

TEA Statewide Training on the *New* EDGAR

Day 2

Office for Grants and Federal Fiscal Compliance
Texas Education Agency

March 2–3, 2015
Austin, Texas



Agenda – Day 2

- ▶ Subpart D—Post-Award Requirements (continued)
- ▶ Subpart E—Cost Principles
- ▶ Subrecipient Monitoring
- ▶ Subpart F—Audit Requirements
- ▶ Closing and Questions



Property Management

- ▶ 200.302(b)(4) – Internal Controls
- ▶ 200.306 – Cost Sharing or Matching
- ▶ 200.313 – Equipment
 - Use of Equipment
 - Equipment Procedures
 - Disposition of Equipment
- ▶ 200.314 – Disposition of Supplies
- ▶ 200.335 – Methods for Collection, Transmission and Storage of Information



200.302(b)(4) – Internal Controls

- ▶ Regardless of cost, grantee must maintain effective control and “**safeguard all assets** and assure that they are used solely for authorized purposes.”



200.313 – Equipment

- ▶ **NEW** Conditional Title vests with the non-Federal entity.
- ▶ **NEW** Cannot encumber the property without approval of Federal agency or Pass-through agency

But...

- ▶ **NEW** When acquiring replacement equipment, may use the equipment to be replaced as a trade-in or sell the property and use the proceeds to offset the cost of the replacement property.



Use of Equipment

- ▶ Equipment must be used by the Non-federal entity in the program or project for which it was acquired as long as needed, whether or not the project or program continues to be supported by the Federal award.
- ▶ When no longer needed, may be used in other activities with the following priority:
 - Projects supported by Federal awarding agency
 - Project funded by other Federal agencies



Use of Equipment (continued)

- ▶ When used it may be shared (according to the above priorities) provided such use will not interfere with work on the original projects/programs.
 - Exception – Private Schools 76.661



Equipment Procedures

- ▶ Procedures for managing equipment must meet the following requirements:
 - Property records
 - Physical inventory at least every two years
 - Control system to prevent loss, damage, theft
 - Adequate maintenance procedures
 - If authorized or required to sell property, proper sales procedures to ensure highest possible return.



Disposition of Equipment

- ▶ When property is no longer needed in any current or previously Federally-funded supported activity, must follow disposition rules:
 - **NEW** Non-federal entity must request disposition instructions from the federal awarding agency if required by the terms of the grant.
 - Otherwise, may be retained, sold or otherwise disposed as follows:
 - Over \$5,000 – pay federal share
 - Under \$5,000 – no accountability (still must formally dispose)



200.314 – Disposition of Supplies

- ▶ If there is a residual inventory of unused supplies exceeding \$5,000 in total aggregate value upon termination or completion of the project or program and the supplies are not needed for any other federal award, must compensate the federal government for its share.



200.335 - Methods for Collection, Transmission and Storage of Information

- ▶ When original records are electronic and cannot be altered, there is no need to create and retain paper copies.
- ▶ When original records are paper, electronic versions may be substituted through the use of duplication or other forms of electronic media provided they:
 - Are subject to periodic quality control reviews,
 - Provide reasonable safeguards against alteration; and
 - Remain readable.



Subpart E—Cost Principles

Factors Affecting Allowability of Costs
Selected Items of Cost
Time and Effort Documentation



Factors Affecting Allowability of Costs

- ▶ 200.403 – Allowability of Costs
- ▶ 200.404 – Reasonable
- ▶ 200.405 – Allocable
- ▶ 200.403 – Factors Affecting Allowability
- ▶ 200.407 – Prior Written Approval
- ▶ 200.413(c) – Direct vs. Indirect Costs
- ▶ 200.410 – Collection of Unallowable Costs



200.403 – Allowability of Costs

All Costs Must Be:

- ▶ Necessary, Reasonable and Allocable
- ▶ Conform with federal law and grant terms
- ▶ Consistent with state and local policies
- ▶ Consistently treated
- ▶ In accordance with GAAP
- ▶ Not included as match
- ▶ *Net of applicable credits (moved to 200.406)*
- ▶ Adequately documented



200.404 – Reasonable

Consideration must be given to:

- ▶ Whether cost is a type generally recognized as ordinary and necessary for the operation of the non-Federal entity or the proper and efficient performance of the Federal award;
- ▶ The restraints or requirements imposed such as:
 - Arms length bargaining (hint: procurement processes);
 - Federal, state and local laws; and
 - Terms of the grant award.



200.404 – Reasonable (continued)

Consideration must be given to:

- ▶ Market prices for comparable goods or services in the geographical area;
- ▶ Whether the individuals acted with prudence under the circumstances considering their responsibilities; and
- ▶ No significant deviation from established practices and policies.



200.404 – Reasonable (continued)

Practical Questions:

- ▶ Do I really need this?
- ▶ Is the expense targeted to valid programmatic/ administrative need?
- ▶ Is this the minimum amount I need to spend to meet my need?
- ▶ Do I have the capacity to use what I am purchasing?
- ▶ Did I pay a fair rate?
- ▶ If I were asked to defend this purchase, would I be able to?



200.405 – Allocable

- ▶ A cost is allocable to a Federal award or cost objective if the goods or services involved are chargeable or assignable in accordance with relative benefits received.
 - Incurred specifically for the award;
 - Benefits both award and other work and can be distributed in proportions that may be approximated using reasonable methods; and
 - Necessary to the overall operation of the entity and assignable to the award in accordance with this Part.



200.405 – Allocable (continued)

- ▶ Can only charge in proportion to the value received by the program
- ▶ Example: Agency purchases a computer to use 50% on the Federal grant program and 50% on a state program – can only charge half the cost to the federal grant.



200.403 – Factors Affecting Allowability

- ▶ Be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the non-Federal entity.
- ▶ Be accorded consistent treatment
- ▶ Can not charge cost as both direct and indirect
- ▶ Be determined in accordance with GAAP
- ▶ Not be used to meet cost sharing or matching



200.403 – Factors Affecting Allowability (continued)

Adequately documented

- ▶ Amount of funds under grant
- ▶ How the funds are used
- ▶ Total cost of the project
- ▶ Share of costs provided by other sources
- ▶ Records that show compliance and performance
- ▶ Other records to facilitate an effective audit (see 76.730)



200.407 – Prior Written Approval

- ▶ **NEW** In order to avoid subsequent disallowance:
 - Non-Federal entity may seek prior written approval of cognizant agency for indirect cost or Federal awarding agency in advance of the incurrence of special or unusual costs



200.413(c) – Direct vs. Indirect Costs

- ▶ **NEW** Salaries of administrative and clerical staff must be treated as “indirect” unless all of following are met:
 - Such services are integral to the activity
 - Individuals can be specifically identified with the activity
 - Such costs are explicitly included in the budget
 - Costs not also recovered as indirect



200.410 – Collection of Unallowable Costs

- ▶ **NEW** Payments made for costs determined to be unallowable by either the Federal awarding agency or pass-through must be refunded (including interest) to the Federal government in accordance with instructions from the Federal agency that determined the costs are unallowable.



Selected Items of Cost

- ▶ Part 200 contains 55 specific items of cost
- ▶ Beginning at Part 200.420



200.421 – Advertising

Allowable for programmatic purposes including:

- Recruitment
- Procurement of goods
- Disposal of materials
- Program outreach
- Public relations (in limited circumstances)



200.428 – Collection of Improper Payments

- ▶ The costs incurred by the non-Federal entity to recover improper payments are allowable as either direct or indirect costs, as appropriate.



200.432 – Conferences

Prior Rule: Generally allowable

- ▶ Refers to *hosting* a conference
- ▶ Allowable conference costs include rental of facilities, costs of meals and refreshments, transportation, unless restricted by the federal award
- ▶ **NEW** Costs related to identifying, but not providing, locally available dependent-care resources
- ▶ Conference hosts must exercise discretion in ensuring costs are appropriate, necessary and managed in manner than minimizes costs to federal award



200.432 – Conferences (continued)

What about food?

- ▶ Is a working lunch necessary?
- ▶ Is the portion of the agenda to be carried out during lunch substantive and integral to the overall purpose of the conference or meeting?
- ▶ Is there a genuine time constraint that requires the working lunch?
- ▶ If a working lunch is necessary, is the cost of the working lunch reasonable?
- ▶ Have the SEA or LEA carefully documented that a working lunch is both reasonable and necessary?



200.438 – Entertainment

- ▶ Cost of entertainment are unallowable
 - Amusement, Diversion, Social Activities
- ▶ **NEW** Except where costs might otherwise be considered programmatic and are authorized or have prior written approval of the Federal awarding agency.



200.441 – Fines, Penalties, Damages and other Settlements

- ▶ If related to violation, alleged violation or failure to comply with Federal, state, tribal, local or foreign law and regulations then unallowable.
- ▶ Except with prior written approval of Federal awarding agency.



200.452 – Maintenance and Repair Costs

- ▶ Costs incurred for utilities, insurance, security, necessary maintenance, janitorial services, repair or upkeep of buildings and equipment, which neither add to the permanent value of the property nor appreciably prolong its intended life, but keep it in efficient operating condition are allowable.
 - If adds to permanent value, etc. must be treated as capital expenditures and are only allowable to the extent not paid through rental or other agreement.



200.456 – Participant Support Costs

200.472 – Training and Education

Participant Support Costs

- ▶ Means direct costs for stipends, travel, registration fees paid to or on behalf of participants or trainees (but not employees) in connection with conferences, or training projects (200.75)
- ▶ Allowable with prior approval of the Federal awarding agency.

Training and Education Costs

- ▶ Costs for employee development are allowable.



200.458 – Pre-award Costs

- ▶ Those costs incurred prior to the effective date of the Federal award directly in negotiation or anticipation of the award
- ▶ Costs must be necessary for efficient and timely performance of the scope of work
- ▶ Allowable to the extent they would have been allowable if incurred after the effective date and **ONLY** with written approval from the Federal awarding agency.



200.474 – Travel Costs

- ▶ Travel costs may be charged on actual, per diem, or mileage basis
- ▶ **NEW** Travel charges must be consistent with entity's written travel reimbursement policies
- ▶ **NEW** Allows costs for “above and beyond regular dependent care”
- ▶ Grantee must retain documentation that participation of individual in conference is necessary for the project
- ▶ **NEW** Travel costs must be reasonable and consistent with written travel policy / or follow GSA 48 CFR 31.205-46(a)



Time and Effort Documentation

- ▶ 200.430(i) – Documentation for Personnel Expenses
- ▶ 200.405 – Allocable Costs



200.430(i)(1) – Documentation for Personnel Expenses

Who must participate?

- ▶ Time and effort must be maintained for all employees whose salaries are:
 - Paid in whole or in part with federal funds
 - Used to meet a match/cost share requirement
 - NOT contractors



Does This Employee Have to Keep Time and Effort Records?

Is she/he an employee?			
I don't know	No	Yes	
Ask HR	No T&E Required	Is she/he paid with federal funds?	
		Yes	No
		T&E Required	Salary used for match?
		No	Yes
		No T&E Required	T&E Required



200.430(i)(1) – Documentation for Personnel Expenses

NEW These records MUST:

- ▶ Be supported by a system of internal controls which provides reasonable assurance changes are accurate, allowable and properly allocated
- ▶ Be incorporated into official records
- ▶ Reasonably reflect total activity for which employee is compensated



200.430(i)(1) – Documentation for Personnel Expenses (continued)

- ▶ Encompass all federal and non-federal activities
- ▶ Comply with established accounting policies and practices
- ▶ Support distribution among specific activities or cost objectives



200.430(i)(1)(vii) – Cost Objectives

- ▶ More than one Federal award.
- ▶ A Federal award and a non-Federal award.
- ▶ An indirect cost activity and a direct cost activity.
- ▶ Two or more indirect activities that are allocated using different allocation bases.
- ▶ An unallowable activity and a direct or indirect cost activity



Title I, Part A LEA-level Cost Objectives

- ▶ LEA-level Administration (public and equitable services)
- ▶ Equitable Services
- ▶ Professional Development
 - 10% of LEA allocation (if LEA identified for improvement)
- ▶ Professional Development
 - 10% of each school's Title I Part A allocation (if school is identified for improvement)
- ▶ Parental Involvement
 - At least 1% of LEA allocation



Not Cost Objectives

- ▶ Federal programs
- ▶ Title I, Part A
- ▶ Title II, Part A
- ▶ NCLB
- ▶ Working on initiatives and programs that benefit Title I students
- ▶ Director of Federal Programs
- ▶ Title I Program Director



200.430(i) – Use of Budget Estimates

- ▶ Budget estimates alone do not qualify as support for charges to Federal awards;
- ▶ May be used for interim accounting purposes if:
 - Produces reasonable approximations
 - Significant changes to the corresponding work activity are identified in a timely manner
 - Internal controls in place to review after-the-fact interim charges based on budget estimates



200.430(i) – Percentages

- ▶ **NEW** Because practices vary as to the activity constituting a full workload, records may reflect categories of activities expressed as a percentage distribution of total activities.



200.430(i) – Compliance

- ▶ **NEW** For records which meet the standards, the non-federal entity will not be required to provide additional support or documentation for the work performed.
 - DOL regulations for Fair Labor Standards Act must still be met (i.e. charges must be supported by records indicating the total number of hours worked each day).



200.430(i) – Noncompliance

- ▶ For a non-Federal entity where the records do not meet these standards:
 - USDE may require personnel activity reports (PARs), including prescribed certifications or equivalent documentation that support the records as required in this section.
- ▶ PARs are not defined in the regulations



200.430(i) – Reconciliation

- ▶ **NEW** All necessary adjustment must be made such that the final amount charged to the Federal award is accurate, allowable, and properly allocated.



200.430(i) – Substitute Systems

- ▶ States, local governments and Indian tribes encouraged to adopt “substitute systems” if approved by cognizant agency for indirect cost.
 - No longer applies to nonprofits.
- ▶ Still acceptable to allocate sampled employees’ supervisors, clerical and support staffs, based on the result of the sampled employees.



200.430(i) – Alternative Proposals

- ▶ **NEW** Cognizant agencies for indirect costs are encouraged to accept alternative proposals based on outcomes and milestones for program performance.
- ▶ These plans are acceptable as alternatives to the Part 200 standards.



200.430(i) – Blended Funding

- ▶ A non-Federal entity may submit performance plans that incorporate funds from multiple Federal awards and account for their combined use based on performance-based metrics, if approved
- ▶ Must submit a request for a waiver that includes certain information, including the method of charging costs



Subrecipient Monitoring



Subrecipient Monitoring

- ▶ New EDGAR strengthens oversight of federal grantees
- ▶ Increases subrecipient monitoring and technical assistance
- ▶ Focuses on grantee responsibilities to demonstrate project success and financial accountability



200.205 – Awarding Agency Review of Risk Posed By Applicants

- ▶ **New** Pass-through entity (TEA) must have in place a framework for evaluating risks before applicant receives funding
 - Financial stability
 - Quality of financial management system
 - History of performance
 - Audit reports
 - Applicant's ability to effectively implement program



Specific Conditions 200.207

Pass-through agency may impose additional federal award conditions:

- ▶ Require reimbursement
- ▶ Withhold funds until evidence of acceptable performance
- ▶ More detailed reporting
- ▶ Additional monitoring
- ▶ Establish prior approvals



200.328 and 200.331 – Monitoring and Reporting Program Performance

- ▶ **New** Monitoring by Nonfederal Entity
 - Must monitor its activities to assure compliance with applicable federal requirements and *performance expectations are achieved*
 - Must cover each program, function, or activity
 - Must submit performance reports at least annually



200.331 – Requirements for Pass-Through Entities

- ▶ Pass-through entity must monitor its subrecipients to assure compliance and performance goals are achieved
- ▶ Monitoring must include:
 - Review of financial and programmatic reports
 - Ensure corrective action
 - Issue a management decision on audit findings if the award is from the pass-through entity



200.331 and 200.425 – Requirements for Pass-Through Entities

- ▶ **New** Depending on assessment of risk, the following monitoring tools may be useful for the pass-through entity to ensure proper accountability and compliance with program requirements and achievement of performance goals:
 - Training plus technical assistance
 - Onsite reviews
 - Arranging for “agreed-upon-procedures”



200.331- Requirements for Pass-Through Entities

- ▶ Pass-through entity must consider taking enforcement action (200.338) based on noncompliance:
 - Temporarily withhold cash payments pending correction
 - Disallow all or part of the cost
 - Wholly or partly suspend the award
 - Recommend to federal awarding agency suspension/debarment



Requirements for Pass-Through Entities (continued)

- Withhold further federal awards
- Other remedies that may be legally available



Subpart F—Audit Requirements

Single Audit Reports

General Audit Requirements

Federal Agency Responsibilities

Audit Findings



Targeting Audit Requirements on Risk of Waste, Fraud, and Abuse

- ▶ Strengthens oversight
- ▶ Focuses audits where there is greatest risk of waste, fraud, and abuse
- ▶ Improves transparency and accountability
- ▶ Encourages audit resolution to resolve internal control weaknesses



Audit Impact

- ▶ Increases audit threshold from \$500,000 to \$750,000
- ▶ Major Program Determination focuses on the areas with internal control deficiencies identified as material weaknesses
- ▶ Programs are grouped based on dollars
 - Type A programs are above the threshold
 - Type B programs are below the threshold



High-Risk Type A Program

- ▶ A nonfederal entity with strong internal controls and few audit findings will have less high-risk Type A programs



Single Audit Report Submission

- ▶ All auditees must submit the reporting package and data collection form electronically to the Federal Audit Clearinghouse (FAC) 200.512 (d)
- ▶ Auditors and auditees must ensure reports do not include protected personally identifiable information



Single Audit Reports

- ▶ Auditee must sign statement that reports do not include PPII
- ▶ Authorizes FAC to make reports publically available on a website
- ▶ Federal agencies, pass-through entities and others obtain copies by accessing FAC website
- ▶ Pass-through entity no longer required to retain copy of subrecipient report



200.516 – Audit Findings

The auditor must report (for major programs):

- ▶ Significant deficiencies and material weaknesses in internal controls
- ▶ Significant instances of abuse
- ▶ Material noncompliance
- ▶ Known questioned costs greater than \$25,000
 - **NEW** For “non-major” programs as well



200.513 – Federal Agency Responsibilities

- ▶ **New** The federal awarding agency must use the cooperative audit resolution (CAROI) to improve federal program outcomes



200.25 – Cooperative Audit Resolution

- ▶ The used of audit follow-up techniques which promote corrective action by
 - Improving communication
 - Fostering collaboration
 - Promoting trust
 - Developing and understanding between the federal agency and the non-federal entity



Appendix II to Part 200— Contract Provisions for Non-Federal Entity Contracts Under Federal Awards



Closing

Next Steps for Subgrantees
Uniform Guidance Resources
Contact Information



Next Steps for Subrecipients

- ▶ Review new Uniform Guidance and Final Rules - Federal Register
- ▶ Develop written policies and procedures for new and revised requirements
- ▶ Ensure all appropriate staff are trained on new Uniform Guidance



Uniform Guidance Resources

- ▶ www.ed.gov – Search “Uniform Guidance”
- ▶ www.tea.texas.gov – Select “Administering a Grant” from the Grants drop-down box on the homepage



Contact Information

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