

FISCAL MANAGEMENT FOR ADULT LITERACY PROGRAMS

Fall, 2011

Adapted from an OVAE supported training conducted
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SECTIONS IN AEFLA RELATED TO ADULT LITERACY

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

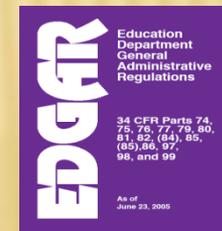
- + **Section 231**—Grants and Contracts for Eligible Providers
- + **Section 232**—Local Application
- + **Section 232**—Local Administrative Cost Limits

General provisions

- + **Section 241**—Administrative Provisions

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)]



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)

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 RESPONSIBILITIES IN SUBRECIPIENT MONITORING

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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**

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

IMPORTANT!

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.

PLAN FOR 2011-2012

- ✘ Continue with ABE-9 process for entering fiscal information this fall for FY2011.
- ✘ 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 (Or Designee) 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 & other entities**

NEW INFORMATION REQUIRED WITH QUARTERLY REPORTS BEGINNING 10/11

1-Quarterly Narrative

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

3- ABE-9 should generate itself next year.

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.**

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

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

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

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

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

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

Questions:

Who in your agency performs this function?

How often do you check on this?

FISCAL POLICIES AND PROCEDURES MUST BE DEVELOPED AND FOLLOWED

- + 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**

IMPORTANCE OF STATE AND LOCAL FISCAL POLICIES AND PROCEDURES

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

QUESTIONS ASKED 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?

ACCURATE CHARGES

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

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

Questions: 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?

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, but maintain same characteristics**
- ✘ **Grant Award letter from USDE/OVAE provides guidance related to program income (Section D)**

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.
- + Any use of program income is documented.

ADDITIONAL CONTROL CONSIDERATIONS

- Segregating Federal and non-Federal expenditures in accounting system
- 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?

SUPPORTING DOCUMENTATION

Examples of **supporting documentation** include:

- ➡ Vendor invoices
- ➡ Time and attendance records ***
- ➡ Payroll Register
- ➡ Accounting System Reports

SUPPORTING DOCUMENTATION

Supporting documentation needs to answer the following questions:

- × Who was paid
- × When were they paid
- × How much were they paid

WE REALLY ARE HERE TO HELP!

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