

ND SCHOOL BUSINESS MANAGER SPRING REGIONAL WORKSHOPS

FEDERAL PROGRAMS & FUNDING

MAY 5TH – 8TH, 2014

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Today's Topics

- Federal Funding – Title I & Title II, Part A
- Determining if expenses are allowable under federal programs
- Standards for Financial Management Systems
- Audits vs. Compliance Monitoring
- Upcoming Deadlines
- Future Key Issues
- Resources Available

ND's Share of Federal Title I & Title IIA Funds

□ **Title I**

- SY 12-13 Title I \$ 35,555,892
- SY 13-14 Title I \$ 32,448,059
- SY 14-15 Title I **est** \$ 33,193,760

□ **Title II, Part A**

- SY 12-13 Title IIA \$11,194,200
- SY 13-14 Title IIA \$ 10,582,856
- SY 14-15 Title IIA **est** \$ \$ 10,582,316

ND's Share of Title I

- SY 13-14 Final allocations were reduced 8.7%
 - 5.2% due to budget sequestration
 - 3.5% for reduction in overall state poverty numbers.
- SY 14-15 estimated allocations increased by 2.3% or \$745,701
- SY 14-15 final allocations – not available yet but hopefully very soon!

ND Share of Title II, Part A

- SY 13-14 Final allocations were reduced 5.5% - again a combination of budget sequestration and reduction in state poverty numbers.
- SY 14-15 estimated allocations decreased a minimal amount \$544
- SY 14-15 final allocations – not available yet but hopefully very soon!

Future of Title I & Title II, Part A

- The federal funding charts on USDE website show estimates for FY 15-16 with level funding for Title I and a reduction for Title II, Part A
- *But, this is not a guarantee!! Very difficult to predict!*
 - *Poverty counts*
 - *Overall Funding Levels*
 - *President & Congressional priorities*
- Short answer – I don't know...



So...What Do I Know?

- As soon as USDE releases final allocations, I will calculate, post to the web and consolidated application.
- Since estimates were early, hopeful that final allocations appear very soon.
- Historically final allocations vary slightly from estimates for Title I and hardly enough to notice for Title II, Part A.
- As a School District Business Manager, why should I care?? 2 reasons:
 - ▣ All LEA financial reports for federal programs **must** be signed off on by the Business Manager.
 - ▣ All LEA Budget Revisions for federal programs **must** be signed off on by the Business Manager.

Major Federal Programs Administered by NDDPI that LEAs may be Familiar

- Title I, Part A
- Title I School Improvement Grants
- Title II, Part A
- Title III
- 21st Century Community Learning Programs
- Migrant
- McKinney Vento Homeless
- Adult Education
- National School Lunch Program
- School Breakfast Program
- After School Snack
- Fresh Fruit and Vegetable Program
- Special Education Program
- Description of all federal grants listed on NDDPI website at:
<http://www.dpi.state.nd.us/grants/grntdesc.shtm>

Determining if Expenses are Allowable Under Federal Grants

- All costs charged to any federal funds received by the school district must pass these 4 tests
 - Necessary
 - Reasonable
 - Allocable
 - Legal under state and local law

Necessary & Reasonable Test

- The necessary and reasonable test - costs must be necessary & reasonable for the proper and efficient performance and administration of the grant.
 - ▣ Necessary – does the cost address an existing need and can the LEA prove it?
 - ▣ Reasonable – can the cost pass the ‘prudent person’ test? Is it reasonable in the nature and cost of the expense?

Allocable & Legal

- Costs are allocable to a federal program if goods & services are assignable to the program “in accordance with relative benefit received”
 - ▣ Ex. If teacher is paid with Title I funds at 50%; then that teacher must spend at least 50% of time providing a benefit to the Title I Program.
- Costs must always be allowable under state and local laws

Standards for Financial Management Systems

- EDGAR 80.20 details the 7 standards for financial management systems for federal grants.
- All SEA & LEA systems must follow these standards *at a minimum*
 - Financial Reporting
 - Accounting records
 - Internal controls
 - Budget control
 - Allowable cost
 - Source documentation
 - Cash management

7 Standards - Defined

- Financial reporting – recipients of federal funding must maintain enough information about activities to enable submission of complete and accurate reports. (i.e. Mid-Year and Final Financial Reports)
- Accounting records – recipients must maintain records that adequately identify where funds came from and how they were spent. (i.e. \$2,000 for XYZ Consulting Service)
- Internal controls – recipients must maintain effective controls for all cash, property and other assets & ensure they are used solely for authorized purposes. (i.e. expense approvals, reconciliations, asset inventory)

7 Standards – Defined (continued)

- Budget control – recipients must compare budgeted amounts to actual expenditures (i.e. reconcile actual expenses with budget to ensure funds are spent in accordance with budget and allowable activities or if budget revision is necessary. Also critical to ensure school district ledger matches STARS approved budget or budget revision).
- Allowable costs – expenses for federal programs must be allowable under the awards.

7 Standards – Defined (continued)

- Source documentation – must maintain appropriate documentation to support every expenditure (i.e. cancelled checks, bills, time and effort records, contracts. Paying for any service in object code 300 requires a contract document – sample template at:
<http://www.dpi.state.nd.us/title1/resource/sample.pdf>)
- Cash management – requesting funds on a reimbursement basis.

Audits vs. Compliance Monitoring

- Audits done by external auditors
 - ▣ Review or complete financial statements
 - ▣ Typically sample a number of transactions
 - ▣ Review internal controls
- Compliance Monitoring
 - ▣ EDGAR 80.40 requires NDDPI to monitor their sub-grantees (LEAs) to ensure compliance with applicable federal requirements and that performance goals are being achieved.

Audits vs. Compliance Monitoring (cont)

- NDDPI is ultimately responsible for the \$33M in federal Title I funds.
- Biggest difference b/w audit or monitoring – NDDPI monitoring (either desk monitoring or on-site visits) are targeted at a specific program(s) and because NDDPI is responsible to the USDE, monitoring must delve deeper into program and financial compliance.

Additional Items of Concern for School Business Managers

- Maintenance Of Effort Requirement
- Retention of Records / Source Documentation
- A-133 Audits
- Carry-Over
- Tracking Federal Funds

MOE (Maintenance of Effort)

- This federal requirement states school districts will need to show the level of state and local funding remains relatively constant from year to year.
- Federal USDE programs require the state agency to perform an annual verification from school districts financial reports to determine that the fiscal effort per student from state and local funds was not less than 90% from the prior year.
 - IDEA (Special Education) requires 100%
- From school district financial report, data is used to verify MOE.
 - Total local and state expenditures \div ADM (SY 2012) = X
 - Total local and state expenditures \div ADM (SY 2011) = Y
 - $X \div Y = \%$ Must be greater than 90%

MOE (Continued)

- If a school is unable to maintain effort, federal title funds are reduced in the exact proportion to which the school fails to meet the 90% requirement.

- School District # 1
 - ▣ Example $X \div Y = 87.2\%$
- School District # 2
 - ▣ Example $X \div Y = 95\%$

- School District #1 Federal Title Allocations reduced by 2.8% where School District #2 will receive full allocation.

Retention of Records

- Recipients of federal funds must retain financial and program records to show compliance with program requirements.
- Records and source documents for financial data must be kept for a period of three years, the starting date of which begins on the day the final report is submitted. (exception is litigation or audit findings, records held until resolution)
- Acceptable forms of source documentation includes:
 - ▣ Cancelled checks, paid billings or invoices, time and attendance records (for payroll), contracts/leases, etc.
- **** *There may be more stringent record retention policy at the local level, this is the minimum federal requirement. (ex. 5 year retention required at school district)***

A-133 Audits

- Sub recipients that annually expend \$500,000 or more in federal funds, either singly from DPI or in combinations with other agencies, are responsible for obtaining an A-133 audit. (i.e. NDDPI, DHS)
- Federal assistance includes federal reimbursement payments and the value of donated commodities.
- The audits shall be performed by an independent auditor in accordance with generally accepted government auditing standards covering financial audits.
- Sub recipients expending less than \$500,000 annually, still must maintain records of financial assistance and upon request provide access to such records by state or federal agencies, but are not required to obtain an A-133 audit.
- DPI sends annual notice to gather information if each School District is required to obtain A-133 audit. Form needs to be signed and returned to NDDPI by September 30th.

Carry-Over Funds

- School districts are given a grant award for a one-year time period (July 1 – June 30). When the school is unable to spend the entire grant award amount during that time period, carry-over may be an option.
- The Federal Title Programs have a limitation on how much of the initial grant can be carried over and used during the next school year.

- Title I (Varies see table)

- Title IIA – 50%

- Title III – No limit

- REAP – 50%

If your allocation for the current school year is	Your maximum carryover percent of the current year's allocation
Over \$50,000	15%
Over \$45,000	20%
Over \$40,000	25%
Over \$35,000	30%
Over \$30,000	35%
Over \$25,000	40%
Over \$20,000	45%
\$20,000 or Less	50%

Carry-Over Funds (Cont)

- Carryover funds from the previous school year are added to the current year allocation to create new budget for the school year.
- Carryover is spent like regular federal funds, but NDDPI will reimburse using old funds first (FIFO).
- If carryover exceeds limits for Title IIA and REAP, it is forfeited.
- If carryover exceeds limits for Title I, school had 2 options:
 - School can request waiver to keep excess carryover once every three years.
 - Funds are forfeited and reallocated to a different district through an application process.

Tracking Federal Funds

- Worksheet was created as a guideline
- Some programs have federal and local funds used in expenditures; need to track separately.
- REAP into Title I, must maintain separate budget for REAP and Title I – 2 separate project codes.
- NDDPI strongly encourages schools to use these codes for consistency

- Found on NDDPI website at:
<http://www.dpi.state.nd.us/title1/resource/trackfedfund.pdf>

Upcoming Deadlines

- Final financial report for Title I & Title IIA tentatively due on July 11, 2014
- Final Request for Funds tentatively due July 11, 2014.
 - ▣ Need to ensure all bills are paid before submitting final report and reimbursement request – no penalty for late request; just receive payment later.
- End of year budget revisions should be cleaned up by June 30, 2014.
- Consolidated Application for Federal Title Funding will be due Friday, August 29th, 2014.
- A-133 Audit form required for all schools submitted to NDDPI by September 30, 2014.

Future Key Issues

- Restriction on purchasing food with federal funds.
- Super Circular
 - OMB revised federal grant regulations and combined 8 circulars into 1; 'super circular'
 - What does this mean to school districts?
 - Potential change in time and effort reporting
 - Change in allowable expenses
 - Single Audits (A-133) threshold moving from \$500,000 to \$750,000

Resources Available

- NDDPI website <http://www.dpi.state.nd.us/>
- Title I Fiscal Tool Kit
- Title IIA Fiscal Tool Kit – coming soon!
- *General Requirements for Federal Programs Manual*
- Feel free to contact me or your Federal Title Contact person anytime!!



Thank you!!!

Feel free to contact me:

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