

# Written Procedures and DPI's Federal Subrecipient Risk Assessment

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WISCONSIN DEPARTMENT OF  
PUBLIC INSTRUCTION

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# 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.



# UGG'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.**

## Background

Office of the  
Inspector General

Association of  
Government  
Accountability

Government  
Accountability  
Office

### **Preventative rather than reactive:**

- USDE ensures students get services.
- Less time devoted to corrective measures and fund returns.

### **Narrowing the scope:**

- Prior monitoring expectations seemed to be “everything” and “everyone” – impossible, unnecessary, and shallow.
- This system applies a focus so that only a few receive better and more individualistic technical assistance.

# POLICY & PROCEDURES

**\*\*\*They are not the same\*\*\***

## 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 meet the objective

# Written Procedures

- **DPI Staff and Independent Auditors will ask to review written procedures;**
- **For single audits, if there are no written procedures there will be a finding; and**
- **A finding will lead to terms and conditions being added to the subrecipient's grants through DPI's annual risk assessment.**



# Written Procedures

- DPI does not provide sample written procedures.
- Written procedures are not policies. A policy may state, *“Only allowable costs will be charged to the XXX grant.”*
- The procedures are the district’s internal steps for ensuring that only allowable costs will be charged to the grant.



# 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.

# Uniform Grant Guidance

## Subpart E – Cost Principles

- Addresses 55 “items of cost” regarding allowability, *in general*, for using federal funds.
- Is not an exhaustive or detailed list.
- Rather, it provides guidance on “Basic Considerations” to apply to all costs, listed or not listed.

# Factors affecting allowability of costs

- Is the cost allowed under the specific federal grant program? §200.403 (b)
- Is the cost necessary to meet the program objectives? §200.403 (a)
- Is the amount of the cost reasonable? §200.404
  - Did the subrecipient follow sound business practices?
  - Would the cost be considered a fair market price?
- **Would the same cost be funded with local dollars?** §200.403 (c)
  - Did the LEA consider its responsibilities to the LEA, its students, the public, and government?
- Is there supporting documentation for charges to the grant? §200.403 (g)

**Once the cost is determined to be allowed...**

**It must then be allocable**

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.

**ALLOCABLE TO FEDERAL AWARDS**  
**2 CFR §200.405(A)**

# Allocable Determinations

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

**Allocable with supporting Time and Effort documentation**

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

**Not Allocable – Not based on actual usage or cost**

# 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

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.



## Time & Effort Documentation

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

- *Reasonably* reflect the total activity for which the employee is compensated by the subrecipient, not exceeding 100% of compensated activities.
- Include all activities of the employee, both federally and non-federally funded.
- Comply with the subrecipient's established accounting policies and practices.

## Time & Effort Documentation

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

Support the distribution of the employee's salary among cost objectives if the employee works on multiple, unrelated activities (per grant guidelines).

- *How*, for employees not working on a single cost objective, will the subrecipient determine what amount gets charged to the grant?
- The subrecipient determines process.

# Procedures / Personnel 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.

# 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 (substitutes, 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.

# Types of Payments

## Cost Reimbursement

Requesting federal funds for expenditures *after* they have been liquidated.

## Advance Payment

Requesting federal funds for expenditures *not yet* incurred.

# 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.

# 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.

# Advance Payment

## Subrecipient must:

- Advance funds limited to the minimum amounts needed and 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

# 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 Purchase Order?
- 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

## Obligation Timeframe (34 C.F.R § 76.707):

If the obligation is for—	The obligation is made—
(a) Acquisition of real or personal property	On the date the grantee makes a binding written commitment to acquire the property.
(b) Personal services by an employee of the grantee	When the services are performed.
(c) Personal services by a contractor who is not an employee of the grantee	On the date on which the grantee makes a binding written commitment to obtain the services.
(d) Performance of work other than personal services	On the date on which the grantee makes a binding written commitment to obtain the work.
(e) Public utility services	When the grantee receives the services.
(f) Travel	When the travel is taken.
(g) Rental of real or personal property	When the grantee uses the property.
(h) A pre-agreement cost that was properly approved by the Secretary under the cost principles in 2 CFR part 200, Subpart E—Cost Principles	On the first day of the project period.

# 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 subrecipient 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 walk through the process and see appropriate supporting documentation, signatures and sign off as indicated in the procedures*

# General Procurement Standards 200.318

**The subrecipient must use its own documented procurement procedures which reflect applicable State and local regulations, provided that the procurements conform to applicable Federal laws and the Uniform Grant Guidance.**



# General Standards

- **Maintain oversight to ensure contractors perform the work as specified in the contract (§200.318(b))**
- **Maintain written standards for “Conflict of Interest” (§200.318(b))**
- **Only contract with reliable vendors (§200.318(h))**
- **Subrecipient is responsible for all contract disputes and cannot defer to the Federal agency in such cases (§200.318(k))**



# General Standards

The subrecipient must maintain records sufficient to detail the history of procurement. Records must include, but not limited to: (§200.318(i))

- Rationale for the method of procurement
- Selection of contract type
- Contractor selection or rejection
- The basis for the contract price



# General Standards – Full and Open Competition 200.319 (c)

The following are considered “anti-competitive”:

- Placing unreasonable requirements on vendors to qualify for business
- Requiring unnecessary experience
- Noncompetitive pricing practices between firms
- Noncompetitive contracts to consultants that are on retainer contracts

# General Standards – Full and Open Competition 200.319 (c) (cont.)

The following are considered “anti-competitive”

- Organizational conflicts of interest
- Specifying a “brand name” product instead of allowing an “equal” product to be offered
- Cannot be bound by state or local geographical preferences in the evaluation of bids or proposals



# 5 Methods of Procurement 200.320

- **Micro-purchase**
- **Small Purchase**
- **Sealed Bids**
- **Competitive Proposals**
- **Noncompetitive Proposals**



# Micro-purchases

The non-Federal entity is responsible for determining an appropriate micro-purchase threshold based on internal controls, an evaluation of risk and its documented procurement procedures.



# Micro-purchase – 200.320 (a)

- **Aggregate dollar amount not to exceed \$10,000**
- **When practical, distribute equitable among qualified suppliers**
- **No competitive quotes required if management determines price is reasonable**



# Small Purchase – 200.320 (b)

- Purchase up to the Simplified Acquisition threshold (currently \$250,000)
- Informal procedures acceptable
- Price or rate quotes must be obtained from an adequate number of sources



# Sealed Bids – 200.320 (c)

- Purchases over the Simplified Acquisition Threshold (currently \$250,000)
- Formal solicitation required
- Fixed Price awarded to a responsible bidder who conformed with all material terms and is the **lowest in price**.
- Most common for construction contracts
- See 200.320(c) for additional details



# Competitive Proposals – 200.320 (d)

- **Purchases over the Simplified Acquisition Threshold (currently \$250,000)**
- **Formal solicitation required**
- **Fixed Price or cost-reimbursement contracts**
- **Used when sealed bids not appropriate**
- **Awarded to responsible firm whose proposal is most advantageous to the program, with price being one of the considered factors.**
- **See 200.320(d) for additional details**

# Noncompetitive Proposal – 200.320 (f)

May be used only when one or more of the following apply:

- The item is available only from a single source
- The public exigency or emergency for the requirement will not permit a delay resulting from competitive solicitation
- The federal awarding agency (or pass-through entity-DPI) expressly authorizes this method in response to a written request from the non-federal entity
- After solicitation of a number of sources, competition is determined inadequate

# Additional Contracting Requirements

**Contracting with small and minority businesses, women's business enterprises, and labor surplus area firms. (§200.321)**

- 1) Take affirmative steps to place these business types on qualified vendor lists.**
- 2) Solicit these groups whenever they are potential sources.**
- 3) Divide large projects into smaller pieces to allow for these businesses to participate.**



# Additional Contracting Requirements (cont.)

- 4) Establish delivery schedules, where permitted, that encourage participation by these businesses.
- 5) Utilize the services of Small Business Administration and the Minority Business Development Agency of the Department of Commerce.
- 6) Require the prime contractor, if sub-contracting, to also take affirmative steps of 1 through 5.



# Contract Provisions 200.326

**All contracts using Federal funds must contain the applicable provisions set forth in the Uniform Grant Guidelines, Appendix II – “Contract Provisions for non-Federal Entity Contracts Under Federal Award.”**

- **There are 11 possible provisions, including:**
  - Termination for cause and for convenience
  - Equal Employment Opportunity
  - Davis Bacon Act
  - Contract Work Hours and Safety Standards Act



# Written Procedures

- **The subrecipient must use its own documented procurement procedures which reflect applicable State and local regulations, provided that the procurements conform to applicable Federal laws and the Uniform Grant Guidance.**
- **The subrecipient must have written procedures regarding solicitations to ensure that all procurement transactions are conducted in a manner providing full and open competition.**



# Written Procedures

These written standards must ensure that all solicitations:

**1) Incorporate a clear and accurate description of the technical requirement.**

- Description cannot contain features which unduly restrict competition (such as unnecessary experience or specifying only “brand name” products).

**2) Identify all requirements which the vendor must fulfill and all other factors to be used in evaluating bids or proposals.**



# Written Procedures

**Sample questions to ask when writing procurement procedures:**

- Where are instructions outlining the solicitation requirements (200.319(c)) available for staff?**
- Prior to releasing a solicitation, who has reviewed and ensured that the solicitation requirements have been included?**
- Who verifies that prequalified lists of persons, firms, or products are current and include enough qualified sources to ensure maximum open and free competition?**



# 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.

# DPI's Role: Risk Assessment

- **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 occurs 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

- Total Federal Allocation
- Known Fraud
- Significant Audit Finding in Prior Year
- New or Morphed DPI Subrecipient of Federal Award
- Program Fiscal Monitoring Findings
- Claims Do Not Match Annual Report
- Cash Management Practices
- Prior Year Non-Compliance with Terms & Conditions
- Financial Concerns



# What is a significant audit finding?

- **Unallowable 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 an LEA's 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 2019-20 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 2020 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.**

# Written Procedures Technical Assistance

**Uniform Grant Guidance Written Procedures:**

**<http://dpi.wi.gov/wisegrants/uniform-grant-guidance/writtenprocedures>**

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

