Tools of the Trade

- Legislation
- Regulations
- EDGAR
- Cost Principles (OMB Circulars)
- Grant Award Notification (GAN)
- Your approved Application
Things to Note:

- Grant award number
- ED contact – Block 3
- Budget/Performance Period
- Terms and Conditions
EDGAR
Parts 74 & 80

• 2 CFR Part 215 – Uniform Administrative Requirements for Grants and Other Agreements with IHE’s, Hospitals and Other Non-Profit Organizations
  – (see OMB Circular A-110)
• OMB Circular A-102 – Grants and Cooperative Agreements with State and Local Gov’ts
OMB Cost Principles

- OMB Circular A-21 - Educational Institutions (2 CFR Part 220)
- OMB Circular A-87 - State, Local and Indian Tribal Governments (2 CFR 225)
- OMB Circular A-122 - Non-Profit Organizations (2 CFR 230)

http://www.whitehouse.gov/omb/circulars/
Accountability & Transparency

∞ Efficient
∞ Economical
∞ Effective
∞ Ethical
∞ Equitable

Review GB # 10 -03
GPRA
Modernization Act of 2010

Agencies
- Performance framework more defined
- More frequent agency reporting
- More consultation with Congress

Grantee
- Ties federal funding to results
- Greater accountability
- Activities reflect GPRA indicators

http://www.businessofgovernment.org/sites/default/files/GPRA%20Modernization%20Act%20of%202010.pdf
Monetary Road Map

- Clear, concise, and detailed
- Consistent with institutional policy
- Meets federal requirements
- Aligned with GPRA
- Revised within scope of project
- Achieve project goals
Administration / Management

- Lines of authority – lists workers on the project
- As stated in approved package
- Key personnel changes need ED approval
- Staff made aware of project’s… purpose, duration, objectives

EDGAR §§74.25 & 80.30
ED’s Cash Management Policy

- Draw down only enough cash to meet grant’s immediate need
- Minimize time between drawdown and payout of funds

Rate of drawdown must be commensurate with approved scope of work and milestones
Grantee Responsibilities:
Guiding Documents

Keep on site:
∞ Funded application, grant awards, contracts
∞ Previous audits / site visit reports
∞ Annual performance reports
∞ Project revision(s) documentation
∞ Current budget & personnel list
∞ Maintain ALL documentation

EDGAR
§§74.51 & 80.40
Grantee Responsibilities:
Records Retention

Record retention – 3 years
– T & A, financial, POs – all records!
– Exception: litigation, claim or audit

EDGAR
§§74.53 & 80.42
Grantee Responsibilities: Fiscal Management

- Conduct a non-federal audit – more to follow
- Internal Controls – develop & practice
- Follow ED’s cash management principle

EDGAR
§§74.26 & 80.26
Grantee Responsibilities
Performance Reporting

- Project’s success and financial accountability
- Submit annual & final performance reports
  - Valid & reliable data
  - Report on GPRA standards & indicators
- Participation in an ED-sponsored evaluation
- Conduct an independent project evaluation

ED monitors cash management!

EDGAR
§§74.51 & 80.40
Budget Management
Financial Management Systems

must do the following…
∞ Provide for accurate, current, and complete disclosure of results regarding the use of project funds
∞ Document both the federal and non-federal funds used to carry out the project and track partners

EDGAR
§§74.21 & 80.20
State systems must allow for the proper tracking of expenditures for itself, sub-recipients, contractors to ensure proper use of funds.

- Maintain effective internal controls
- Answer the following budgetary questions:
Budget Items

- **Allowable** – permitted or not specifically prohibited
- **Allocable** – necessary for project’s success
- **Reasonable** – costs incurred by a “prudent” person
Standards of Internal Controls
Five Standards of Effective Controls

1. Control environment
2. Risk assessment
3. Control activities
4. Information & communication
5. Monitoring
“...comprises the plans, methods and procedures - to meet missions, goals and objectives, and in doing so, support performance-based management.

It includes the processes for planning, organizing, directing, controlling and reporting on operations.”

Results via effective stewardship
Who Is Responsible?

- Finance
- Security
- Accounting
- Procurement
- Project Personnel

“Management should ensure that all personnel in the organization … know their roles and responsibilities… …it is every user’s responsibility to safeguard the information to which they have access.”
When to Utilize Internal Control?

CONTINUALLY!

Built in to each system
Regulate & guide operations

“…as the organization evolves the security structures will change as well. With this in mind, the computer security is not a one-time task, but a continual effort to improve data protection.”
Why Internal Control?

…is the first line of defense in safeguarding assets and detecting and preventing errors and fraud.

…helps achieve desired results through effective stewardship of public resources.

“Audit results indicate there is an increased risk to system vulnerabilities due to weak administrative, physical and logical security controls...”
Budget Categories

Internal Controls —
Procedures for expending funds for:

- ✔ Personnel
- ✔ Fringe
- ✔ Travel
- ✔ Equipment
- ✔ Supplies

- ✔ Contractual
- ✔ Other
- ✔ Indirect Costs
- ✔ Training Stipends
Grantee Flexibilities
Grantee Flexibilities

Goals:

- Increase flexibility
- Increase accountability
- Reduce paperwork burden
- Develop relationships

Promote successful project outcomes
Grantee Flexibilities

- Pre-award costs
- Carryover
- Budget transfers
- Time extensions

EDGAR
§§74.25(e)(f) & 80.30 (75.261, 75.263, 75.264)
Pre-award Costs

Incurred up to 90 days before budget period begins

No prior approval
New & NCC awards
Pre-award Costs Overview

- Reasonable expectation of receiving a grant
- Incurred at own risk
- Funds unavailable until budget period begins
- Not for cost over-runs
Pre-award Costs

In incurred MORE than 90 days before budget period begins…

Requires prior approval
Carryover

∞ Unexpended funds “forwarded” without prior approval
∞ For any allowable cost within the approved scope
  – Complete unfinished activities
  – New activities within scope – Program Staff
Carryover

Program Office may require written statement:

- How will unexpended funds be used?
- **When**: At time of funding decision
- New funds can be reduced

Large Available Balance?
Written statement required!
Budget Transfer

No prior approval for most

See exceptions in EDGAR…
Training funds
Transfer or contracting work

OMB Cost Principles – other exceptions
Prior Approval

- Changes in project scope or objectives
- Changes in key personnel
- IHE & non-profit project directors
  > absent for more than 3 months
  > 25% reduction in time
- Need for additional Federal funds
Time Extension

Final year…

✦ One-time extension for up to one year without prior approval

✦ Grantees should carefully consider time extension needs
Time Extension

- Written notice to Program Officer
- No later than 10 days before project ends
- State reasons for extension
- Include revised expiration date
Time Extension Restrictions

Not just for using unexpended funds

No additional Federal funds

No change to scope or objectives
ED Concerns

- Large amounts of unobligated funds at end of budget period
- Excessive or infrequent drawdown of funds
- Project goals not met
Grant Monitoring
Monitoring Using G5

Tracks spending patterns for each grant

Identify:
∞ performance issues
∞ financial issues

Work in collaboration to resolve
G5 Monitoring Report: Excessive Drawdowns

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st Quarter</td>
<td>More than 50%</td>
</tr>
<tr>
<td>2nd Quarter</td>
<td>More than 80%</td>
</tr>
<tr>
<td>3rd Quarter</td>
<td>100%</td>
</tr>
</tbody>
</table>

Must return excess cash & interest to gov’t
G5 Monitoring Report: Large Available Balance

- Verifies financial data on annual performance report

- Discrepancies clarified before award

- Within 90 days, flags grants – 70% or more
High Risk

- Serious implications
- Special terms/conditions added
- Unsuccessful implementing project
  - More technical assistance
- Notified by correspondence

EDGAR
§§74.14 & 80.12
High Risk Designation

- Documented unsatisfactory performance
- Financially unstable
- Non-standard management
- Non-conformance to terms/conditions
- Otherwise not responsible

Necessary to ensure compliance with grant requirements
Special Conditions

- Temporarily stop funds
- Increased reporting
- Require prior approval – "Att. Z"
- Withhold continuation grant
- Suspension/Termination
Audits
Audit Requirements

- Non-Federal audit if expending $500,000 or more annually in total federal awards
- Mail to Federal Audit Clearinghouse
- Review Attachment C

EDGAR §§ 74.26 & 80.26

OMB Circular A-133
Common Audit Exceptions

- Missing time and effort reports
- Poor record-keeping
- Failure to obtain prior approval
- Incorrect indirect cost rate
- Unallowable costs
- Lack of internal controls
What ED Looks for…

☑ Annual substantial progress met

☑ GPRA “targeted” results met

☑ Recordkeeping & fiscal accountability
At Your Fingertips…

2CFR
EDGAR
Application Package
Program Legislation
GPRA
Important Reminders

- Check grant terms, conditions and grant award attachments for possible exceptions
- In rare circumstances, some or all may be denied
- When in doubt, call your Program Officer
References and Resources

Main web page - www.ED.gov

- Your Program’s website
  http://www2.ed.gov/
- Education Department General Administrative Regulations (EDGAR)
- OMB Circulars
  http://www.whitehouse.gov/omb/circulars/index.html
- Grantmaking at ED
  http://www2.ed.gov/fund/grant/about/grantmaking/index.html?exp=1
## References and Resources

- **Grants.gov - FIND. APPLY. SUCCEED**
  [http://grants.gov](http://grants.gov)

- **Grant Awards Database**

- **List of Parties Excluded From Federal Procurement & Non-procurement Programs**
  [http://epls.arnet.gov](http://epls.arnet.gov)

- **Federal Funding Accountability and Transparency Act (FFATA)**

- **Online Grantee Training**
Who ~ new project directors and business officers ~ refresher for experienced staff

What ~ training materials - resources/pubs – ED grant office home page links

When ~

Where ~ wherever you have computer access

Why ~ responsible/effective project management- avoid costly mistakes

Grantee’s major responsibilities

Monitoring activities to evaluate grantee’s performance
  ~ when performance conferences will take place
  ~ performance reports and when to submit them

Site visits – compliance and technical assistance

Fiscal management and recordkeeping

Four administrative actions permitted via “expanded authority”

http://vpp.ed.gov/training/
Questions?
Conclusion

Spirit of collaboration…

- Flexibility
- Communication
- Resolving Issues

Focus on successful project outcomes!
My card...

Otis Wilson
U.S. Department of Education
Office of the Deputy Secretary
Risk Management Service
Phone: 202-245-6164
e-mail: Otis.Wilson@ed.gov

1-800-USA-LEARN

ED.gov
That’s my time…

I appreciate yours!

Please complete an evaluation…

And, *good luck* with your discretionary grant!