



**Texas Education Agency**  
**Navigating the Federal Minefield:**  
**Understanding and Applying**  
**Grant Requirements**

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# About the Presenter

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# About the Presenter

- Conducted audits, investigations, initial reviews and other monitoring activities of ISD, OECS, Non-Profits and IHE's
- Currently responsible for conducting audits, investigations and monitoring activities of grant programs.

# Agenda

- About the Presenter
- Acronyms Used In This Presentation
- Course Objective and Scope
- Division of Financial Audits
- OMB A-133
- Single Audit
- Compliance Requirements
- Other relevant information

# Acronyms Used In Presentation

- ARRA – American Recovery and Reinvestment Act
- FASRG – Financial Accountability School Resource Guide
- IHE – Institute of Higher Education
- LEA – Local Education Agency
- OECS – Open-Enrollment Charter School Division
- OIG – Office of Inspector General
- OMB – Office of Management and Budget
- PEIMS – Public Education Information Management System
- RESC - Regional Educational Service Center
- SAS – Standard Application System
- SEA – State Education Agency
- TEA – Texas Education Agency
- USDE – United States Department of Education

# Course Objectives and Scope

- Upon completion of this session participants will be able to identify existing important compliance requirements that the Federal Government expects to be considered as part of an audit required by the OMB Circular A-133. Presenters will also share recent observations with respect to the administration of grant funds for LEAs within the state of Texas.

# Division of Financial Audits

- Financial Desk Audits Section
  - Contact: Fred Tracy
  - Reviews and issues correspondence regarding
    - Financial and compliance report
    - Report on applying agreed-upon procedures for state compensatory education
    - Depository contract
    - Business plan, including budgets, filed with charter application
    - Certain requests to amend the charter

# Division of Financial Audits

- Financial Desk Audits Section (continued)
  - Will respond to inquiries regarding
    - Filing, content and format of financial and compliance report and report on applying agreed-upon procedures for state compensatory education
    - Holds on federal funds due to failure to file financial and compliance report
    - Filing, content and format of depository contract
    - Financial accounting system requirements
    - Preparation of business plan, including budgets, for charter application
    - PEIMS data submissions (budget and actual financial data)



# Division of Financial Audits

- Special Monitoring Unit
  - Contact: Roger Hingorani
  - Conducts audits, investigations and reviews of the discretionary and formula grants awarded to school districts, charter schools, regional education service centers and other entities pursuant to the American Recovery and Reinvestment Act of 2009 (ARRA).
- Investigations Section
  - Contact: Michael Richmond
  - Conducts investigations of school districts, charter schools and regional education service centers

# Division of Financial Audits

- Student Attendance Audits Section
  - Contact: Dorinda Wheelless
  - Conducts audits, investigations and other monitoring activities of school districts and charter schools
  - Will respond to inquiries regarding
    - Student Attendance Accounting Handbook requirements
    - PEIMS data submission requirements (student attendance)

# OMB Circular A-133

- Provides a source of information for auditors to understand the Federal program's objectives, procedures, and compliance requirements relevant to the audit as well as audit objectives and suggested audit procedures for determining compliance with these requirements.

# OMB Circular A-133

## Subpart B--Audits § \_\_\_\_.200 Audit requirements.

### (a) Audit required.

Non-Federal entities that expend \$300,000 (*\$500,000 for fiscal years ending after December 31, 2003*) or more in a year in Federal awards shall have a single or program-specific audit conducted for that year in accordance with the provisions of this part. Guidance on determining Federal awards expended is provided in § \_\_\_\_.205.

### (b) Single audit.

Non-Federal entities that expend \$300,000 (*\$500,000 for fiscal years ending after December 31, 2003*) or more in a year in Federal awards shall have a single audit conducted in accordance with § \_\_\_\_.500 **except when they elect to have a program-specific audit conducted in accordance with paragraph (c) of this section.**

# OMB Circular A-133

## Subpart B--Audits § \_\_\_\_.200 Audit requirements.

(c) Program-specific audit election.

When an auditee expends Federal awards under only one Federal program (excluding R&D) and the Federal program's laws, regulations, or grant agreements do not require a financial statement audit of the auditee, the auditee may elect to have a program-specific audit conducted in accordance with § \_\_\_\_.235. **A program-specific audit may not be elected for R&D unless all of the Federal awards expended were received from the same Federal agency, or the same Federal agency and the same pass-through entity, and that Federal agency, or pass-through entity in the case of a subrecipient, approves in advance a program-specific audit.**

# OMB Circular A-133

- **Subpart B--Audits § \_\_\_\_.200 Audit requirements.**

(d) Exemption when Federal awards expended are less than \$300,000 (\$500,000 for fiscal years ending after December 31, 2003). *Non-Federal* entities that expend less than \$300,000 (\$500,000 for fiscal years ending after December 31, 2003) a year in Federal awards are exempt from Federal audit requirements for that year, except as noted in **§ \_\_\_\_.215(a), but records must be available for review or audit by appropriate officials of the Federal agency, pass-through entity, and General Accounting Office (GAO).**

# OMB Circular A-133

- What does this mean?  
Requires an audit be completed of entities having received over \$500,000 to ensure:
  - Compliance
  - Effective fiscal management
  - Data integrity

# Single Audit

- For what purpose?
  - Generally, to
    - Ascertain compliance with specific requirements
      - Federal and state laws and rules
      - Grant requirements
      - Local policies and procedures
    - Ensure that public funds have been properly accounted
    - Verify the accuracy of PEIMS data



# Single Audit

- How do we accomplish this?
  - Test internal controls
  - Examine records
  - Interview staff
  - Identify requirements
  - Review LEA policies and procedures

# Compliance Mandates

- USDE, OIG
  - Final Management Information Report dated March 29, 2006
    - Compliance Requirements within Title I, Part A of the No Child Left Behind Act
      - 588 legal requirements
        - » Does not include the rules!
      - What does this mean?
        - » Noncompliance may result in questioned costs
        - » Focus on mitigating risk of noncompliance

# Activities Allowed or Unallowed

- Be authorized or not prohibited under State or local laws or regulations
- Conform to any limitations or exclusions
- Be consistent with policies, regulations, and procedures

# Activities Allowed or Unallowed

## Examples:

- Needs Assessment
- Plan(s) (CIP/DIP)
- Program rules (program evaluation)
- Ineligible service/population (targeted)
- Capital Projects
- Internal Controls

# Allowable Costs/Cost Principles

- OMB A-21 State, Local and Indian Tribal Gov't  
(2 *CFR* part 225)
- OMB A-87 Educational Institutions  
(2 *CFR* part 220)
- OMB A-122 Non-Profit Organizations  
(2 *CFR* part 230)

# Allowable Costs/Cost Principles

- Selected Items of Cost
  - Unallowable/Restricted Costs
    - Donations-unallowable
    - Alcoholic Beverages-unallowable
    - Entertainment-unallowable
    - Food-restricted
    - Grant preparation
    - Audit costs-restricted
    - Travel-restricted

# Cost Principles

## Reasonable and Necessary

To be allowable under Federal awards, costs must meet the following general criteria:

- **Be necessary and reasonable for proper and efficient performance and administration of Federal awards.**

# Cost Principles

## Determining Reasonableness

In determining reasonableness of a given cost, consideration shall be given to:

- Whether the cost is of a type generally recognized as **ordinary and necessary** for the operation of the governmental unit or **the performance of the Federal award**.



# Cost Principles

## Reasonable and Necessary

### Examples:

- Recruiting
- Foreign Travel
- Fieldtrips
- Working Lunches
- Staff Development

# Allowable Costs/Cost Principles

## Allocability

- Be allocable to Federal awards under the provisions of this Circular.
  - A cost is allocable to a particular cost objective if the goods or services involved are chargeable or assigned to such cost objective in accordance with relative benefits received.

# Allowable Costs/Cost Principles Allocability

Examples:

- Indirect Costs
- Cost allocation plans
- Goods/Services at the end of the grant pd.
- Equipment use
- Facilities use

# Cash Management

What to look for:

- Locally Developed Policies and Procedures
- Comparison of Expenditure Reports (cash draws) versus Financial Accounting Records
- Advance Payments (3 day rule)
- Program Income

# Davis Bacon Act

- **For Construction Contracts**

Select a sample of construction contracts and subcontracts greater than \$2000 that are covered by the Davis-Bacon Act and perform the following procedures:

- a. Verify that the required prevailing wage rate clauses were included.
- b. Verify that the contractor or subcontractor submitted weekly the required certified payrolls.

(Note: Auditors are not expected to determine whether prevailing wage rates were paid.)

# Eligibility

- Specifies the individuals, groups of individuals or subrecipients that qualify to participate in the program
- Unique to individual Federal programs
- Found in laws, regulations and the provisions of contracts or grant agreement

# Eligibility

## Examples:

### NCLB P.L. 107-110

- NCLB Title I-Improving Basic Programs
- Schoolwide vs. Targeted Assistance

### IDEA P.L. 108-446

- IDEA B Preschool
- IDEA B Formula

# Equipment and Real Property Management

- Policies and Procedures
- Controllable Assets vs. Fixed Assets
- Textbooks
- Physical Inventory must be conducted at least once every two years and reconciled.
- Records should reflect acquisition date, funding source, physical location, useful life, cost, etc.
- Transfers/Disposition



# Matching, Level of Effort, Earmarking

## 1. Matching

- Per approved grant application
- Unique to individual Federal programs
- Verifiable from the non-Federal entity's records

# Matching, Level of Effort, Earmarking

## 2. Level of Effort-requires

- A specified **level of service** to be provided from period to period
- A specified **level of expenditures** from non-Federal or Federal sources for specified activities to be maintained from period to period, and
- Federal funds to supplement and not **supplant** non-Federal funding of services
- **Sustainability** (*i.e., 21<sup>st</sup> Century*)

# Matching, Level of Effort, Earmarking

## 3. Earmarking

- requirements that specify the minimum and/or maximum amount or percentage of the program's funding that must/may be used for specified activities
- ex. Administrative costs (10% max.),  
**Parental involvement (15% min.),** etc.

# Period of Availability

Inside the grant period

i.e., subscriptions; prepaid travel / staff developments; software licenses; evidence of receipt

# Procurement and Suspension and Debarment

What to look for:

- Locally developed policies and procedures
- Approved vendor listing
- Buy boards
- Travel policy-Reconciliation process
- Payroll-Time and effort policy
  - Personnel Activity Reports
  - Semi-annual Certifications
  - Job Descriptions unique to Federal program(s)

# Program Income

- Program income may be used in one of three methods: deducted from outlays, added to the project budget, or used to meet matching requirements.
  - Federal rules apply same as grant funds
    - Unallowable costs (entertainment, recreation, meals, fundraising, alcohol, etc.)
    - Includes interest on Investments
- NOTE:** Recommend client utilize these funds in accordance with Federal cost principles

# Real Property and Relocation Assistance

- **ARRA**
- Renovation grants-federal property and must be accounted for through disposition
- Capital Outlay
- Must be allowed for in the grant
- Must be approved in the grant application
- Competitive Bidding
- Engineer-Architect-Builder

# Reporting

- **ARRA**
- Each recipient must report program outlays and program income on a cash or accrual basis, as prescribed by the Federal awarding agency.
- Current, accurate, and complete disclosure
- Program Monitoring/Evaluation



# Subrecipient Monitoring

## Pass-through entities

- Co-operative Agreements
- Shared Services Arrangements
- Fiscal Agents
- RESC's

# Special Tests and Provisions

- Agreed upon procedure audits
- Program compliance audits
- Prior audit findings

# Useful Website Links

Texas Education Agency

- <http://www.tea.state.tx.us/>

United States Department of Education

- <http://www.ed.gov/index.jhtml>

Office of Management and Budget

- <http://www.whitehouse.gov/omb/circulars/>

Code of Federal Regulations

- <http://www.gpoaccess.gov/cfr/index.html>

Texas Administrative Code

- <http://www.tea.state.tx.us/rules/tac/index.html>

Texas Education Code

- <http://www.capitol.state.tx.us/statutes/edtoc.html>

# More Useful Links

TEA: Division of Discretionary Grants (Archived RFA's)

- <http://www.tea.state.tx.us/opge/disc/archive.html>

TEA: No Child Left Behind Program Coordination

- <http://www.tea.state.tx.us/nclb/>

Texas School Performance Reviews

- [http://www.lbb.state.tx.us/TSPRP/PublicEd\\_Documents.htm](http://www.lbb.state.tx.us/TSPRP/PublicEd_Documents.htm)

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