

FISCAL MANAGEMENT OF FEDERAL FUNDS

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WISCONSIN
DEPARTMENT OF
PUBLIC
INSTRUCTION



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Overview

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- As the pass-through agency DPI is responsible for **fiscal oversight** of federal funds that are granted to subrecipients
- Federal grants and the laws and regulations surrounding them have been around for decades
- At times LEAs do not comply with certain federal fiscal requirements because they are unaware of them and unaware of the potential loss of funds

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Overview

Time for
Review of Fiscal
Management
Requirements

- Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards
 - Omni-Circular
 - Super Circular
 - UGG
- Fewer single audits
- More monitoring by pass-through agency (DPI)

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Overview

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This training intended to:

- Focus on overall financial management of the federal funds under "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards" (UGG)

This training not intended to cover:

- All areas of grant management
- Areas of the UGG covered in other session (i.e. allowable cost, time and effort reporting, property, indirect cost)
- Specific federal program requirements that accompany every grant

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Requirements that Apply to Federal Grants

- Office of Management and Budget (OMB)
- Established uniform procedures for the use of federal funds
- Overarching regulations that apply to all federal grants

Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Grants (UGG)

<http://www.gpo.gov/fdsys/pkg/FR-2013-12-26/pdf/2013-30465.pdf>

Requirements that Apply to Federal Grants

Federal Register

- official journal of the federal government
- contains publications and public notices of government agencies

Code of Federal Regulations (CFR)

- Codification of the general and permanent rules and regulations published in the federal register

http://ecfr.gpoaccess.gov/cgi/t/text/text-idx?sid=b248f3949e2c06c722742aeb38c17562&c=ecfr&tpl=/ecfrbrowse/Title34/34tab_02.tpl

Requirements that Apply to Federal Grants from USDE

(Prior to December 26, 2014)

Education Department General Administrative Regulations (EDGAR)

Title 34 (Education), CFR, Parts 74-86 and 97-99

- regulations for administering discretionary and formula grants awarded by the Department of Education

**Federal Awarding Agency Regulatory
Implementation of OMB's Uniform Administrative
Requirements, Cost Principles, and Audit
Requirements for Federal Awards**

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Changes to EDGAR

<https://www.federalregister.gov/articles/2014/12/19/2014-28697/federal-awarding-agency-regulatory-implementation-of-office-of-management-and-budgets-uniform>

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**Requirements
that Apply to
Federal
Grants from
USDE
(December
26, 2014)**

**Changes to Education Department
General Administrative Regulations
(EDGAR)**

- Removed Part 80 (administrative regulations for State and local agencies)
 - Replaced by 34 CFR Part 74 (UGG)

EDGAR

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Part 76 remains pretty much intact under 2 CFR Part 3474 (regulations governing State-Administered programs)

- Identification of when an “obligation” is made
- When funds may be obligated
- Treatment of private schools / charter schools
- Restricted indirect rates

**What does the federal reform
(UGG) say about financial
management of federal funds?**

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§200.302**Financial
Management****(a)**

Financial management systems, including records documenting compliance with Federal statutes, regulations, and the terms and conditions of the Federal award, must be sufficient to permit the preparation of reports required by general and program-specific terms and conditions

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Financial Reporting

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- Individuals who prepare, review and approve reports possess knowledge, skills and abilities necessary
- Policies and procedures that establish responsibilities and ensure proper monitoring, verification and reporting
 - Review and approval of reports by appropriate individual prior to submission
- Accounting system set up to provide the financial information as needed for reporting

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§200.302**Financial
Management****(a)**

The sub-recipient's financial management system must be sufficient to trace funds to a level of expenditures adequate to establish that such funds have been used in accordance with Federal statutes, regulations, and the terms and conditions of the Federal award.

- Must track federal funds separately by grant program

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Tracking Expenditures

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**Wisconsin Uniform Financial Accounting
Requirements (WUFAR)**

- Object
 - ✦ Service or commodity acquired
 - ✦ Salaries, fringe benefits, purchased services, non-capital objects, capital objects, insurance and judgments
- Function
 - ✦ Purpose for which an object is used
 - ✦ Instruction, support services
- **Project**
 - ✦ **Identify the activity**
 - ✦ **IDEA, Title I, special education state aid**

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§200.302

Financial Management

(b)(1)

The sub-recipient's financial management system must:

- Identify, in its accounts, all Federal awards received and expended, by Federal program. This identification must include CFDA title and number, Federal award identification number and year, name of the Federal agency, and name of the pass-through entity

Grant File

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Notification of subaward will include:

- CFDA title and number
- Federal award identification number and year
- Name of the Federal agency
- Name of the pass-through entity
- All grants from DPI will have a notification of subaward
- Keep the subaward for audit or monitoring

The screenshot shows a PDF form titled "FEDERAL AWARD INFORMATION" with the following fields:

- Federal Award Name ⁽²⁾⁽³⁾
- Name of Federal Agency ⁽²⁾⁽³⁾
- Federal Award Identification Number (FAN) ⁽²⁾⁽³⁾
- Federal Award Date ⁽²⁾⁽³⁾
- Current Total Federal Award Amount ⁽²⁾⁽³⁾
- Expected Total Federal Award Amount ⁽²⁾⁽³⁾
- CFDA Number ⁽²⁾⁽³⁾
- CFDA Name ⁽²⁾⁽³⁾
- CFDA Amount Made Available ⁽²⁾⁽³⁾
- Federal Award Project Description ⁽²⁾⁽³⁾

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§200.302

Financial Management

(b)(2)(3)

The sub-recipient's financial management system must:

- Contain accurate, current and complete information to support financial results of the award or program

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§200.302

Financial Management

(b)(2)(3)

The sub-recipient's financial management system must:

- Have records that identify adequately the source and application of funds for federal-funded activities
- Records that contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, expenditures, income and interest and be supported by source documentation.

Grant File/Accounting System

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Records show:

- Amount of funds awarded under the grant
- How the funds will be used
- Funds spent
- Funds received
- Remaining funds not yet used
- Total cost of the project/program
- Share of the cost provided from other sources
- Allocation of cost

Accounting Records

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• Common errors

- LEA does not create an accounting record for each grant and post expenditures to that account. Rather the LEA just identifies expenditures for grant reimbursement
- Expenditures are originally reported to a general account and later reclassified
- Accounting records do not integrate and track against the grant's approved budget
- Accounting record cannot be used for budget control when expenditures are not posted to the grant as they occur and when they are not tracked against an approved budget

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§200.302

Financial Management

(b)(4)

The sub-recipient's financial management system must:

- Have effective control over, and accountability for, all funds, property and other assets

Internal Control

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- Internal controls that separate duties from being performed by one individual and strengthen accountability for all cash activity
 - No one person should be able to both authorize a transaction and record the transaction in the accounting record
- Controls over processing of cash receipts, disbursements and payroll

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§200.302

Financial Management (b)(4)

The sub-recipient's financial management system must:

Adequately safeguard all assets and assure that they are used solely for authorized purposes

- Computers
- iPads
- Instructional materials
- SMART boards
- Supplies

Procedures / Safeguarding Assets

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Identify

- How the property purchased with federal funds will be tracked (location / disposal)
- How staff using the property are informed of the purpose
- How property will be safeguarded; and handled in cases of damage or theft

Be able to answer these questions

- 1) Where is it?
- 2) How is it being used to meet the program goals?
- 3) If no longer used by the program, why not?

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§200.302

Financial Management (b)(5)(6)(7)

The sub-recipient's financial management system must:

- Be able to compare expenditures with approved grant budgeted amounts

Budget Control

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- Grant funds cannot be expended on an activity until that activity has been approved
- When grant is awarded, LEA has authority to fund the activities at the amounts approved in the application
- Claims, even though “rolled up,” must align with detailed budget

Budget Control

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- Accounting records should have budget lines for each general area of planned expenditures
- Provision to track expenditures and available balances against each budget line
- Post expenditures as they occur directly to the appropriate budget line within the grant’s accounting record
- Whenever changes are planned, review whether an amendment is required and obtain approval for proposed changes before expenditures are made

Budget Control

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- During the year, funding strategies may change for a variety of reasons
- Approval shall be obtained whenever any of the following changes is anticipated under a non-construction award:
 - Revision which would result in the need for additional funding
 - Cumulative transfers among direct cost categories, or among separately budgeted programs, projects, functions, or activities which exceed or are expected to exceed ten percent of the current total approved budget

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\$200.302

Financial Management

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

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

- Written procedures regarding claiming of federal funds
- Written procedures for determining the allowability of costs prior to claiming grant fund

Written Procedures / Claiming Process

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

Ask yourself:

- Who prepares the claim
- How are costs determined
- How are costs determined allowable
- How are costs compared to budget
- 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)

Written Procedures / Allowable Costs

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- Procedures that will walk through beginning to end of how costs on a claim are determined allowable
 - Who determines the cost is allowable under OMB or EDGAR
 - Who determines the cost is allowable under the grant guidelines
 - How is that determination made
 - What resources are available for the individual to make that determination
- Provide training to those who will be authorizing expenditures

Internal Control

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A fiscal transaction should be approved:

- By a person (program manager) who can attest that the planned/actual expenditure is allowable and approved under the grant 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

Internal Control

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Common errors:

- Written policy that is:
 - ✦ Non-existent
 - ✦ Outdated
 - ✦ Not being implemented
 - Do not document the review of fiscal transactions by two people
 - Do not routinely require approval of or posting of expenditures

Tying it all Together for an Audit or Monitoring

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- Written internal controls over cash, payroll and expenditures
- Grant File
 - Detailed budget
 - Grant award
 - Written procedures for allowable costs and claiming
 - Summary of amounts authorized, obligated, unobligated, expenditures
 - Inventory of equipment

Tying it all Together for an Audit or Monitoring

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- Detailed General Ledger
 - By project code
 - Including budget amounts
- Claims Filed
- Supporting Documentation
 - Invoices
 - Payroll records

Monitoring of Reports

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Comparison of :

- Financial Annual Report
 - ✦ Source 730, fund 27
- Special Education Annual Report
 - ✦ Project code 340
- IDEA Claims

Comparison to:

- Source 730 to Claims
- Source 730 to 340 project codes
- 340 project codes to claims

How can these impact LEA's Aid and Calculation of MOE?

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- Understate or overstate the amount of state and local or local expenditures used to determine compliance with MOE
- Can result in being paid for a cost by both IDEA and special education state categorical aid
- Can result in being underpaid on state categorical aid

How can the incorrect amount of local expenditures impact MOE?

Fund 27	Fund 27	Report Fund 10 Revenue and Fund 10 Expenditure in Fund 27	Report Fund 27 Revenue in Fund 10	Report Fund 10 Revenue in Fund 27
Expenditures	\$500,000	\$550,000	\$500,000	\$500,000
Revenues	\$400,000	\$450,000	\$350,000	\$450,000
Transfer from Fund 10 (Local Expenditures)	\$100,000	\$100,000	\$150,000	\$50,000

Review of reports

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CEIS

- Reported both the revenue and expenditures for CEIS in fund 27.
- Reported only the CEIS revenue in fund 27 (no expenditures)

Results

- CEIS is general education and should be reported in fund 10
- Understates local expenditures for MOE

Review of reports

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Indirect:

- Reported it on the claims and as revenue in fund 27, but did not include a cost in fund 27
- Reported indirect cost in fund 27 as a transfer from fund 10 (function 418000)

Result:

- Understates local expenditures for MOE
- Correct

Review of reports

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Claimed or underclaimed 340

- Claimed more than what was reported as a 340 project in the special education report
- Reported more in the 340 project than was in the claims

Results

- May be double dipping and overstated local or state and local expenditures for MOE
- Understated local or state and local expenditures for MOE

Review of reports

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Schoolwide

- Reported schoolwide revenue and expenditures in fund 27
- Reported only the schoolwide revenue in fund 27 (not the expenditures)

Results

- If general education services should be in fund 10
- Understated local expenditures for MOE

Review of reports

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Revenue in source 730

- Year end Receivable not reported
- Missing Revenue

Results

- Overstated local expenditures for MOE
- Overstated local expenditures for MOE

Review of reports

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Variances

- **Many variances between project 340 and claims**
- **NOT GOOD**
 - ✦ Red flag that funds are not tracked appropriately
 - ✦ Could result in incorrect MOE
 - ✦ Could result in over/under state categorical aid
 - ✦ Could result in double dipping
 - ✦ Could raise risk level and require monitoring

Questions?

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Contacts

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