

**They Will Be Monitored...  
Uniform Grant Guidance  
Written Procedures  
and the importance of  
Program Area and Business Office Collaboration**

Federal Funding Conference  
February 2018



**Uniform Grant Guidance**

Put into law on July 1, 2015, and  
applies to all federal grants.

Focus shifted away from “after-the-fact” auditing and  
“best practice” recommendations into  
preventative monitoring and requiring best practices be  
implemented by subrecipients.



# Uniform Grant Guidance's Fundamental Premise

- Subrecipient has in place sound management practices.
- Subrecipient will follow the terms and conditions of the specific federal award.
- Subrecipient will determine, based on its own unique combination of staff, facilities, and experience, how to assure proper and efficient administration of the federal funds.



<p><b>Background</b></p> <p>Office of the Inspector General</p> <p>Association of Government Accountability</p> <p>Government Accountability Office</p>	<p><b>Preventative rather than reactive</b></p> <ul style="list-style-type: none"><li>• The United States Department of Education (USDE) ensures students get services.</li><li>• Less time devoted to corrective measures and fund returns.</li></ul> <p><b>Narrowing the scope</b></p> <ul style="list-style-type: none"><li>• Prior monitoring expectations seemed to be “everything” and “everyone” – impossible, unnecessary, and shallow.</li><li>• This system applies a focus so that only a few receive better and more individualistic technical assistance.</li></ul>
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## DPI's Role: Risk Assessment

- The Department of Public Instruction (DPI) must evaluate each subrecipient's risk of noncompliance with federal statutes and regulations to determine an appropriate level of monitoring. (2 CFR §200.331(b))
- This must occur prior to awarding any federal funds to a subrecipient.



## Impact on Everyone

This risk assessment must be performed every year for:

- All federal grants, regardless of awarding agency.
- All subrecipients, regardless of agency type.



## **Factors Used for DPI Risk Assessment**

<b>Total Federal Allocation</b>
<b>Known Fraud</b>
<b>Significant Audit Findings</b>
<b>Claims Do Not Match Annual Report</b>
<b>Program-specific Fiscal Compliance Findings</b>
<b>Poor Cash Management Practices</b>
<b>Compliance with Prior Year Terms and Conditions</b>

## **What Is A Significant Audit Finding?**

**Unallowed costs charged to the grant**

**Time & Effort findings (no supporting documentation)**

**No evidence of the written procedures required by the federal Uniform Grant Guidance**



# Claims Do Not Match Annual Reports

## Fund 27 expenditures tracked by project code in special education annual report (PI 1505 SE)

- Final IDEA flow-through and preschool claims for special education costs (project 340, fund 27) must match the totals submitted on the annual report.
- Annual report data is used to determine a Local Education Agencies' (LEA) compliance with IDEA's maintenance of effort provision.
- Differences signify issues with the subrecipient's financial management system, and may be a widespread problem among all of the subrecipient's federal grant accounting.



# Program Fiscal Compliance Findings

Each program has its own fiscal rules, above and beyond the Uniform Grant Guidance, that require monitoring. Findings in these programs *may* indicate larger systemic issues.

- Unallowed costs
- IDEA Maintenance of Effort
- Title I Supplement not Supplant
- Claimed items not matching approved budget
- Property management
- Late applications / infrequent claims
- Reasons for a return of funds (vendor refund versus end of year cash reconciliation)



# Federal Award Terms & Conditions

Subrecipient-specific monitoring requirements are identified as a term and condition on the federal subaward document.

The same requirement is listed on all federal subawards received by the subrecipient.



## **Samples of Terms & Conditions applied to FY 2017-18 subawards**

For every federal grant received from DPI, submit a copy of the general ledger that matches the expenses claimed (tracked by project code).

Provide the cash reconciliation for November 2017 to DPI School Financial Services.

Provide DPI with a copy of the LEA's written procedures for allowable costs and cash management as required by the UGG.

# **POLICY and PROCEDURES**

## **They are not the same**

### **POLICY**

**Why** you administer things  
in a certain way

The goal or objective

### **PROCEDURES**

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

Step by step process to meet the  
objective

## **Written Procedures**

The development of effective written procedures for the LEA requires input from both your business office AND your program managers and staff.

Program staff should be aware of business office policies and procedures, AND should collaborate with the development of written procedures by providing information on program area requirements.



# Written Procedures

## Examples of important program area buy-in:

### Should be aware of:

- Claims Process
- Uniform Grant Guidance
- Cash Management Procedures
- WUFAR
- Business office contact information

### Should collaborate on:

- Determining allowable costs
- Obligating/Liquidating grant funds
- Budget/Revision process
- Program area contact information



# Written Procedures

DPI staff and independent auditors will ask to review them.

For single audits, if there are no written procedures there will be a finding. A finding will lead to terms and conditions being put upon the subrecipient's grants through DPI's annual risk assessment.



# Written Procedures

Written procedures are not policies.

- The policy is “Only allowable costs will be charged to the XXX grant.”
- The procedures are each individual district’s internal steps for ensuring that only allowable costs will be charged to the grant.

DPI does not provide sample written procedures.



# Written Procedures

WASBO’s Federal Funds Procedural Manual cannot be used as an LEA’s written procedures.

Great initial technical assistance providing an overview of the new requirements implemented in FY 2015-16.

DPI does not accept the Federal Funds Procedural Manual as a LEA’s written procedures.



**FINANCIAL  
MANAGEMENT**

**\$200.302  
(b)(7)**

**ALLOWABILITY OF COSTS**

Required written procedures must address how the subrecipient is ensuring that costs on the federal grant, and ultimately claimed, are allowed under the individual Federal program *and* in accordance with the cost principles established in the Uniform Grant Guidance.

- This includes how charges made to the grant for personnel are determined.

**Factors affecting allowability of costs**

**CONFORM TO  
LIMITATIONS OR  
EXCLUSIONS**

**2 CFR  
\$200.403(b)**

- Cost principles (Uniform Grant Guidance)
- Cross cutting federal statutes/regulations
  - EDGAR
- Program statute and regulations
  - IDEA, ESEA, etc.
- Terms and conditions of the federal award
  - Grant subaward
- Other governing regulations
  - State statutes
  - District policies



## Factors affecting allowability of costs

### REASONABLE AND NECESSARY 2 CFR §200.403(A)



- Necessary

- A cost is “necessary” if it meets an important program objective - it must address an existing need.

- Reasonable

- “Prudent Person” Standard (2 CFR §200.404)



## Factors affecting allowability of costs

### Policy

A policy is described  
government, private  
“Statement of Inter  
important organiza

### CONSISTENT WITH POLICIES & PROCEDURES

### 2 CFR §200.403(c)

The cost must be consistent with policies, regulations, and procedures that apply uniformly to both federal awards and other activities of the subrecipient.

- Subrecipients cannot apply different rules for allowable costs based on funding source.



## Consistent with Policies and Procedures



### Example:

If the per-diem rate for employees whose salary and travel are paid from state/local funds is one amount, then there cannot be a separate, higher amount for employees paid from federal funds.



## Consistent with Policies and Procedures

### Example:

If the subrecipient's policy does not reimburse employees for professional association memberships, an exception cannot be made to reimburse the same costs because federal funds are available.

**MEMBERSHIP  
RENEWAL**  
*Annual Dues*



**ALLOCABLE TO  
FEDERAL  
AWARDS**

**2 CFR  
\$200.405(A)**

To what extent are the expenditures charged to a particular grant program benefiting the program?

- When an LEA charges 100 percent of an expenditure to a federal program, the LEA must ensure that the program is receiving the entire benefit of these costs.

**Once the cost has been determined to be allowed...  
It must then be allocable**

## **Allocable to Federal Awards**

### **EXAMPLE A**

A teacher spends 25% of her time on the federal award, therefore 25% of the teacher's salary is charged to the federal award.

**Allocable with supporting  
Time and Effort records**

### **EXAMPLE B**

Grant funded staff use the internet, so the LEA charges 3% of the network costs to the federal award.

**Not Allocable**

## Written Procedures – Allowable Costs

### Sample questions to address when developing written procedures:

- Who, for each Federal program, creates the grant budget?
- Who enters the grant budget for the Federal program?
- Who verifies the grant budget aligns with the ledger?
- How is this communicated between areas?
- Who verifies allowability of each cost under the federal program and the Uniform Grant Guidance?

## Written Procedures – Allowable Costs

- For each federal program, who is the informed contact for DPI questions?
- When cost changes occur within the program, who is notified? (*changes to business or program needs*)
- When cost changes are identified, what is the timeline for submitting budget amendments?
- How is this communicated between areas? Who verifies allowability of each amended cost?

# Written Procedures – Allowable Costs

## Additional Considerations:

- Who is responsible for generating documentation demonstrating a cost is reasonable, necessary or allocable, if part of a cost's allowability?
- Where is this documentation kept?
- Where is correspondence regarding budget reviews by DPI kept for each of the Federal grants?

## TIME & EFFORT DOCUMENTATION

### §200.430 (i) Standards for Documentation of Personnel Expenses

- Time & Effort documentation is STILL required.
- Charges to federal awards must be based on records that accurately reflect the work performed. These records must:
  - Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated.
  - Be incorporated into the official records of the subrecipient.



<p><b>TIME &amp; EFFORT DOCUMENTATION</b></p> <p><b>§200.430 (i) Standards for Documentation of Personnel Expenses</b></p>	<ul style="list-style-type: none"> <li>• <b>Reasonably</b> reflect the total activity for which the employee is compensated by the subrecipient, not exceeding 100% of compensated activities.</li> <li>• Include all activities of the employee, both federally and non-federally funded.</li> <li>• Comply with the subrecipient's established accounting policies and practices.</li> </ul>
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<p><b>TIME &amp; EFFORT DOCUMENTATION</b></p> <p><b>§200.430 (i) Standards for Documentation of Personnel Expenses</b></p>	<p>Support the distribution of the employee's salary among cost objectives if the employee works on multiple, unrelated activities (per grant guidelines).</p> <ul style="list-style-type: none"> <li>• <i>How</i>, for employees not working on a single cost objective, will the subrecipient determine what amount gets charged to the grant?</li> <li>• Not any less restrictive than the old rule, but now subrecipient determines process.</li> </ul>
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**TIME & EFFORT  
DOCUMENTATION**

**§200.430 (i)  
Standards for  
Documentation of  
Personnel Expenses**

- Documentation records should be adjusted in a timely manner if there are significant changes in the employee's work activity.
- Short-term (such as one or two months) fluctuation between workload categories need not be addressed as long as the distribution of salaries is reasonable over the longer term.

**TIME & EFFORT  
DOCUMENTATION**

**§200.430 (i)  
Standards for  
Documentation of  
Personnel Expenses**

- The subrecipient's system of internal controls must include processes to review after-the-fact interim charges made to a Federal award based on budget estimates.
- All necessary adjustments must be made such that the final amount charged to the federal award is ACCURATE, ALLOWABLE, and PROPERLY ALLOCATED.

## Procedures / Personal Costs

- Subrecipient develops the procedures (not dictated by the Uniform Grant Guidance)
- Use same procedure for all federal grants, as it must be incorporated into the official documents.
- Identify “single cost objective” staff per grant – meaning 100% of the person’s time could be charged to a particular grant (based on the grant’s objectives).
- For all others, determine how the business office will know the accurate amount to claim.



## Procedures / Personnel Costs

**Existing semi-annual / PARs (Personnel Activity Report) systems meet this new requirement; however**

- Is your system a reliable one?
- Are there written procedures, and are they being followed?
- Are the supporting documents part of the LEA’s official records?
- Is the process overly complicated, and could it be simplified under these more flexible requirements?



## Written Procedures – Allowable Costs

- Who identifies each staff person with a status of single cost objective or multiple cost objective?
- How is this status determined?
- How often is this information reviewed and updated?
- Where is the information stored?
- How is this communicated between areas?

## For staff with multiple cost objectives

- How is the amount of staff person's time budgeted on the grant determined?
- What documentation or process is used to support the amount budgeted?
- How often is this information reviewed and updated?
- Where is the information stored?
- Who verifies charged amounts against supporting documentation prior to a claim being made?

## For short-term work (subs, ESY, etc.)

- Does the time sheet identify the federal funding source or cost objective?
- Who verifies the short-term work is an allowable cost under the federal program?
- Who verifies the short-term work is completed by licensed individuals (if required)?
- Who verifies the work was completed prior to submitting a claim?
- How is this communicated between areas?

### **PAYMENT**

**\$200.305**

### **CASH MANAGEMENT**

Required written procedures must address both advance payments and cost reimbursement. The written procedures should include steps involved in obligating, liquidating, and claiming of federal funds.

## Cost Reimbursement

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



## Obligating Funds

A fiscal transaction should be approved:

- By a person (program manager) who can attest the planned or 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. The person would enter the transaction into the fiscal record.
- Each of these individuals should initial or sign the documentation for the transaction.

## Liquidating Funds

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

- A claim for payment would not be made if the obligation has yet to be liquidated.



## Written Procedures – Cash Management

### Obligating Funds:

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

## Written Procedures – Cash Management

### Obligating Funds:

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

## Written Procedures – Cash Management

### Liquidation:

- Who verifies the goods have been received or service performed? *How is this verification done?*
- Who determines the service was completed per contractual expectations? *How is this verification done?*
- How is this communicated between areas?

## Written Procedures – Cash Management

### Liquidation:

- How is an invoice approved for payment? Who gives final approval?
- What is the payment process?
- What supporting documentation is required prior to payment?
- Who determines the goods are being put into use in the federal program? *How is this determined?*

## Written Procedures – Cash Management

### Liquidation:

- If assets (such as laptops) 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?

# Claiming Funds

Requests for funds of federal grants awarded by DPI must be completed using the form PI-1086 expenditure report.

- Some grant programs still use an Excel version
- Programs in WISEgrants use a web-based PI-1086

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



**Financial  
Management  
§200.302  
(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.

## 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 an approved budget?
- How are costs determined allowable?
- Who reviews the claim?
- Who authorizes the claim? What are the checkpoints for the authorizer?

**When you provide a written procedure to an auditor they should be able to understand the process and find appropriate supporting documentation and signatures as indicated in the procedures.**

### DPI's Review Process

Does an LEA's written procedures address:

- Determining costs in the budget are allowable.
- Reviewing expenditures to ensure alignment with budget.
- Handling of budget revisions.
- Producing and maintaining documentation demonstrating allowability of the cost.
- A process for identifying staff cost objectives, verifying time worked, and a review of charged amounts (including short term staff).

**Top Three  
Reasons  
DPI would  
not accept an  
LEA's  
Written  
Procedures**

For its procedures, the LEA submits:

- 1) the Federal Funds Procedural Manual with the LEA's name entered into the blanks.
- 2) the DPI written procedure checklists with answers written next to the questions.
- 3) the Uniform Grant Guidance requirements, written as LEA policy.

## Written Procedures Technical Assistance

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

Includes the checklists for writing procedures on allowable costs, cash management, and conflict of interest.

