



# EDGAR 101

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# Agenda

- Introductions
- Administrative Rules
  - Financial management
  - Equipment/inventory management
  - Procurement
- Allowable Costs
- Audit Requirements



# EDGAR Table of Contents

- Part 75
- **Part 76**
- Part 81
- **2 CFR Part 200**
  - **Subpart D – Administrative Requirements**
  - **Subpart E – Cost Principles**
  - **Subpart F – Audit Requirements**
- Guidance



# ESSA v. EDGAR – who wins?

- Every Student Succeed Act
  - Title Programs
  - Program Regulations
- Education Department General Administrative Regulations
  - General Education Provisions Act
  - Uniform Grant Guidance
- What about state law?



# STATE- ADMINISTERED PROGRAMS

# EDGAR Part 76 – Covered programs

- Any state-administered program from the US Department of Education. 76.1
  - Title I, Title II, Title III, IDEA, 21<sup>st</sup> Century, Adult Ed, Perkins/CTE, etc.
- Statutes determine eligibility and whether subgrants are made. 76.50
  - Two options (76.51):
    - Formula
    - Competition

# EDGAR Part 76 – State requirements

- Compliance with statutes, regs, State plan and applications. 76.700
- Fiscal control and fund accounting procedures. 76.702
- Subgrantee reporting requirements. 76.722
- State procedures to ensure compliance. 76.770
- SEA final action, subgrantee opportunity for hearing. 76.783
  - Hearing procedures. 76.401(d)

# EDGAR Part 76 – Timely spending

- When obligations are made. 76.707
- When subgrantees may begin to obligate. 76.708
- Period of availability, carryover. 76.709
- Obligations during carryover period. 76.710





# EDGAR Part 76 – Other highlights

- Restricted indirect cost rates. 76.560 – 76.580
- Participation of students enrolled in private schools. 76.650 – 76.662
- Cost principles, allowability. 76.530 -76.534



# ADMINISTRATIVE REQUIREMENTS

Easy as 1 (Financial Management), 2 (Equipment/Inventory Management), 3 (Procurement)

# Financial Management. 200.302

- (a) States – follow their own rules!
- (b) Everyone else – seven standards.
  - (1) Identification in accounts
  - (2) Financial reporting (tied to performance?)
  - (3) Accounting records (plus source documents!)
  - (4) Internal controls, internal controls, internal controls
  - (5) Budget control
  - (6) Written procedures for cash management
  - (7) Written procedures for determining allowability



# Lessons learned: The Mississippi Story

- In the 15-16 21<sup>st</sup> Century subgrant competition, MDE over-awarded approximately \$19 million in 21<sup>st</sup> Century funds
  - Did not account for continuation awards

“The lack of understanding of the statewide accounting system contributed to the inability of the Office of Federal Programs to correctly reconcile unobligated balances for federal grants.”

# Internal Controls. 200.303

“Must” vs. “Should”

- *Must* have controls to manage the award in compliance with federal statute, regs, and terms of the award
- *Should* have controls as established in US Comptroller’s General Standards for Internal Controls and/or Internal Control Integrated Framework (COSO)

# Internal Controls. 200.303 (cont.)

Also “must”:

- Comply with requirements
- Evaluate and monitor compliance
- Take prompt action to correct noncompliance
- Safeguard personally identifiable information (PII)



# Self Assessment. 200.328

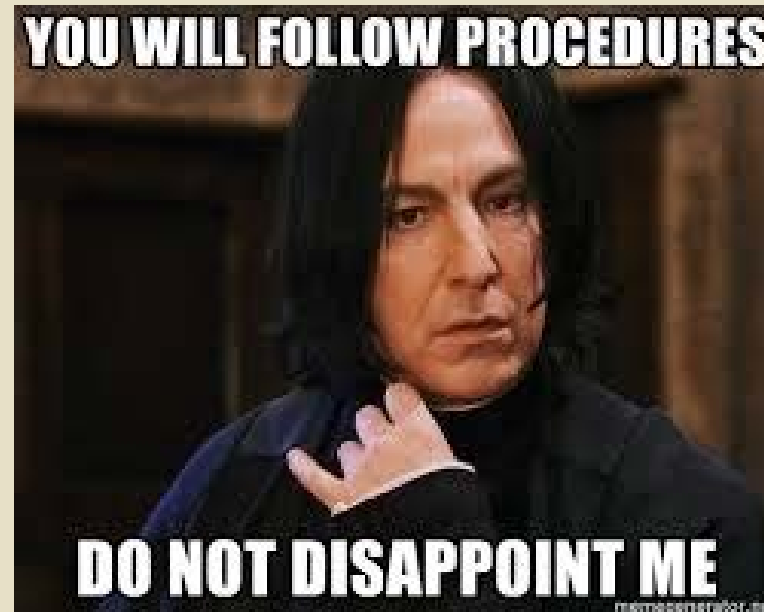
- Compliance and Performance



# Written Procedures = Internal Controls

Compliance Supplement, Internal Controls: “Control activities are the policies and procedures that help ensure the management’s directives are carried out.”

- Clearly written
- Clearly communicated





# Written Procedures: Must or Should?

- Cash Management Procedure - 200.302(b)(6) & 200.305
- Allowability Procedures - 200.302(b)(7)
- Managing Equipment – 200.313(d)
- Conflicts of Interest Policy - 200.318(c)
- Procurement Procedures - 200.319(c)
- Method for Conducting Technical Evaluations of Proposals and Selecting Recipients - 200.320(d)(3)
- Travel Policy - 200.474(b)
- Time and Effort Procedures - “essential” ED, Cost Allocation Guide
- Subrecipient Monitoring Procedures – required by Compliance Supplement
- Grant Application Procedures
- Record Retention Procedures
- Audit Resolution Procedures
- Program-specific Procedures
  - ESSA, Title I Written Methodology for distributing nonfederal funds

# Financial Management – Other highlights

- Payment. 200.305
- Cost sharing or matching. 200.306
- Program income. 200.307
  - Defined term: 200.80
- Revision of budget and program. 200.308
- Period of performance. 200.309
- Record retention. 200.333
- Methods for collection, transmission and storage of records. 200.335



# Equipment/Inventory Management. 200.313

- States – follow their own rules!
- Everyone else – follow paragraphs (c) – (e)
  - (c) Use: as long as needed for original purpose → other federal programs same agency  
→ other federal programs any agency
    - What about shared use? Cannot “interfere”
  - (d) Management procedures: property records; physical inventory; control system; maintenance; sales procedures
  - (e) Disposition: current fair market value above \$5,000, pay back federal share

# Definitions

- Equipment. 200.33
  - Supplies. 200.94.
  - Computing Devices. 200.20.
- 
- If computing devices are “supplies” – do they need to be inventoried?
    - MS: Highly walkables



# Equipment/Inventory – Other highlights

- Equipment and other capital expenditures. 200.439
- Supplies. 200.314
  - Disposition of “unused” supplies; aggregate value of \$5,000 or greater, requires federal payback
- Materials and supplies costs, including computing devices. 200.453
- Intangible property. 200.315

# Procurement

- States – follow their own rules! 200.317
  - Plus compliance with procurement of recovered materials, 200.322
  - Plus compliance with standard contract provisions, 200.326
- Everyone else – follow 200.318 through 200.326



# General Procurement Standards. 200.318

- (a) *Must* have procedures that reflect state, local and federal requirements (most restrictive rule wins!)
- (b) *Must* maintain oversight to ensure contractor's perform
- (c) *Must* have conflict of interest policy
- (d) *Must* avoid acquisition of unnecessary/duplicative items
- (e) *Should* enter into state and local intergovernmental agreements or inter-entity agreements for shared goods and services

# General Procurement Standards (cont.)

- (f) *Should* use surplus in lieu of new purchases
- (g) *Should* use value engineering for construction contracts
- (h) *Must* award contracts only to responsible contractors
  - Risk assessment for contractors? ED says “yes”!
- (i) *Must* keep sufficient records detailing procurement process
- (j) *May* use time and materials contract, but only in certain circumstances
- (k) *Must* settle contract disputes



# OMB Memo: M-18-18

- Allows grantees to use increased procurement thresholds, aligned with National Defense Authorization Act, pending official changes to the Federal Acquisition Regulations and UGG:
  - Micro-purchase threshold: \$10,000
  - Simplified acquisition threshold: \$250,000
- Effective June 20, 2018



# Methods of Procurement. 200.320

- Micro-purchases (\$0 – \$10,000)
  - Small purchase procedures (\$10,000.01 – \$250,000)
  - Competitive sealed bids (> \$250,000)
  - Competitive proposals (> \$250,000)
  - Noncompetitive proposals
- 
- \*\*Keep in mind, procurement procedures must reflect applicable state and local rules, including rules that have lower thresholds! 200.318(a)

# Procurement – Other highlights

- Competition. 200.319
- Contract cost and price. 200.323
  - Profit levels must be negotiated separately for all purchases exceeding \$250k and for all noncompetitive contracts!
- Debarment and Suspension. Appendix II to Part 200.
  - Cannot contract with a party that has been suspended or debarred. ([www.sam.gov](http://www.sam.gov))



# COST PRINCIPLES

# Allowable Costs: Direct and Indirect

- “Total cost of a federal award is the sum of allowable direct and allocable indirect costs[.]” 200.402
- “There is no universal rule for classifying certain costs as either direct or indirect[.]” 200.412
- Direct costs. 200.413
  - (c) Direct charging admin and clerical staff
- Indirect. 200.414
  - Don’t forget, restricted indirect rates apply to most education grants. EDGAR 76.564



# Basic Factors of Allowability. 200.403

To be allowable, a cost *must*:

- Be **necessary, reasonable** and **allocable**
- Comply with the cost principles and federal award
- Be consistent with policies and procedures applying uniformly to federal and nonfederal activities and costs
- Be consistently treated as either direct or indirect costs
- Determined in accordance with GAAP
- Not be included or used to meet cost sharing / match requirements
- Be adequately **documented**

# Basic Factors of Allowability (Cont.)

- Reasonable: Fair price; prudent person standard. 200.404
- Necessary: For administration or performance of the award. 200.404.
  - Included in your plan!!
- Allocable: Charged in proportion to the benefit received. 200.405.
  - Unsure? “Any reasonable documented basis”.
- Net applicable credits. 200.406.



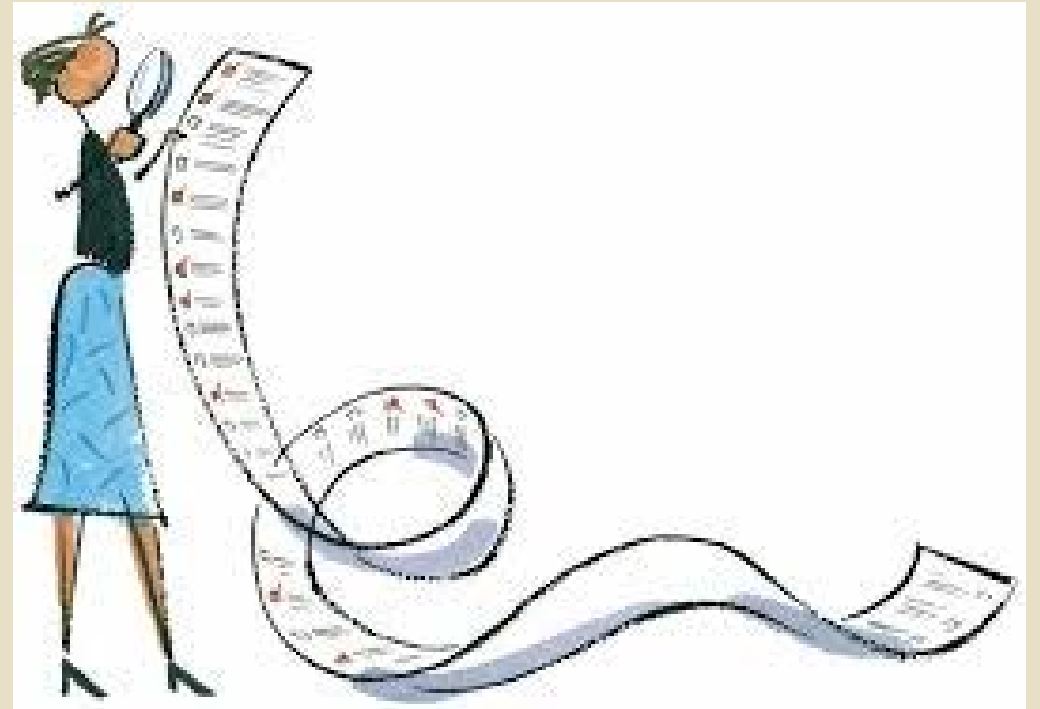
# Selected Items of Cost

## 55 Selected Items of Cost

- Allowable
  - E.g., collection of improper payments (200.428); training and education costs (200.472)
- Allowable with special conditions
  - E.g., only as an indirect charge (leave payout, 200.431; advisory councils, 200.422); only with necessary documentation (compensation – personal services, 200.430)
- Allowable with prior approval
  - E.g., equipment and capital expenditures (200.438); entertainment (200.439); participant support costs (200.456)
- Unallowable
  - E.g., alcohol (200.423); bad debts (200.426)

# Selected Items of Cost (cont.)

- Advertising and public relations. 200.421
- Audit services. 200.425
- Conferences. 200.432
- Employee health and welfare costs. 200.437
- Maintenance and repair costs. 200.452
- Travel costs. 200.474



# Compensation – Personal Services 200.430

- (i) Standards for Documentation of Personnel Expenses
  - Supported by system of internal controls
  - Incorporated into official records
  - Reasonably reflect total activity
  - Encompass both federally assisted and all other activities on an integrated basis
  - Comply with established accounting policies
  - Support distribution among specific activities or cost objectives



# Compensation – Personal Services 200.430

- (i) Standards for Documentation of Personnel Expenses (cont.)
  - Budget estimates alone do not qualify as support, but may be used for interim accounting purposes, provided that:
    - Establishes reasonable estimates of actual work
    - Significant changes are identified and entered into the records timely
    - Internal controls include after-the-fact review of interim charges based on budget; adjustments made to ensure final amount charged is accurate, allowable and properly allocated

# Compensation – Personal Services 200.430

- (i) Standards for Documentation of Personnel Expenses (cont.)
  - May distribute effort using percentages
  - Still need payroll records
  - If meet the standards, no supporting docs needed
  - If don't meet standards, need “personnel activity reports”
  - Options for substitute systems and other alternative proposals, with required approvals

# Compensation – Personal Services 200.430

## Frequently asked questions

- Are PARs and semi-annual certifications still allowed? Yes!
- Do you have examples of more flexible systems? AEFFA Flexibility Request
  - Available at <http://www.bruman.com/wp-content/uploads/2010/10/AEFFA-letter-to-Dept-of-Education-June-2016-Final.pdf>
- What should we do if an employee is not working according to budget?
  - Two options: (1) Program Fix (change the employee's workload); or (2) Fiscal Fix (change the employee's budgeted salary).
    - Note: It is important to include both program and fiscal staff in the decision!



Is this  
allowable?

# 1. Advertisement/Public Relations

Can I use Title I funds to pay for canvas bags for students with the school logo on them?

- a) Yes
- b) No
- c) It Depends





## 2. Food

May Franklin Elementary School use Title I funds to purchase light snacks and water for a parent meeting?

- a) Yes
- b) No
- c) It Depends



### 3. Food (Again)

May Franklin Elementary School use Title I funds to purchase light snacks and water for a staff meeting?

- a) Yes
- b) No
- c) It Depends



## 4. Food (YET Again)

May Franklin Elementary School use Title I funds to purchase light snacks and water for a staff meeting if the meeting is all day, in the middle of the woods and its 100 degrees outside with killer mosquitoes?

- a) Yes
- b) No
- c) It Depends



## 5. Field Trip

Can a 21<sup>st</sup> CCLC program take its students to a college football tailgate to promote interest in attending college?

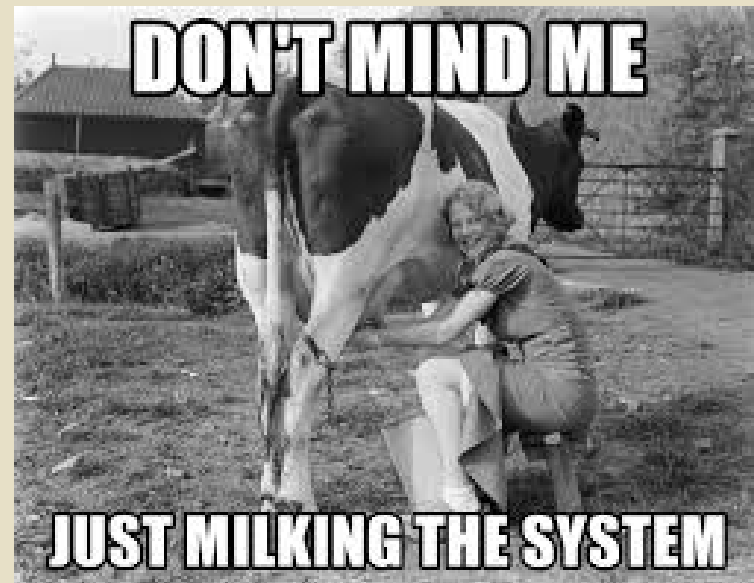
- a) Yes
- b) No
- c) It Depends



## 6. Field Trip (again)

Can a schoolwide school use Title I funds to take students to a cow farm in Mexico to study agriculture?

- a) Yes
- b) No
- c) It Depends



# 7. Tutoring

Can a school use Title I funds to provide after school tutoring for all students?

- a) Yes
- b) No
- c) It Depends



# 8. Teacher Appreciation

Can a school use Title I funds to take its teachers on a boat cruise as a team building event to thank them for all their hard work?

- a) Yes
- b) No
- c) It Depends



## 9. Teacher Incentives

Can a schoolwide school use Title I funds to provide incentive pay (stipends) to teachers?

- a) Yes
- b) No
- c) It Depends





# 10. Student Incentives

Can a schoolwide school use Title III funds to provide incentives to English learners that attend an afterschool EL program?

- a) Yes
- b) No
- c) It Depends





# AUDIT REQUIREMENTS

# Pass-through Oversight 200.331

- Identify subaward information
- Evaluate subrecipient risk of noncompliance
- Consider specific conditions to mitigate risk
- Monitor activities (financial and performance monitoring)
  - Includes review of single audits; issuance of management decision
- Verify single audits are completed
- Consider whether audits/monitoring requires additional action
- Enforcement action against noncompliant subrecipients

# Audit Requirements – Other highlights

- Audit required if expend \$750k or more in aggregate. 200.501(a)
- Auditee responsibilities. 200.508
- Corrective action plan. 200.511(c)
- Cooperative audit resolution. 200.513(c); 200.25.
- Audit findings reported. 200.516.





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