States may be eligible for a Federal Incentive Grant on an annual basis if the performance standards for AEFLA and the Department of Workforce Services meet or exceed their performance standards (targets). For adult education programs, the data submitted on the annual NRS report is the determining measure for each state's targets being met.
10. Programs applying for and accepting State and/or Federal funding require assurance of coordination among providers to avoid duplication of services, programs, and/or activities made available to adults under other local, Federal or State adult education programs. Programs must demonstrate that funds are used effectively and efficiently.

Local Provisions

AEFLA, Section 231. GRANTS AND CONTRACTS FOR ELIGIBLE PROVIDERS.

(b) REQUIRED LOCAL ACTIVITIES. – The eligible agency shall require that each eligible provider receiving a grant or contract under subsection (a) use the grant or contract to establish or operate one or more programs that provide services or instruction in one or more of the following categories:

- (1) Adult education and literacy services, including workplace literacy services
- (2) Family literacy services
- (3) English literacy programs

(d) SPECIAL RULE. – Each eligible agency awarding a grant or contract under this section shall not use any funds made available under this subtitle for adult education and literacy activities for the purpose of supporting or providing programs, services, or activities for individuals who are not individuals described in subparagraphs (A) and (B) of section 203 (1), except that such agency may use such funds for such purpose if such programs, services, or activities are related to family literacy services. In providing family literacy services under this subtitle, an eligible provider shall attempt to coordinate with programs and services that are not assisted under this subtitle prior to using funds for adult education and literacy activities under this subtitle for activities other than adult education activities.

Additional Responsibilities Associated With Acceptance of FEDERAL Funds

Programs accepting FEDERAL funds are responsible for assuring that funds are used as follows:

1. Funds must be used to provide education services to individuals 16 years of age and older who are not enrolled in secondary school who, under state law:
 - i. Lack sufficient mastery of basic educational skills to enable the individuals to function effectively in society.
 - ii. Do not have a high school diploma or its recognized equivalent, and have
 - iii. not achieved an equivalent level of education.Are unable to speak, read, or write the English language.
2. Programs must maintain a 25% match from non-federal sources (see note in Federal Fund Distribution).
3. Programs receiving a federal AEFLA and/or EL/Civics award are required to submit quarterly requests for reimbursement of the grant funds associated with FEDERAL awards quarterly using approved reimbursement request method (34 CFR Subtitle A-subsection 76.702 and 76.722).
4. Reimbursement requests must be received by the 25th of the month to be paid in the following month.
5. Programs are responsible to maintain complete backup documentation of reimbursement requests for a period of seven years (three years on site and four years available).

6. Programs are responsible to adhere to the allowable and unallowable costs associated with the acceptance of FEDERAL funds.
7. Federal funds must be expended by June 30 of the award year.
8. Unclaimed funds will be recaptured by the state and used for carry forward the following year.
9. Availability of funds is subject to change annually based on federal congressional allocations.
10. Programs may use federal funds to supplement but not supplant other state or local public funds expended for adult education services. This means that federal funds are not to be used for services that a program is required to provide under other federal, state or local initiatives previously provided for from non-federal sources in the prior year.

B- Monitoring Process

Reports will be reviewed to ensure that the following financial requirements are met:

- ✓ Administrative percentage is within 5% or the negotiated percentage rate
- ✓ Amount of funding used for corrections and other institutionalized populations does not exceed 10 percent of the allocation
- ✓ Program income is reported and documented to be put back into the adult literacy program
- ✓ Indirect charges are at or near 8%
- ✓ Maintenance of effort documentation shows appropriate use of staff time within parameters of grant-paid hours
- ✓ Local match is indicated quarterly and is at least 25% of federal allocation
- ✓ Federal funds are expended by June 30 of the award year
- ✓ Funds are used to supplement, not supplant
- ✓ Only adults needing adult education services according to AEFLA, Section 203 DEFINITIONS are served with grant funds
- ✓ EL/Civics funds are only used for that purpose.
- ✓ Quarterly reimbursement requests are submitted on time (by the 25th of Oct., Jan., April, and July) and through iowagrants.gov
- ✓ Program maintains complete backup documentation of reimbursement requests for a period of seven years (three years on site and four years available)
- ✓ Program adheres to the allowable and unallowable costs associated with the acceptance of FEDERAL funds
- ✓ Tuition and fees collected from students are not used toward meeting matching, cost-sharing or maintenance of effort requirements of a program
- ✓ The collection of fees and tuition cannot be reported as part of the program's general funds, as they are restricted and must be reported and used directly by adult education programs to provide additional adult education and literacy services that the program would otherwise be unable to provide
- ✓ The local program chief executive officer (CEO) and the business administrator will be responsible to acknowledge by signature the program assurances as part of the program's grant plan submission – that all fees and tuition collected and submitted for accounting purposes are

returned/delegated (with the exception of state-approved indirect costs) to the local adult education program to be used solely and specifically for adult education programming and not withheld and maintained in a general maintenance and operation fund or used for any other funding purpose

- ✓ Tuition and fees generated from in the current fiscal year must be spent in the adult education program in the year generated or, at the latest, during the ensuing program year

C- Administrative % and Local Match

1. Of the 82.5% of federal funding allocated as flow-through funding to local providers up to five percent (5%) may be used for administrative costs. (Additional funding for administrative costs may be requested, but the eligible provider must have a very strong rationale for exceeding the 5% limit).
2. The remaining 12.5% of federal funds is maintained at the state level, with 5% being used for state-level administrative costs and the remaining 7.5% being used for state-level designed and initiated state leadership activities. In addition to federal funds, states are required to provide matching funds equivalent to a minimum of 25% of the total amount expended for adult education in the state.
3. Since federal and state adult education funding is extremely limited, every eligible provider is required to contribute a match equal to a minimum of 25% of its federal allocation. This local match may be derived from a local mill levy, donations, or other community resources.

D - Program Income

1. Program income is defined by EDGAR in 34 CFR 80.25 (b) as “gross income received by the grantee or subgrantee directly generated by a grant supported activity, or earned only as a result of the grant agreement during the grant period.”
2. Collected fees and tuition must be used to assist adult students in becoming literate, obtaining knowledge and skills necessary for employment and self-sufficiency, obtaining the education skills necessary to become full partners in their child’s education, and completing their secondary school education (AEFLA Section 202).
3. Using special language in the annual grant award, OVAE has allowed states to use the “addition” option described in 34 CFR 80.25 (g)(2) so that funds so earned may be added to the grant and “used for the purposes and under the conditions of the grant agreement.”

4. Under this language, local providers charging fees must use the program income generated by federal adult education funds for allowable costs to the federal adult education program, expanding available resources for adult education, workplace literacy, English language acquisition and adult secondary education.
5. OVAE's language in the grant award requires fees established by states or local programs to be necessary and reasonable and not impose a barrier to the participation of disadvantaged persons that the program was designed to serve. Fee structures for adult education shall take into account the ability of the student who participates in adult education to pay the fees.
6. You should be aware that 34 CFR 76.534 prohibits state or local programs from counting "tuition and fees collected from students toward meeting matching, cost-sharing or maintenance of effort requirements of a program."
7. The collection of fees and tuition cannot be reported as part of the program's general funds, as they are restricted and must be reported and used directly by adult education programs to provide additional adult education and literacy services that the program would otherwise be unable to provide (34CFA 80.25 –AEFLA section 202).
8. The local program chief executive officer (CEO) and the business administrator will be responsible to acknowledge by signature the program assurances as part of the program's grant plan submission – that all fees and tuition collected and submitted for accounting purposes are returned/delegated (with the exception of state-approved indirect costs) to the local adult education program to be used solely and specifically for adult education programming and not withheld and maintained in a general maintenance and operation fund or used for any other funding purpose.
9. Tuition and fees generated from in the current fiscal year must be spent in the adult education program in the year generated or, at the latest, during the ensuing program year.

E - Amount of Funds Used for Corrections

1. Of the **82.5%** of federal funding allocated as flow-through funding to local providers, up to **10%** may be used to provide educational services for criminal offenders in correctional institutions and for other institutionalized individuals. Individuals are considered “institutionalized” when incarcerated, housed or sheltered in one of the following:
 - Prison
 - Jail
 - Reformatory
 - Work farm
 - Detention center
 - Halfway house, community-based rehabilitation centers, or other similar facilities
 - Mental, medical or special institutions.
2. Institutionalized individuals must meet the same eligibility criteria described above. However, those providers serving individuals in correctional institutions must give priority to those qualified individuals who are likely to leave the correctional institution within five years of participation in the program.
3. All federal funds must be used in one or more of four broad categories:
 - ABE, ESOL, and/or AHSC
 - Work-based learning
 - Family literacy
 - EL/Civics Education
4. Support services such as counseling are allowable expenses.

F - Misc.

Question: How long must grantees keep programmatic and fiscal records?

Answer: Records must be retained for three years from the date the final Financial Status Report (FSR) is submitted. When grant support is continued or renewed, the retention period for each funding period starts on the date the grantee or subgrantee submits to the awarding agency its single or last expenditure report for that period. If any litigation, claim, negotiation, audit or other action involving the records has been started before the expiration of the three-year period, the records must be retained until completion of the action and resolution of all issues which arise from it, or until the end of the regular three-year period, whichever is later. (34 CFR Part 80.42)

Question: What happens to funds that are not obligated during the first year of the grant?

Answer: If a state does not obligate all of its grant funds during the first fiscal year for which Congress appropriated the funds, it may obligate the funds during the carryover period of one additional year. For example, for the grant year from July 1, 2007 to September 30, 2008, under the provisions of the Tydings Amendment, the period for obligation and expenditure of funds continues for the succeeding year ending on September 30, 2009. This amendment applies both to the state agency and to the secondary recipient. The state agency has 27 months to obligate those funds and any carryover funds not obligated during that period must be returned to the federal Government. (34 CFR Part 76.709)

G – Fiscal Management Survey (based on the Financial and Monitoring Tool developed by AGA Partnership for Intergovernmental Management and Accountability)

To be completed by the Adult Literacy Coordinator with a representative from the Business Office.

Internal Controls

To the maximum extent possible, the organization should segregate responsibilities for receipt and custody of cash and other assets; maintaining accounting records on the assets; and authorizing transactions. In the case of payroll activities, the organization, where possible, should segregate the timekeeping, payroll preparation, payroll approval, and payment functions.

1. Are specific officials designated to approve payrolls and other major transactions?

Yes_____ No_____

2. Do the procedures for cash receipts and disbursements include the following safeguards?

a. Receipts are promptly logged in, restrictively endorsed, and deposited in an insured bank account.

Yes_____ No_____

b. Bank statements are promptly reconciled to the accounting records, and are reconciled by someone other than the individuals handling cash, disbursements and maintaining accounting records.

Yes_____ No_____

c. All disbursements (except petty cash or EFT disbursements) are made by pre-numbered checks.

Yes_____ No_____

d. Supporting documents (e.g., purchase orders, Invoices, etc.) accompany checks submitted for signature and are marked "paid" or otherwise prominently noted after payments are made.

Yes_____ No_____

e. Checks drawn to "cash" and advance signing of checks are prohibited.

Yes_____ No_____

f. Are multiple signatures required on checks?

Yes_____ No_____

3. Are employees and other individuals in positions of trust covered by adequate fidelity bonds?

Yes ___ No ___

4. Are proposals for Federal awards coordinated with and approved by the organization’s business management officials prior to submission to sponsoring agencies?

Yes ___ No ___

Accounting

1. Does the organization have written accounting policies and procedures to assure uniform practice in the following the following areas?

Written Policy and Procedures?

Check Yes or No

Policy Topic	YES	NO
Procurement		
Contract Administration		
Payroll		
Timekeeping		
Inventory		
Vendor Payments		
Federal Draws		
Grants Budgeting		
Cash Management		
Supplanting		
Maintenance of Effort		
Allowable Costs		
Indirect Costs		
Audit Resolution		
Records Retention		
Other:		

2. Does the organization use the same policies and procedures for accounting for and expending Federal funds as it does for its State funds?

Yes ___ No ___

3. Are all appropriate accounting staff trained on, and have access to, current federal policies, procedures, and instructions on accounting for and expending Federal funds?

Yes____ No____

B. Are sources of non-Federal funds identified and tracked in the accounting system?

Yes____ No____

4. Does the entity use a Chart of Accounts and Accounting Manual required by the state or cognizant agency?

Yes____ No____

5. Is there sufficient detail in the entity's Chart of Accounts to meet federal reporting requirements?

Yes____ No____ Not Sure____

6. A. Are accounting records supported by source documentation (e.g., canceled checks, paid bills, payrolls, contract and subgrant award documents, etc.)

Yes____ No____ If not, why not?

B. Who is the custodian of the accounting records for the organization?

7. Are purchasing and payment functions separate? Y / N

8. Are requests for payment to the grantor based on information from the accounting system?

Yes____ No____

If not, how are such requests determined?

9. Does the system provide for prompt and timely recording and reporting of all financial transactions?

Yes____ No____

10. Are there controls to preclude

A. Over-obligation Y / N

B. Duplicate payments? Y / N

C. Inappropriate charges to grants Y / N

11. A. During each state fiscal year(s), did the organization comply with the requirement to liquidate outstanding obligations within 90 days of the end of the grant period, in the time frame stated in the award or as proscribed in a program regulation?

Yes____ No____

B. If NO, was a waiver obtained from the grantee?

Yes____ No____

Cash Management

1. A. Are all receipts (e.g., Federal grant funds and all other funds including program income) deposited daily?

Yes____ No____

If no, how often are they deposited? _____

B. Are all receipts deposited intact?

Yes____ No____

2. Are receipts controlled by registers?

Yes____ No____

3. A. Is the cash receipts function performed by someone other than the person who is responsible for signing checks, reconciling bank accounts or maintaining noncash accounting records, such as accounts receivable, the general ledger, or the general journal?

Yes____ No____

4. Does the organization have policies and procedures to ensure that the time elapsing between the transfer of funds and the disbursement of those funds is minimized?

Yes____ No____

5. Are bank statements reconciled at least monthly?

Yes____ No____

6. Do supporting documents accompany checks when they are submitted for signature?

Yes ___ No ___

7. Are supporting documents canceled to prevent reuse?

Yes ___ No ___

8. Are invoices or vouchers approved in advance by authorized officials?

Yes ___ No ___

9. Are blank checks secured?

Yes ___ No ___

10. Is the practice of drawing cash payable to "cash" or "bearer" prohibited?

Yes ___ No ___

Audit Resolution

1. Was the entity required to obtain an audit under OMB Circular A-133 for its most recently completed fiscal year?

Yes ___ No ___

A. If yes, did the entity obtain the required audit?

Yes ___ No ___

2. Has the entity assigned any individual or office the responsibility for resolving audit findings and questioned costs?

Yes ___ No ___

Record Retention and Access

1. Do the entity's policies meet or exceed Federal retention requirements for:

A. General Requirements: Three years from the final expenditure report or audit resolution or other action, whichever is later?

Yes ___ No ___

B. Real Property and Equipment: Three years from the date of disposition or replacement or transfer at the direction of the awarding agency?

Yes ___ No ___

II. PROGRAM

(This section is grant-specific. Risk should be assessed for programmatic requirements and those with greatest risk should be monitored).

1. Is the organization's management aware of the regulations and policies governing the award (e.g., grants administration regulations in 34 CFR Part 80 or its equivalent and 2 CFR Part 225, program regulations, grants manuals, etc.)?

Yes ___ No ___

III. PROGRAM FISCAL

Budget Formation and Administration

1. Does the Agency have an operating budget for each of its grants?

Yes ___ No ___

2. Does the organization have fiscal controls that result in:

A. Control of expenditures within the approved operating budget?

Yes ___ No ___

B. Management review and approval prior to issuing budget amendments or incurring obligations or expenditures which deviate from the operating budget?

Yes ___ No ___

3. Is there timely, periodic financial reporting to management which permits:

A. Comparison of actual expenditures with the budget for the same period?

Yes ___ No ___

4. Has the organization reflected the receipt of program income, if any, in its operational budgets?

Yes ___ No ___

5. Are line items costs for the grant award consistent with the program-office approved budget for the grant?

Yes ___ No ___ N/A ___

6. Were there expenditures recorded in the function that were not approved by the program office?

Yes ___ No ___

Program Income

1. Does the entity receive program income as the result of activities of Federal programs?

Yes ___ No ___

If NO this section is NOT APPLICABLE.

If yes, identify the programs and activities that generate program income.

2. Does the organization have written policies and procedures on the receipt and obligation/expenditure of program income?

Yes ___ No ___

3. Is an individual assigned the responsibility for the receipt of program income funds?

Yes ___ No ___

4. Is an individual assigned the responsibility for the obligation of program income funds?

Yes ___ No ___

5. Do the subrecipient's policies and procedures assure that program income is obligated properly and during the required period?

Yes ___ No ___ N/A ___

6. Was any interest earned on any program income received?

Yes ___ No ___

7. If the answer to #9 was YES, was that interest added to the program income account that gave rise to that interest income?

Yes ___ No ___

8. Does the subrecipient have procedures to identify and record program income to the correct accounts?

Yes ___ No ___

IV CROSS-CUTTING/FISCAL

Payroll/Time Distribution

1. Are payrolls supported by time and attendance or equivalent records for individual employees, including part-time employees?

Yes ___ No ___

2. Are time and attendance records approved by the supervisors?

Yes ___ No ___

3. A. Are payroll charges reviewed against the program's operating budget?

Yes ___ No ___

4. A. Where employees are expected to work on a single Federal award or cost objective, are the charges for their salaries and wages supported by periodic certifications that the employees worked solely on that program for the period covered by the certification?

Yes ___ No ___

B. If yes, are the certifications prepared at least semi-annually?

Yes ___ No ___

C. Are the certifications signed by the employee or supervisory official who has firsthand knowledge of the work performed by the employee?

Yes ___ No ___

5. Are there written policies on recording time distribution for employees who work on more than one program or cost objective?

Yes ___ No ___

6. Does the entity require time distribution records for employees who work on more than one program or cost objective?

Yes ___ No ___

If no, skip to question No. 12.

7. Where employees work on multiple activities or cost objectives, is the distribution of their salaries or wages supported by personnel activity reports or equivalent documentation?

Yes ___ No ___

8. Do the personnel activity reports or equivalent documentation meet the following standards:

A. They reflect an after-the-fact distribution of the actual activity of each employee?

Yes ___ No ___

B. They account for the total activity for which each employee is compensated?

Yes ___ No ___

C. They are prepared at least monthly and must coincide with one or more pay periods?

Yes ___ No ___

D. They are signed by the employee?

Yes ___ No ___

Property Management

1. Does the organization have written policies and procedures covering the use, management, and disposition of property acquired under Federal programs?

Yes ___ No ___

2. The following items refer to property records:

A. Do the organization's policies and procedures require equipment records to include:

1. A description of the equipment? Y/N
2. A serial number or other identification number? Y/N
3. Source? Y/N
4. Who holds title? (if not the organization, why not?) Y/N
5. Acquisition date? Y/N
6. Cost of equipment? Y/N
7. Percentage of Federal participation in cost? Y/N
8. Location? Y/N
9. Use? Y/N
10. Condition of equipment? Y/N
12. Disposition data (date of disposition, sale price of equipment if applicable, etc.) Y/N

3. The following items refer to control over and accountability for property:

Equipment:

1. Does the organization require a physical inventory or equipment and reconciliation of the inventory results with equipment records at least every two years?

Yes ___ No ___

2. Does the organization maintain a system of internal controls that provides reasonable assurance against loss, theft, damage, or unauthorized use of equipment?

Yes ___ No ___

H. Powerpoint – Based on an OVAE (Office of Vocational and Adult Education) presentation, Summer, 2011.

**SMART FISCAL MANAGEMENT
FOR ADULT LITERACY PROGRAMS**

Fall, 2011

Adapted from an OVAE supported training
conducted by AIR - M. Corley/L. Condelli

1

PART A AGENDA/CONTENTS

- Making Sense of Federal Laws and Regulations Governing Adult Education Programs: **AEFLA, EDGAR, OMB Circulars**
- Reviewing the Sticking Points
 - ✓ **Allowable Costs**
 - ✓ **Indirect Costs**
 - ✓ **Matching Requirements**
 - ✓ **Maintenance of Effort**
 - ✓ **Time and Effort Reporting**
 - ✓ **Supplement-Not-Supplant**
- Considering Internal Controls and Monitoring Expenditures
- Engaging in Self-reflection and Planning for Change

SECTIONS IN AEFLA

ADULT EDUCATION AND FAMILY LITERACY ACT

- State provisions
- + Section 221—State Administration
 - + Section 222—State Distribution of Funds; Matching Requirement
 - + Section 223—State Leadership Funds
 - + Section 224—State Plan
 - + Section 225—Programs for Corrections Education and other Institutionalized Persons
- Local provisions
- + Section 231—Grants and Contracts for Eligible Providers
 - + Section 232—Local Application
 - + Section 232—Local Administrative Cost Limits
- General provisions
- + Section 241—Administrative Provisions

3

KEY “FLOORS” AND “CEILINGS” FOR AEFLA FUNDS

State may retain	Up to 5% of award for (or \$65,000, whichever is greater)	Administrative Costs (Sect. 222)
State may use	Up to 12.5% for	State Leadership Activities (Sect. 223)
State must pass through	82.5% to eligible providers for	Adult education instructional services (Sect. 222), of which
	- Locals may use up to 10% for	Institutionalized persons
	- Locals may use up to 5% for (Sections 225; 232)	Planning, administration, personnel development, and interagency coordination
State must match	With 25% of total Federal and non-Federal monies), or 33% of Federal grant amount, in cash or in-kind, fairly evaluated,	[12% for territories] (Section 222 and EDGAR 80.24)

IMPORTANT— WE NEED TO KNOW THIS!

4

AEFLA: THREE CRITICAL PIECES

1. Matching Requirements

- A) In-kind Contributions
- B) Valuation of In-kind Services
- C) Matching Exclusions



2. Maintenance of Effort

3. Supplement-not-Supplant

5

1A. MATCHING REQUIREMENTS: IN-KIND CONTRIBUTIONS

- ➔ Need to be properly **documented** and **verifiable** from recipient records (recorded in the general ledger)
- ➔ Must be necessary for accomplishing **program objectives**
- ➔ Must be allowable according to cost principles (**OMB Circulars**) and grant (**AEFLA**) provisions
- ➔ Must **not** be included as contribution for other federally assisted programs
- ➔ Need to have the value supported by appropriate **documentation of fair market value**



6

1B. MATCHING REQUIREMENTS (CONT.): VALUATION OF IN-KIND SERVICES

Fair market value

=

**What-would-you-pay-
if-it- had-not-been-
donated?**



7

1A. MATCHING REQUIREMENTS (CONT.): IN-KIND CONTRIBUTIONS

To demonstrate that an in-kind contribution has been “fairly evaluated,” the grantee needs to provide documentation that supports its value.

e.g., Classroom space—must show actual cost for comparable space in the area, or a real estate appraisal, or cost of renting same space to other organizations

e.g., Volunteer’s time—must show value of a paid teacher’s time in the same program

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1C. MATCHING REQUIREMENTS (CONT.): EXCLUSIONS

AEFLA Section 222 [and EDGAR §80.24]

Matching may **not** be met by

- ▶ Another Federal grant or contract
- ▶ Third party in-kind contributions that are used to satisfy matching requirement of another Federal grant or contract award
- ▶ Costs financed by program income
- ▶ Services or property financed by income earned by contractors

Note: Cost sharing must be verifiable through records showing how value was derived.

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2. MAINTENANCE OF EFFORT

AEFLA Section 241(b) [and OMB Circular 133]

To receive federal adult education funds, the state must **maintain its fiscal effort** of state and/or local non-federal expenditures for adult education.

- ▶ Ensures that states do not reduce their financial commitment to the adult education program and that they maintain delivery of services.
- ▶ In other words, a state's non-federal share used to meet cost-sharing requirements **cannot be reduced by more than 10% from year to year.**

NOTES: You do not have to report full match.
Fundraising efforts count as match but must be maintained.

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2. MAINTENANCE OF EFFORT (CONT.)

To determine MOE

- Compare non-federal fiscal effort per student OR the aggregate non-federal expenditures of a state for adult education for second v. third preceding fiscal years.
- Aggregate expenditures from state and local funds for adult education for the second preceding year **must not be less than 90 percent** of that in the third preceding fiscal year.

[AEFLA 241a(b)]

NOTE: Look at high water mark! You can't vary more than 10% ever from that mark.

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2. MAINTENANCE OF EFFORT (CONT.)

CONSEQUENCES

If a State Cannot Meet the Required MOE

A reduction in the state MOE for adult education beyond the 10% threshold triggers an automatic pro-rata reduction in the federal allocation to the state.

Acceptable Costs and Contributions to Meet MOE

- Cash or in-kind, fairly evaluated
- Must include only non-federal funds used for adult education and literacy activities (consistent w/ AEFLA)
- A state may not "ratchet down" its effort by making each subsequent year's spending 90% of the comparison year's on an annual basis.

[AEFLA 241a(b)]

NOTE: If we had state funding, we would want to report the highest match possible to protect programs.

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3. SUPPLEMENT-NOT-SUPPLANT

AEFLA funds shall **supplement not supplant** other State or local public funds expended for adult education and literacy services [Section 241(a)]

In other words

Federal funds may not be used to pay for services, staff, programs, or materials that would otherwise be paid with state or local funds.



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3. SUPPLEMENT-NOT-SUPPLANT (CONT.)

A-133 Compliance Supplement presumes supplanting in these situations:

- ◆ Federal funds used to provide services the state (or local agency) is required to make available under other federal, state, or local laws
- ◆ Federal funds used to provide services that were supported by state or local funds in the prior year



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EDGAR

EDUCATION DEPARTMENT GENERAL REGULATIONS

ADMINISTRATIVE

§76—State-Administered Programs (including allowable costs and indirect rates)

§80—Financial Administration

- Maintain administrative and fiscal accountability (**EDGAR §80.20**)
- Submit annual financial reports within 90 days after the grant year (**EDGAR §80.41**)
- Submit final performance and financial reports within 90 days after expiration or termination of grant (**EDGAR §80.50**)



GENERAL MANAGEMENT, FIXED, AND SPACE MAINTENANCE COSTS

EDGAR §76.565, 76.566, and 76.568

- + Accounting
- + Payroll Preparation
- + Personnel Management
- + Building Costs
- + Janitorial Services and Supplies
- + Guard Services
- + Light, Heat, Power
- + Depreciation, Use Allowances, Amortization
- + All Other Related Space Costs



ADMINISTRATIVE LIMITS AND

INDIRECT COST CLAIMS

- Admin costs are those reasonable, necessary, and allowable costs associated with overall project management and not directly related to provision of services to participants or allocable to other cost categories.
- Admin costs can be both direct and indirect.
- Indirect costs are service-oriented costs that benefit the entire organization in a business sense.



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EXAMPLES OF

DIRECT ADMINISTRATIVE COSTS

- Salaries, benefits, and other expenses of staff who perform the following functions:
 - ✓ Overall program management
 - ✓ Preparation of program plans, budget schedules, etc.
 - ✓ ****** Monitoring of programs, projects, subrecipients, related systems and processes
 - ✓ Development of systems and procedures (e.g., MIS) for ensuring compliance with program requirements
 - ✓ Preparation of reports related to the program requirements
 - ✓ ****** Evaluation of program results against stated objectives
 - ✓ Performance of divisional level admin services such as program specific accounting, auditing, legal activities, etc.



**** Note:** Also an allowable leadership activity under AEFLA Sect. 223(a)(5)

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EXAMPLES OF NON-LABOR COSTS FOR DIRECT ADMINISTRATION

Costs for goods and services required for administration of the program, including

➔ Rental or purchase of

- ✓ Equipment
- ✓ **Utilities
- ✓ Office supplies
- ✓ **Postage
- ✓ ** Office space

➔ Travel costs incurred for official business in carrying out program management

****Note:** In some state agencies, these fall under indirect costs.



OMB CIRCULARS

Which Circular Do I Follow?

Of the six grant circulars, you are covered by three, depending on type of entity.

➔ STATES, LOCAL GOVERNMENTS, AND INDIAN TRIBES

- A-87 for cost principles, Relocated to 2CFR, Part 225
- A-102 for administrative requirements (common rule)
- A-133 for audit requirements

34 CFR Part 80 –
This section for
community
colleges.

➔ EDUCATIONAL INSTITUTIONS

- **A-21 for cost principles, Relocated to 2CFR, Part 200**
- A-110 for administrative requirements, Relocated to 2 CFR, Part 215
- A-133 for audit requirements

➔ NON-PROFIT ORGANIZATIONS

- A-122 for cost principles, Relocated to 2CFR, Part 230
- A-110 for administrative requirements, Relocated to 2CFR, Part 215
- A-133 for audit requirements

OMB CIRCULAR A-87 TOPICS

1. Cost Accounting Standards (CAS)
2. Direct v. Indirect Costs
3. Allowable v. Unallowable Costs
4. Time and Effort Reporting



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COST ACCOUNTING STANDARDS

- Consistency in estimating, accumulating, and reporting costs
- Consistency in allocating costs incurred for the same purpose
- Accounting for unallowable costs
- Cost accounting period (fiscal year)

OMB CIRCULAR A-87

Two methods of allocating costs:

Direct and **Indirect**

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DIRECT COSTS

DEFINITION

Costs that are directly identifiable and assignable to a specific project or activity and that support the project's purpose and activity

Example

- ◆ Salary, wages, fringe benefits
- ◆ Consultant fees
- ◆ Subcontracts
- ◆ Materials and supplies for project work

- OMB CIRCULAR A-87

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INDIRECT COSTS

DEFINITION

Costs that are incurred for common or joint objectives and cannot be specifically identified with or allocated to a particular project or activity

Example

- ◆ Business office functions, including accounting and finance
- ◆ Human resource functions
- ◆ Computer hardware (general purpose)
- ◆ Facilities costs (space rental, utilities, etc.)
- ◆ Maintenance

- OMB CIRCULAR A-87

NOTES:

1- Cannot assign cost as direct cost to federal grant if assigned as indirect cost under state programs.

2- 8% or less of direct is the limit (Part 76.563)

Ex.:

\$1,000,000 allocation total

\$825,000 to program; \$165,000 admin. & leadership (Direct)

Report 8% of the \$175,000 as indirect

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HELPFUL QUESTIONS TO ASK

WHEN ANALYZING COSTS

Is the proposed cost

- ➔ Consistent with federal cost principles?
- ➔ Allowable under AEFLA?
- ➔ Consistent with an approved program plan and budget?
- ➔ Consistent with program specific fiscal rules?
- ➔ Consistent with EDGAR?



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FACTORS AFFECTING

COST ALLOWABILITY

All costs must be...

- ➔ **Reasonable**: incurred by a prudent person, and necessary for the performance of the project
- ➔ **Allocable**: Charged in accordance with benefits received; proportional, i.e., Costs of one project may not be shifted to another.
- ➔ **Allowable (Legal)**: OMB circulars, EDGAR, AEFLA, local regulations

- OMB CIRCULAR A-87

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NECESSARY AND REASONABLE

- ➔ Practical aspects of “**necessary**”
 - ✓ Do I really need this?
 - Surplus property/existing resources
 - Lease v. purchase
 - ✓ Is this the minimum amount needed to meet my program need?
- ➔ Practical aspects of “**reasonable**”
 - ✓ Is the expense targeted to valid programmatic/ administrative considerations?
 - ✓ Do I have the capacity to use what I am purchasing?
 - ✓ Did I pay a fair rate? Can I prove it?
 - ✓ If asked to defend this purchase, how would I do it?

- OMB CIRCULAR A-87

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ALLOCABLE

- ➔ Can charge **only** in proportion to the value or benefits received by the program

Example: State purchases a large copier to use 50% in Adult Ed and 50% in a state program – can charge only half the cost to federal funds.

NOTE: If you can't do it under state law, you can't purchase it with federal funds!

- ➔ Two Methods of allocating costs:
 - ✓ Direct cost allocation
 - ✓ Indirect cost allocation

- OMB CIRCULAR A-87

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ALLOWABLE COSTS

To be **allowable**, a cost must...

- ➔ Be reasonable for the performance of the award and be allocable in accordance with **A-87**;
- ➔ Conform to any limitations or exclusions set forth in **A-87**;
- ➔ Be consistent with policies and procedures that apply uniformly to both federally financed and other activities of the organization;
- ➔ Not be included as a cost of any other federally financed program (or used to meet matching requirements);
- ➔ Be adequately documented.

NOTES: Matching funds must be for allowable use. Example: You can't use matching or allocated funds to pay for GED graduation or entertainment at a meeting.

- OMB CIRCULAR A-87

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FEDERAL COST PRINCIPLES

OMB Circular A-87

- ✓ 43 specific costs detailed
- ✓ Listed in alphabetical order



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SEE ALLOWABLE/UNALLOWABLE CHECKLIST

- ✓ Review the list of selected cost items and decide for each item if it is allowable or not allowable under federal grants and contracts, as specified in EDGAR and in OMB Circular A-87.
- ✓ Feel free to use **EDGAR** and **OMB A-87** to complete this activity.

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QUESTIONS TO ASK WHEN ANALYZING COSTS

Is the proposed cost...

- Consistent with federal cost principles?
- Consistent with EDGAR?
- Allowable under AEFLA?
- Consistent with an approved state plan and budget?
- Consistent with the state's specific fiscal rules?
- Consistent with the underlying needs of the program
 - ✓ Is it the result of data-driven decision-making?
 - ✓ Does it target funds for areas needing improvement?



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WHEN IN DOUBT ABOUT

WHETHER A COST IS ALLOWABLE ...

Ask Yourself...

1. Does it pass the “**sniff test**”?
2. Would you care if this expenditure were reported on the **front page** of the *Washington Post* or (substitute your state newspaper’s name)?
3. Does this cost reflect the **spirit of the law** (e.g., definitions and purpose of adult education under AEFLA)?

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TIME AND EFFORT DOCUMENTATION

- Applies to every employee funded from federal funds and subrecipients

Purposes

- ✓ To document that the **appropriate Federal program** is receiving the benefit of the services supported by grant funds; and
- ✓ To verify the **actual time** spent on a Federal program receiving the benefit of that effort.
- ✓ Is the person claiming work against your grant **actually** doing work for the grant?

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DIFFERENCE BETWEEN PAYROLL & EFFORT?

- **Payroll** distribution – sources (funds) of an individual's salary
- Effort distribution – allocation of an **individual's activities**

The purpose of the effort certification process is to verify and ensure that the **payroll and effort distributions are in line with each other** for the reporting cycle.

- + Work activities may actually occur other than as planned for in the budget or as reflected in the current payroll distribution.

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TIME AND EFFORT DOCUMENTATION (CONT.)

According to OMB Circular A-87 (Federal cost principles):

- Time must be based on **actual** after-the-fact activity of each employee, **not** on a predetermined or estimated basis
- Must account for the **total** activity for which each employee is compensated
- For employees working on multiple federal awards, actual personnel costs should be charged to each award
- Must be prepared at least **monthly** and should coincide with one or more pay periods
- Must be **signed** by
 - The employee
 - The supervisor having first-hand knowledge of how individual spent time

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EXPECTATIONS RE:

TIME AND EFFORT

1. Charges for salaries and wages will reflect **actual effort** expended—not necessarily the proposed or budgeted effort.
2. Charges for salaries and wages, whether treated as direct costs or indirect costs, will be **based on documented payrolls/effort reports** approved by a responsible official of the organization.
3. Significant **changes** in actual effort v. budgeted effort will be **adjusted**.

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TIME AND EFFORT DOCUMENTATION (CONT.)

◆ **State, Local, and Indian Tribal Governments (OMB Circular A-87)**

SEMI-ANNUAL CERTIFICATION

- × Employees are expected to work solely on a single Federal cost objective, e.g., Leadership v. Administration

MONTHLY PERSONNEL ACTIVITY REPORT

- × Employees work on multiple activities or cost objective

NOTE: T&E requirement applies to subrecipients

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FINANCIAL MANAGEMENT SYSTEMS

For an accounting system to be considered adequate, it must meet the following criteria:

- + Record of accounts
- + Compliance with Federal and state regulations
- + **Internal controls**



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WHAT ARE INTERNAL CONTROLS?

Tools to help program managers achieve results and safeguard the integrity of their programs

Includes processes for

- Planning,
- Organizing,
- Directing,
- Controlling, and
- Reporting on agency operations



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WHY HAVE INTERNAL CONTROLS?

- Improve accountability to customers
- Help organization achieve performance and budget targets
- Improve reliability of financial reporting
- Establish clear processes and procedures for completion of tasks
- Improve compliance with laws and regulations
- Prevent loss of resources and public assets
- Prevent loss of public trust

NOTE: Remember this is true on the state and local levels.

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IMPORTANT SECTIONS IN EDGAR

- Follow State financial management rules and regulations
[EDGAR §80.20(a)]
- Keep records related to grant funds
[EDGAR §80.20(b)(2)]
- Support accurate, current, and complete financial reporting [EDGAR §80.20(b)(1)]
- Adhere to established internal controls
[EDGAR §80.20(b)(3)]



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ACCOUNTING

Requires that

- ▶ Separate account is established for each project
- ▶ Actual expenditures are compared to budgeted amounts on a routine basis
- ▶ Program income is identified and accounted for by project



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STATE AND LOCAL BUDGET MONITORING

Requires that

- ▶ Actual expenses are periodically compared with budget
- ▶ Actual expenses are reasonable, allocable, allowable, and consistently charged
- ▶ Mischarges are corrected in a timely manner (cost transfers)
- ▶ Prior approvals are obtained when required
- ▶ State and local program agree on expenses



Questions:

Who in your agency performs this function?
How often do you check on this?

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BUDGET V. ACTUAL

Actual expenses should be compared at least monthly to the budget to ensure

- Total funds on the grant have not been exceeded
- Total funds are used appropriately
- Total funds for any cost category have not been exceeded
- Total minimum expenditures for any cost category have been met (e.g., 82.5% for instruction)
- State needs to be made aware of line items coming close to the total budgeted amount for possible adjustments needed.



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ACCURATE CHARGES

Actual expenses should be reviewed at least monthly to ensure they are accurate and

- + Reasonable
- + Allocable
- + Allowable
- + Consistently applied



Question: Who in your agency performs this function? How often do you check on this?

Who checks that you have not been overcharged or double-billed for a service or product?

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COST TRANSFERS

- Used to correct
 - ☑ Erroneous charges
 - ☑ Unreasonable charges
 - ☑ Unallocable charges
 - ☑ Unallowable charges
 - ☑ Inconsistently applied charges
- Must be well documented
- Must be made within 90 days from the time error was discovered

Questions: Who in your agency performs this function? How often do you check on this?

Does your agency use a different term for “cost transfer”? If so, what is the term?

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TYPES OF INTERNAL CONTROLS

Operating controls

- Provide management with the assurance regarding efficiency and effectiveness of procedures
- Encompass charts of account and procedural manuals for functional activities

Accounting controls

- Ensure reliability of recorded financial data
- Appropriate level of review and authorization

Compliance controls

- Ensure that restricted funds are used for intended purposes

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CONTROL CONSIDERATIONS

- Segregating Federal and non-Federal expenditures in accounting system
- Differentiating between Federal grants expenditures
- Identifying equipment or property purchased with Federal funds
- **Preparation of financial reports**
 - + Accuracy
 - + Timeliness



Questions: Who in your agency performs this function?
How is it done?
How often do you check on this?

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KEY ELEMENTS OF INTERNAL CONTROL

- **Documented policies and procedures**
 - ✓ Establish standards for the organizational operations
 - ✓ Maintain critical operations information (Not in employees' heads)
- **Review process for financial reports and budgets**
 - ✓ Adequate
 - ✓ Accuracy
 - ✓ Completeness
 - ✓ Overall reasonableness



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KEY ELEMENTS OF INTERNAL CONTROL (CONT.)

PAYROLL

- System to track employees activities
 - ✓ Time and attendance records
 - ✓ Activity logs



- Pay checks should be
 - ✓ Supported by timesheets
 - ✓ Approved by supervisors

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KEY ELEMENTS OF INTERNAL CONTROL (CONT.)

MATCHING REQUIREMENTS

- Institute a policy requiring that match will be periodically calculated and reported - minimum quarterly (**THIS IS A CHANGE!!!!**)
- Ensure staff are familiar with various grant matching requirements
- Ensure all matching funds are properly documented and entered into the General Ledger



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KEY ELEMENTS OF INTERNAL CONTROL (CONT.)

SUB-GRANTEE MONITORING/MULTI-SITE PROGRAM

NOTE: Grantee (Iowa Dept. of Education) is responsible for all funds that are passed on or awarded to sub grantees.

- ▶ State's **responsibilities** include ensuring that
 - ✓ All sub-grantees are aware of provisions and requirements
 - ✓ Expenditures are properly documented
 - ✓ Financial reports correlate to source documentation
 - ✓ Any finding and/or question about costs is resolved properly and in a timely manner

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IMPORTANCE OF STATE AND LOCAL FISCAL POLICIES AND PROCEDURES

- ▶ Standards for the fiscal operations regarding the grant
- ▶ Help in maintaining information crucial to operations that would otherwise remain in employees "heads"
- ▶ Help orient new employees and substitutes if the appropriate personnel are absent

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IMPORTANCE OF STATE AND LOCAL FISCAL POLICIES AND PROCEDURES (CONT.)

Documented Policies and Procedures may include

- ◆ Chart of Accounts
- ◆ Identification and description of the principal accounting records
- ◆ Assignment of responsibilities, delegation of authority, etc.
- ◆ Procurement Policies
- ◆ Instructions for recurring tasks such as:
 - ✓ Reviewing budgets and match requirements
 - ✓ Timely Reporting
 - ✓ Preparing for Monitoring
- ◆ Explanations of documentation and approval requirements for expenditures

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SUPPORTING DOCUMENTATION

Examples of **supporting documentation** include

- ◆ Purchase orders
- ◆ Contracts and budgets
- ◆ Time and attendance records
- ◆ Payroll Register
- ◆ Vendor invoices
- ◆ Check requests
- ◆ Bank Statements

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RECAP: KEY ELEMENTS OF FINANCIAL MANAGEMENT

Efficient Accounting System—must be capable of:

- ◆ Distinguishing between federal v. non-federal expenditures and tracking these separately
- ◆ Identifying costs by program year
- ◆ Identifying costs by budget category
- ◆ Differentiating between direct and indirect costs
- ◆ Maintaining separate funding streams (**co-mingling not allowed!**)
- ◆ Allowing management to easily obtain financial reports at both the summary and detailed levels

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RECAP: KEY ELEMENTS OF FINANCIAL MANAGEMENT (CONT.)

BUDGET CONTROLS

- ◆ A budget is...
 - ✓ A financial blueprint to help an organization meet its goals and objectives
 - ✓ A tool to help ensure an organization is meeting matching requirements
- ◆ Business office manager and local program coordinator should communicate with state director to:
 - ✓ Periodically review budget to actual expenses
 - ✓ Ensure budget changes are properly approved
 - ✓ Review movements between line items and verify if they are within provisions and/or guidelines—not greater than 10% of award

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RECAP: KEY ELEMENTS OF FINANCIAL MANAGEMENT (CONT.)

INTERNAL CONTROLS

- ◆ Organization has developed and communicated rules of operations to employees
- ◆ Follow-up is done to ensure that expectations are met
- ◆ Financial duties are properly segregated
- ◆ Accounting system tracks grant and matching funds separately
- ◆ Accounting system is used to create financial reports

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WHAT IS FISCAL MONITORING?

- × More than on-site visit
- × Occurs throughout the life of the grant
- × Includes ongoing monitoring as well as technical assistance and corrective action
- × Goal is improved performance

THE STATE'S (GRANTEE'S) RESPONSIBILITIES IN SUBRECIPIENT MONITORING

- ✘ A pass-through entity shall..[m]onitor the activities of subrecipients as necessary to ensure that Federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieve

OMB CIRCULAR A-133 __.400(D)(3), ISSUED UNDER THE SINGLE AUDIT ACT OF 1984, P.L . 98-502, AND THE SINGLE AUDIT ACT AMENDMENTS OF 1996, P.L . 104-156.

THE STATE'S (GRANTEE'S) RESPONSIBILITIES IN SUBRECIPIENT MONITORING

Grantees must:

- ✘ Monitor subrecipients through site visits, limited scope audits, or other means;
- ✘ Review subrecipient audits as necessary to determine whether prompt and appropriate corrective actions have been taken;
- ✘ Require subrecipients to make records and financial statements available to independent auditors
- ✘ **STANDARD: MONITORING EFFORTS MUST PROVIDE A REASONABLE ASSURANCE THAT A SUBRECIPIENT ADMINISTERS FEDERAL FUNDS IN COMPLIANCE WITH LAWS AND REGULATIONS AND THAT PERFORMANCE GOALS ARE ACHIEVED**

FEDERAL REGULATIONS

- ▶ **Require** all grant recipients to **monitor** their subrecipients' uses of federal dollars, but
- ▶ Do **not** prescribe **how** to meet this requirement.

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FEDERAL REGULATIONS

EDGAR §80.40 –State, Local, and Indian Tribal Governments

Grantees are responsible for managing the day-to-day operations of grant and subgrant support activities.

Grantees must monitor grant and subgrant supported activities to assure compliance with applicable Federal requirements and that performance goals are being achieved. Grantee monitoring must cover each program, function, or activity.

EDGAR §74.51(a) –IHEs, Hospitals, Non-profits

Recipients are responsible for managing and monitoring each project, program, subaward, function, or activity supported by the award. Recipients shall monitor subawards to ensure subrecipients have met [A-133] audit requirements in §74.26.

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MONITORING MISSION

- ▶ To ensure stewardship over Federal funds awarded to subrecipients by conducting

- ✓ On-site financial reviews
- ✓ Desk-based financial reviews
- ✓ Resolution of audit reports
- ✓ Technical assistance to grantees



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PURPOSE OF SUBRECIPIENT MONITORING

1. Understand and assess **financial** and **management** systems and capabilities
2. Ensure **compliance** with rules, regulations, and requirements
3. **Safeguard** federal funds **against fraud, waste, and abuse**
4. Help identify potential **audit issues**
5. Identify **technical assistance** and **training** needs
6. Identify needed **improvements**
7. **Follow up** on issues or corrective actions

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RESPONSIBILITIES OF THE PASS-THROUGH ENTITY (THE STATE)

A-133 COMPLIANCE SUPPLEMENT

Outlines the following forms of monitoring activity for the **pass-through entity** :

- **REPORTING** – Reviewing financial and performance reports submitted by the subrecipient.
- **SITE VISITS** – Performing site visits at the subrecipient to review financial and programmatic records and observe operations (Desk review not sufficient).
- **REGULAR CONTACT** – Regular contacts with the subrecipients and appropriate inquiries concerning program activities.

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THE STATE'S RESPONSIBILITIES RE: SUBRECIPIENT MONITORING

1. **Communicating** to subrecipients their **responsibilities related to compliance** with Federal and state award terms and conditions.
2. Monitoring subrecipients to **ensure compliance** with **federal regulations** and with prime and subrecipient **award terms and conditions**;
3. **Reviewing invoices** from subrecipients and **questioning expenditures**, if necessary;
4. **Maintaining documentation** of monitoring efforts;
5. Providing **feedback** to subrecipients that cites strengths as well as areas for improvement;
6. Setting a **plan of corrective action** and technical assistance for those areas out of compliance.

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FEDERAL REQUIREMENTS: BOTTOM LINE

- × **Why** must grantees monitor subrecipients?
 - + It's the **law**. Subrecipients must be monitored to *reasonably* ensure **both** program compliance and performance.
- × **How** must grantees monitor subrecipients?
 - + It's up to the grantee (state) and may include: site visits, reviewing performance and financial reports, and performing limited scope audits, but no one method is *required* so long as there's a **reasonable** assurance that compliance and performance requirements are met.

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STATE: BOTTOM LINE

- ▶ Monitoring will be conducted in a **spirit of helpful support**.
- ▶ The state seeks to:
 - ▶ *Identify your program strengths and*
 - ▶ *Identify areas for improvement,*
 - ▶ *Work with local programs to develop suggestions for refining systems and processes.*
- ▶ *"We're not here to pounce on you with 'Gotcha!'s, but to be your best supporters and to help you make your program the very best it can be."*

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BEWARE!

The state retains overall responsibility.

If the local program misspends Federal funds, the state is responsible for making restitution to the Federal government.

Therefore, accountability will be elevated to a level where we are all comfortable with spending and reporting processes.

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WHAT MAKES UP IOWA'S FISCAL MONITORING PLAN?

- ▶ **Section A - Written set of policies and procedures that guide the scope and frequency of monitoring activities, including:**
 - ▶ Follow up on corrective actions including:
 - ▶ Risk assessment, i.e., what factors determine the methods and frequency of fiscal monitoring
- ▶ **Section B – Current Monitoring Schedule**
- ▶ **Section C - Monitoring Checklist**

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PLAN FOR 2011-2012

- × Continue with ABE-9 process for entering fiscal information this fall for PY2011.
- × Beginning in October, reimbursement information will be entered into iowagrants.gov each quarter for ABE, EL/Civics and Teacher Training Reimbursement.
- × **ADULT LITERACY COORDINATOR AND BUSINESS MANAGER WILL NEED TO BE REGISTERED TO SIGN OFF ON EACH QUARTERLY REIMBURSEMENT FORM.**

PLAN FOR 2011-2012 (CONTINUED)

Quarterly Reports will include:

- + Allocations for:
 - × ABE
 - × EL/Civics
 - × Teacher Training
 - × ABE Institute
 - × CASAS
- + Administrative % and amount for each quarter
- + Any indirect charges
- + Local match
- + Program Income
- + Amount of funds used for corrections

NEW INFORMATION REQUIRED WITH QUARTERLY REPORTS

1-Quarterly Narrative - Adult Literacy Coordinator will briefly summarize:

- × professional development activities
- × program successes and challenges
- × use of funds
- × data collection highlights
- × program evaluation efforts
- × other relevant information

2-Colleges will need to scan and upload documentation to support each expense.

3- ABE-9 should generate itself next year.

KEY MONITORING REVIEW AREAS

- ▶ **FINANCIAL ACCOUNTING SYSTEM** - Adequate, generally accepted principles
- ▶ **POLICIES AND PROCEDURES** – Written, adequate, followed
- ▶ **INTERNAL CONTROLS** – Adequate, followed
- ▶ **EXPENDITURES** – Appropriately documented, recorded, allocated, allowable
- ▶ **PERSONNEL TIME AND ACTIVITIES** - Appropriately documented and allocated
- ▶ **MATCH** (cash and in-kind) – Appropriately documented, recorded, allocable
- ▶ **FINANCIAL REPORTS** – Internal and external; supported by accounting records
- ▶ **SOURCE DOCUMENTATION** – Clear, retained, sufficient audit trail

NEW PROCESSES TO BE IMPLEMENTED

- ✘ All documentation will be carefully reviewed.
 - + Additional information may be requested.
 - + No additional action is required.
 - + On-site visit is requested, offered or provided.
- ✘ Those programs experiencing on-site visits may be asked to provide additional financial documentation and information for monitoring.
- ✘ Additional programs may be monitored depending on risk.
- ✘ A local program may request an on-site fiscal monitoring visit.

WHAT ARE RISK INDICATORS?

Risk factors will increase the likelihood of an on-site monitoring visit or request for additional information:

- ▶ Any factor that increases the potential harm to the federal interest, or
- ▶ The likelihood that a subrecipient will not comply with program requirements or meet performance goals.
- ▶ Risk factors may be internal (staff turnover, non-compliance, significant change in performance) or external (amount of federal dollars spent requires attention)

EXAMPLES OF RISK INDICATORS

RISK INDICATORS

- Size of subrecipient's Federal award
- Prior findings: audits, federal program monitoring, grantee monitoring
- Program performance
- Program deliverables behind schedule
- Change in program scope or activities
- Financial stability
- New management system
- Fraud—suspicion or actual

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RISK-ASSESSMENT QUESTIONS



Based on financial reporting, the Iowa Dept. of Education will regularly evaluate each local program and estimate risk to determine if the subrecipient is low or high risk.

- + Should a targeted monitoring visit take place?
- + Has a monitoring visit been requested?
- + Are there any special considerations needed?
- + What controls might need to be put in place?

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FREQUENTLY FOUND ISSUES 1

DOCUMENTATION

Needed for systems, policies, procedures
Needed for all financial transactions, entries

COMMON PROBLEMS WITH DOCUMENTATION:

- ▶ Does not support charges or transaction
- ▶ Missing
- ▶ Inadequate
- ▶ Improper
- ▶ Records or files not retained

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FREQUENTLY FOUND ISSUES 2

ADMINISTRATIVE COSTS

- × Exceeds 5% or negotiated amount
- × Charged to program costs
- × Indirect costs charged an unapproved, outdated, or inappropriate rate

BUDGETS AND REPORTS

- × Missing documentation to support costs and match
- × Difference between financial reports and accounting records (don't track back or reconcile)
- × Costs not included or approved in budget
- × Duplicative costs
- × No periodic comparison of budgeted to actual expenditures
- × Major variances between budgeted and actual expenditures

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FREQUENTLY FOUND ISSUES 3

QUESTIONED OR UNALLOWABLE COSTS

- ✘ Missing or improper documentation
- ✘ Costs paid before or after grant period
- ✘ Non-compliance with applicable cost principles

EXPENDITURES

- ✘ Not properly documented, recorded, or tracked

MATCH (CASH AND IN-KIND)

- ✘ Shortfall
- ✘ Source not identified
- ✘ Not properly documented, recorded, or tracked
- ✘ Missing or improper source documentation
- ✘ Allocation – systems did not track
- ✘ Valuation – reasonableness – relation to award
- ✘ Inadequate system of tracking match expenditures

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FREQUENTLY FOUND ISSUES 4

FINANCIAL REPORTS

- ✘ Delinquent – not submitted or late
- ✘ Inaccurate -- math errors, mistakes from previous periods
- ✘ Don't reconcile with or track back to accounting records
- ✘ Report budgetary data rather than actual expenditures
- ✘ Report same amount each report of 1/12th of one year's budget

TIME AND EFFORT

- ✘ Missing, incomplete, or improper timesheets
- ✘ Timesheets not signed by member or site supervisor
- ✘ Staff time not properly documented and allocated to various activities (cost centers)
- ✘ Charges and costs not based on actual after-the-fact records, but on budgeted or pre-established amounts or percentages
- ✘ Time records do not comply with applicable OMB cost principles

TRAVEL, CONTRACTOR, AND CONSULTANT COSTS

- ✘ Not justified or supported
- ✘ Consulting rate exceeds maximum allowed
- ✘ Reimbursement inappropriate

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RESOLUTION OF FINDINGS

- ▶ Should no issues be found, all documentation will be filed and a report will be prepared congratulating the program for appropriate fiscal management of grant funds.
- ▶ If problems appear, a request for a **Corrective Action Plan (CAP)** will sent by the DE including:
 - ✓ Description of each finding
 - ✓ Suggested steps to be taken to implement the recommendation(s)
 - ✓ Timetable for performance of each correction action
- ▶ The subrecipient will then generate a response to the request for a Corrective Action Plan within 30 calendar days of the request.
- ▶ The state will analyze the response, approve or request changes, and will then follow up on action taken .

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PROGRAM INCOME

- ▶ Program Income - fees for services performed that are charged to students to defray program costs.
 - ▶ Must be reasonable (approx. \$100-\$150)
 - ▶ Can't be used to pay GED testing fees
 - ▶ Must be used for allowable activities
 - ▶ Must be reported to DE, so we can report to feds
 - ▶ Not grant funds
- ▶ Grant Award letter from USDE/OVAE provides guidance related to program income (Section D)

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PROGRAM INCOME

- ▶ **Two applications of program income:**
 - ▶ Applied to federal allocation/grant which is then reduced.
 - ▶ Applied to program budget and used FOR THE ADULT LITERACY PROGRAM.

I. Iowa's Allocation letter from OVAE



UNITED STATES DEPARTMENT OF EDUCATION
OFFICE OF VOCATIONAL AND ADULT EDUCATION

THE ASSISTANT SECRETARY

Honorable Jason Glass
Director of Education
Iowa Department of Education
Grimes State Office Building
400 East 14th Street
Des Moines, Iowa 50319-1046

Dear Mr. Glass:

This letter approves the Adult Education and Family Literacy Act (AEFLA) State plan extension and the agreed upon levels for the core indicators of performance for the one-year period from July 1, 2011, through June 30, 2012.

Enclosed is your Grant Award Notification for the AEFLA State grant program, authorized by Title II of the Workforce Investment Act of 1998. These funds are for the program year beginning July 1, 2011, and may be obligated during the 27-month period ending September 30, 2013. Your grant award includes \$277,347 reserved by Congress for "integrated English literacy and civics education services to individuals who are immigrants and other limited English proficient populations."

We wish you success in expanding quality adult literacy services to the adults in your State. Please let us know if we can be of further assistance.

Sincerely,

Brenda Dann-Messier

Enclosure

cc: State Director

400 MARYLAND AVE. S.W., WASHINGTON, DC 20202-7100

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