Fiscal Management of Federal Funds for Independent (2r) Charter Schools

Session Purpose

- Cover some of the basic principles of fiscal management of federal funds through an open discussion

- Share knowledge, experiences, challenges, and best practices

- Focus on a few areas that may be of increased importance to independent 2r charter schools

- Will not address all areas of fiscal management or cover all specific requirements that apply to individual grants

Fiscal Management of Federal Funds

- Fiscal management requirements established by:
  - Office of Management and Budget
    - Uniform Guidance- 2 CFR 200
  - Federal agencies (EDGAR for Department of Education)
  - Pass-through entities (DPI)
  - Grant and award specific requirements

- Fiscal management requirements apply the same for all entities (school districts, 2rs, private entities, etc.)

Milwaukee Academy of Science

- Finance Committee (Board Members)
  - Oversee finances/budget/audit of school

- Put on high-risk status in 2012

- Created Policies & Procedures Manual

- Previously outsourced accounting & payroll

- Started using Skyward this year
  - WUFAR

Budgeting Federal Awards

- For each federal grant award, a budget:
  - Must be completed and submitted by the subrecipient
  - Must be approved by the pass-through entity before funds can be expended by the subrecipient.

- Subrecipient staff must have an understanding of and an ability to determine allowable expenses for each grant.

Budgeting Federal Awards

- Group discussion topics related to budgeting:

  - What is your process for budgeting federal grant awards?

  - How do you ensure budgeted funds are allowable costs that can be claimed on the grant?
    - What resources are available to make this determination?

  - Are your grant budgets entered into your accounting system? If not, how are they tracked?

  - What is your process for determining when budget revisions are necessary?

Accounting for and Tracking Federal Grant Transactions

- Various accounting systems
  - Which accounting system does your entity use?

- Accounting system records must be able to show at the level of expenditures that funds have been used in accordance with Federal statues, regulations, and the terms and conditions of the Federal award.

- Records must be accurate, current, and complete.

Accounting for and Tracking Federal Grant Transactions

- How does your accounting system track federal funds separately (separate fields, unique identifiers)?
- Does your accounting system coding differentiate between anticipated funding sources (i.e. IDEA vs State SPED)?
- Or is it coded as a general expense or even special education and then you figure it out later?
  - If your accounting system does not differentiate you risk:
    - Claiming expenditures in more than one location, then having audit findings and having to payback funds.
    - Being unable to compare your actual grant expenditures to your approved grant budgets at all or on a timely basis.

WUFAR

- Wisconsin Uniform Financial Accounting Requirements (WUFAR): http://sfs.dpi.wi.gov/sfs_wufar
  - Not required in your accounting system, but must be used for reporting to DPI- including budgets, claims, and audits.

  - Does your entity's accounting system use WUFAR?
    - If yes, thoughts and experiences? Pros and Cons?

  - For accounting systems that don't use WUFAR,
    - What is your process for cross-walking those transactions to WUFAR for reporting purposes (object, function, project)?

Approving Expenditures

- What is your entity's process for approving expenditures (invoices, credit cards, cash)?

- Who is involved in the review process?
  - Program staff, business office staff, administration, board.
  - Initials, signatures, dates to show review.

- How does your entity determine if the expenditures is allowable to be claimed under the federal grant?
  - What resources are available to make this determination?

Salaries and Benefits

- Payroll records
  - What payroll system does your entity use?
  - Is it in house or third party?
  - How do payroll transactions get recorded on your accounting system?
  - Does the payroll transactions identify who and what will be claimed?

- Time and Effort- PARS/semi-annual reports

Periodic Review of Expenditures

- Is there periodic reporting and review of expenditures?
  - What is the frequency?
  - Who is performing the review?

- Are cash and bank account reconciliations performed?
  - What is the frequency
  - Who is performing the review?

- What is your process for evaluating actual expenditures to budgeted amounts?

Federal Grant Claims

- Who prepares the federal grant claims?

- How are claimed items and amounts determined?

- Who ensures the amounts being claimed are allowable for the grant?

- Are claims reviewed and approved by others before being submitted?

- Are amounts being claimed compared to the general ledger?

Internal Controls

- Establish and maintain effective internal control to ensure compliance. Uniform Guidance recommends:

- Standards for Internal Control in the Federal Government (GAO) (Green Book)

- Internal Control Integrated Framework (COSO)

Internal Controls

- Ensure control and accountability for all funds, property, and other assets purchased with federal funds

- Adequately safeguard all assets and assure that they are used solely for authorized purposes
  - Do you know:
    - What was purchased?
    - Where it is?
    - How it is being used to meet program purposes?
  - Perform routine physical inventories

- Safeguard personally identifiable information

Written Policies and Procedures

- Written policies and procedures:
  - Establish responsibilities
  - Ensure appropriate monitoring, verification, and reporting
  - Ensure appropriate individuals are involved in the process
  - Are critical when there is staff turnover
  - Should be reviewed and updated frequently

Written Policies and Procedures

- Does your entity have written policies and procedures?
- Which activities have written policies and procedures?
- Have these written policies and procedures been implemented as written and are they current?
- Have written policies and procedures been important to your entity?
- Are there additional activities that should have written policies and procedures?
- At a minimum, written procedures for:
  - Claiming federal funds
  - Determining the allowability of costs
  - Internal controls considered key to the operations of the entity

Segregation of Duties (SOD)

- The principle of segregation of duties is based on shared responsibilities of a key process that disperses the critical functions of that process to more than one person or department. -AICPA

- Typical categories of duties performed in a transaction cycle:
  - Authorization
  - Custody
  - Record Keeping
  - Reconciliation

- A minimum of 2, and usually 3 or more individuals are required to properly segregate duties. Separating custody from record keeping is typically the most important.

Segregation of Duties (SOD)

- Transaction cycles for which duties should be segregated include:
  - Cash Disbursements
  - Cash Receipts
  - Purchasing
  - Payroll
  - Inventory and capital assets

SOD General Practical Advise

- Have less technical duties (typically custody duties) performed by non accounting staff, such as:
  - Opening mail and creating a receipt log
  - Taking deposits to the bank
  - Maintaining the check stock

- Approvals, reviews, and reconciliations should be done by individuals not involved in the daily processing but who have knowledge of the operations (supervisors, boards)

- May want to consider 3rd party vendors services

SOD- Cash Disbursements

- Typical procedures:

  - Invoice processing and check generation
  - Reviewing and signing checks
  - Mailing checks
  - Recording of payments / making general ledger entries
  - Reconciliation of cash and bank statements

- How does your entity go about segregating the cash disbursement procedures?

SOD- Cash Disbursements

- Internal and Compensating Controls:

  - Limiting access to checks, ability to approve, and accounting systems transactions
  - Use purchase orders
  - Use sequentially numbered checks
  - Manually sign checks
  - Independent and period review of disbursements, bank activity, and bank statements

SOD- Cash Receipts and Revenue

- Typical procedures

  - Receiving checks and opening mail
  - Depositing cash and checks
  - Recording deposits
  - A/R write offs
  - Reconciling cash and bank statements

- How does your entity go about segregating the cash receipts procedures?

SOD- Cash Receipts and Revenue

- Internal and Compensating Controls:

  - Mail processing/check receipts independent process
  - Checks are endorsed for deposit only
  - Cash deposits made regularly
  - Cash receipts log, bank deposit slips/bank statements, general ledger deposits reconciled to each other
  - Use bank lockbox or immediate scan deposits
  - Independent review of all A/R write-offs/adjustments

Tying It All Together

- Written internal control policies and procedures

- File(s) containing:
  - Detailed Budget
  - Grant Award
  - Written procedures for allowable costs and claiming
  - General Ledger detail of expenditures
  - Supporting documentation (invoices, payroll, etc.)
  - Claims Filed

Working With Your Auditors

- Build a relationship

- Seek guidance on best practices or areas of improvement

- Ask questions

- Express concerns

Questions???