

# Internal Controls, Policies, and Written Procedures

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**Regional Federal Funding Conference  
Wausau**

**April 12 & 13, 2016**

Wisconsin Department of Public Instruction

## Uniform Grant Guidance

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- Also known as:
  - 2 C.F.R. Part 200
- Establishes rules that apply to all Federal grants
- Streamlines the Office of Management and Budget (OMB) Circulars into one, comprehensive policy guide
- Effective for the Federal grants awarded for fiscal school year 2015-16



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## Focus on Internal Controls

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### §200.303 Internal Controls

As a subrecipient you **must** establish and maintain effective internal control over the Federal award that provides reasonable assurance that you are managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award

## Focus on Internal Controls

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An effective internal control system increases the likelihood that the objective will be met

- First line of defense in safeguarding assets
- Not one event, but a series of actions that occur throughout your school district's operations
- People are what make internal controls work

## Focus on Internal Controls

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### Identify an objective

“I want to be sure that all costs coded to the IDEA grant are allowable per State and Federal rules and regulations”



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## Focus on Internal Controls

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### Design a control

“Sally is most familiar with what is an allowable cost so we will have her approve all budget items for IDEA.”

“Sally should also be the one to review and approve the claims.”

“Jim in accounting processes payroll and verifies supplies were received or services were performed before approving an invoice for payment.”



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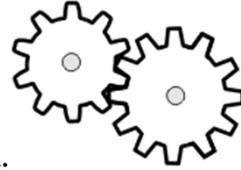
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## Focus on Internal Controls

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### Implement the control

Sally puts together the federal grant budget, checking that only allowable costs are included.



Jim codes payroll by identifying the individuals in the budget with the appropriate project code.

All supplies and purchased services are processed through the school district's purchasing process (PO, receipt, invoice, payment).

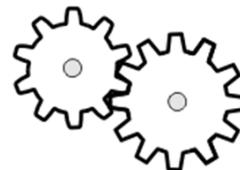
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## Focus on Internal Controls

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Jim codes the invoices with IDEA's project code.

Jim prepares the IDEA claim by pulling the project code from the general ledger for the time period being claimed.



Sally approves the claim verifying the costs are in agreement with the approved budget and allowable.

Jim submits the claim to DPI.

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## Focus on Internal Controls

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Objective achieved

“Costs claimed on the IDEA grant are allowable per Federal rules and regulations”



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## Policy & Procedures

### POLICY

**Why you administer things a certain way**

**The goal or objective**

### PROCEDURE

**How you perform the functions necessary to conform to your policy**

**Step by step process to implement the control**

## **WRITTEN PROCEDURES**

**No longer “best practice”  
but a REQUIREMENT**

**should     must**

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**What written  
procedures  
must your  
LEA have in  
place?**

Develop written procedures for:

- Cash Management - §200.302(b)(6)
- Allowability of Costs - §200.302(b)(7)
- Conflict of Interest - §200.318(c)(1-2)

Ensure that existing written  
procedures are in compliance with:

- General Procurement Standards -  
§200.318-.326
- Equipment Management  
Requirements - §200.313

## Procedures / Not Work Stoppages

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- Written procedures should ensure claiming of allowable costs without blocking or slowing down activities.
- Make the procedures reliable but not onerous.
- Accountability is important, but just as important is allowing the program area timely access to Federal funds to implement grant activities.

## Procedures / Not Mission Impossible

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- Written procedures should outline manageable steps.
- Everyone involved must know the procedures and implement them, otherwise the procedures do not matter (and there will be a non-compliance finding).
- If the procedure is overly complicated or the people involved in authorizing are never available, the subrecipient is setting the stage for staff to ignore procedures in order to move work along.

**§200.302****Financial  
Management****(b)(6)****CASH MANAGEMENT**

The sub-recipient's financial management system must have:

- Written procedures regarding cash management and claiming of federal funds

**§200.305****Payment****CASH MANAGEMENT**

- Advance Payment
  - Requesting Federal funds for expenditures not yet incurred
- Cost Reimbursement
  - Requesting Federal funds for expenditures after they have been liquidated

## §200.305 Payment

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### Advance Payment

- Subrecipient must:
  - ✦ Maintain written procedures that minimize the time elapsing between the transfer of funds from DPI and the disbursement of those funds.
  - ✦ Maintain financial management systems that meet the standards for fund control and accountability per the Uniform Grant Guidance.

## §200.305 Payment

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### Advance Payment

- Subrecipient must :
  - ✦ Advance funds limited to the minimum amounts needed and be timed to be in accordance with the actual, immediate cash requirements of the LEA in carrying out the purpose of the approved program or project
    - As close as administratively feasible to the actual disbursements

**When might  
an LEA have  
an advance  
payment?**

Accrued payroll at year end

- Set up a payable on June 30<sup>th</sup>
- File a final claim on July 10<sup>th</sup>
- Payment of the payroll occurs in July and August

## §200.305 Payment

**Cost Reimbursement**

- Preferred when requirements of cash advance not met.
- Almost always method used by school districts.
- Expenditures are obligated and liquidated prior to reimbursement.

## Cost Reimbursement – Obligating Funds

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When can you begin to obligate the funds?

Must be made within the grant period (July 1-June 30)

- Obligation – the amount of orders placed, contracts and subgrants awarded, goods and services received, and similar transactions during a given period that will require payment by the grantee during the same or a future period.

## Cost Reimbursement – Obligating Funds

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### **§76.708 When certain subgrantees may begin to obligate funds**

- Formula grants – DPI may not authorize an applicant to obligate funds until the date that the applicant submits its application to the State in substantially approvable form or July 1, whichever is later.
- Discretionary grants – DPI may not authorize an applicant for a subgrant to obligate funds until the award is made.

## EDGAR §76.707 When Obligations are Made

If the obligation is for -	The obligation is made -
(a) Acquisition of real or personal property	On the date on which the school makes a binding written commitment to acquire the property.
(b) Personal services by an employee of the school	When the services are performed.
(c) Personal services by a contractor who is not an employee of the school	On the date on which the school makes a binding written commitment to obtain the services
(d) Performance of work other than personal services	On the date on which the school makes a binding written commitment to obtain the work.
(e) Public utility services	When the school receives the services
(f) Travel	When the travel is taken.
(g) Rental of real or personal property	When the school uses the property.
(h) A pre-agreement cost that was properly approved by the State under the cost principles identified in 34 CFR 74.171 and 80.22.	

## Cost Reimbursement – Obligating Funds

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A fiscal transaction should be approved:

- By a person (program manager) who can attest the planned/actual expenditure is allowable and approved under the Federal program and
- By another person (business manager/accountant) who can attest to the availability of funds and to its consistency with the approved budget and who enters the transaction into the fiscal record.
- Each of these individuals should initial or sign the documentation for the transaction.

## Written Procedures / Obligating Funds

Sample questions to ask when writing procedures:

- Who has authority to generate a PO?
- How is a PO generated?
- Who has authority to approve PO?
- Who determines the purchase is an allowed cost?
- What information is used to make the determination it is an allowed cost?

## Written Procedures / Obligating Funds

- Who verifies that the goods or services have been budgeted on the Federal grant?
- Who has access to credit card?
- What purchases are allowed on credit card?
- Who reconciles credit card bill?
- What supporting documentation is required for credit card claims?

## Cost Reimbursement – Liquidating Funds

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Liquidation – to liquidate an obligation, the service has occurred or the purchased item has been received and payment has been made to vendor or provider.

### **§200.343(b) Closeout**

Unless DPI authorizes an extension, a non-Federal entity must liquidate all obligations incurred under the Federal award not later than 90 calendar days after the end date of the period of performance as specified in the terms and conditions of the Federal award.

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## Written Procedures / Liquidation

Sample questions to ask when writing procedures:

- Who verifies the goods have been received or service performed? *How is the verification done?*
- Who determines the service was timely performed and how is it verified?
- How is an invoice approved for payment? Who gives final approval?
- What is the payment process?
- What supporting documentation is required prior to payment?

## Written Procedures / Liquidation

- Who determines the goods are being put into use in the federal program? *How is this determined?*
- If assets (such as computing devices) were purchased, how are these being tracked per Federal program?
- If assets are lost, stolen or damaged, what is the process for reporting and documenting?
- If assets are no longer needed, what is the process for reporting and documenting?
- How is this communicated between areas?

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### **§200.302**

#### **Financial Management**

**(b)(5)(6)(7)**

The sub-recipient must:

- Be able to match expenditures with approved grant budgeted amounts
  - If it is not approved on the budget, it is not an allowed cost – even if it would be if it was on the budget
  - Claims, even though “rolled up,” must align with detailed budget

## Cost Reimbursement – Expenditure Report

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Requests for funds of Federal grants awarded by DPI must be completed using the form PI-1086

- Some grant programs still use an Excel version
- Larger formula grants have moved to a web-based format

The PI-1086 is a summary report, all detail to support the claim, such as purchase orders, is maintained by the recipient.

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## Written Procedures / Claiming Process

**Procedures that will walk through your LEA's claiming process, from beginning to end**

- Who prepares the claim?
- How are costs compared to approved budget?
- How are costs determined allowable?
- Who reviews the claim?
- Who approves the claim?
- Who signs the claim?

***When you provide a written procedure to an auditor they should be able to walk through the process and see appropriate supporting documentation, signatures and sign off as indicated in the procedures***

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## Cost Reimbursement – Expenditure Report

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### Provide training to those who will be authorizing expenditures

- Technical assistance on a grant program’s allowable costs
- Don’t rely only on an approved budget
  - ✦ NOTE: an unallowed item nested in an approved budget does not make it allowable
    - Sometimes an unallowed cost is written into a detailed description with a WUFAR combination that does not match (and the reviewer misses it); or
    - The budget did not require a detailed description, but purchased “supplies” cannot be used for any other purpose than the originating federal program

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## DPI Monitoring

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### When would DPI request a copy of a subrecipient’s written procedures?

- When there is non-compliance or suspected non-compliance regarding Federal grant funds
- Single audit findings

### Corrective Actions

- Update written procedures to be in compliance
- Train staff on procedures
  - ✦ Funds will be withheld until corrective action has been implemented and reviewed by DPI

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## Written Procedure Technical Assistance

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Uniform Grant Guidance Written Procedures:  
<http://dpi.wi.gov/wisegrants/uniform-grant-guidance/writtenprocedures>

Cash Management:

<http://dpi.wi.gov/sites/default/files/imce/wisegrants/pdf/cash-management-written-procedures.pdf>