

Fiscal Compliance in Federal Purchasing

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MISSISSIPPI
DEPARTMENT OF
EDUCATION

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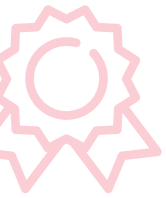
VISION

To create a world-class educational system that gives students the knowledge and skills to be successful in college and the workforce, and to flourish as parents and citizens



MISSION

To provide leadership through the development of policy and accountability systems so that all students are prepared to compete in the global community



1

ALL Students Proficient and Showing Growth in All Assessed Areas



2

EVERY Student Graduates from High School and is Ready for College and Career



3

EVERY Child Has Access to a High-Quality Early Childhood Program

EVERY School Has Effective Teachers and Leaders

4



EVERY Community Effectively Uses a World-Class Data System to Improve Student Outcomes

5



EVERY School and District is Rated "C" or Higher

6



Introduction



Federal Compliance Is a Team Effort

Please be aware of the term **Questioned Cost**.

This is when the monitoring authority, MDE, determines that a LEA must **REPAY money, using DISTRICT FUNDS**, due to an irregularity in the expenditure of federal funds.

Dear School Board:

We must repay MDE \$\$\$\$ with District Funds because we spent federal money improperly.

Sincerely,

Director, Principal, Superintendent and Business Administrator

Communication between the Business Administrator and the Federal Programs Director is mandatory.

Everyone must be on the same page as to which employees and what services, etc. will be paid from federal funds.

Each Director must become, at least partly, a money person.

Each member of the business operations must become, at least partly, a programmatic person.

- MCAPS and the District's accounting software MUST agree
- Cannot request reimbursement for items not budgeted
- MDE's opinion: items purchased before budgeted are non-allowable
- CFPA Monitoring

- If the accounting system and MCAPS are not in agreement....
- If line items are severely overspent....
- I know, without a shadow of doubt, communication is a problem....

Most Federal Funds must be spent to address specific needs as identified by needs assessments and on programs whose success is supported by evidence.

Federal Funds come with very detailed requirements which demand checkpoints every step of the way of an expenditure.

This requires understanding and monitoring (obviously at varying levels) by school financial secretaries, Principals, Directors, programs assistants, Accounts Payable personnel, Human Resource personnel, Business Administrators and Superintendents.

My motto:

For whatever transaction you are working on right now; assume this is the item which the Financial Auditor, Federal Programs Monitor, Compliance Auditor, etc. will examine.

A suggestion...

I would not sign a contract (not within my authority) and I would strongly recommend an attorney review all contracts before submission to the Board.

More on communication and documentation:

My Federal Programs Director and I always had a debriefing following our B/M meetings and we had some very spirited discussions regarding purchases throughout the year.

Sometimes, I would look at the purchase requisition and ask, “how does this meet the so and so indicator?” She would almost always answer with a legitimate reason-to which I would then respond, 'put that in writing with the purchase requisition.'

Be proactive with possible questions.

I would make 'memo to file' to explain purchasing decisions and for anything that was not 100% clear on its face.

I've always believed that an auditor was more likely to believe my explanation if I had it in place before he/she asked for it.

Accounting and Period of Availability

Indicators A and B

A-1 The LEA/Subgrantee maintains written policy and/or procedures for determining the allowability of costs.

A-2 The LEA/Subgrantee has written policy and/or procedures to ensure that the LEA (and/or its schools) only uses Federal Funds for allowable expenditures as defined in the Federal cost principles.

A-3 The LEA/Subgrantee has written policy and/or procedures to limit access to its accounting system, segregate duties within its system, or otherwise protect against unauthorized obligations of Federal funds.

A-4 The LEA/Subgrantee has an accounting system and written policy and/or procedures that includes controls to prevent the over-obligation of program funds, misstatement of unliquidated obligations, duplicate payments, or other inappropriate changes to grant programs.

A-5 The LEA/Subgrantee maintains written policy and/or procedures to periodically review its accounts to ensure that all transactions (including refunds and recoded transactions) have been accurately and properly recorded.

A-6 The LEA/Subgrantee maintains written policy and/or procedures to ensure that the LEA's budget and accounting record align with the approved funding application, maintaining separate accounting records for each federal grant which reflects the approved line items and amount by program year.

B-1 The LEA has board policy and/or procedures in place to demonstrate the process for the following:

- ensuring that it meets the limitations on the amount of carryover funds or otherwise minimize the amount of funds it carries over into a subsequent fiscal year
- monitoring award balances during the fiscal year
- planning for carryover funds, when applicable, for the subsequent fiscal year

B-1 (continued) The LEA has board policy and/or procedures in place to demonstrate the process for the following:

- clearly capturing the separate fiscal year funding
- ensuring that carryover funds are prioritized over the use of current years funds.

- In addition to the policy/procedures, Monitors check for IMPLEMENTATION-are you doing what you said you will do?
- If your policy/procedure goes beyond what is required by the federal regulations, you are bound to your policy/procedure.

- When I am monitoring, I spend a great deal of time checking A-4, A-6 and B-1. This really tells me if the right hand knows what the left hand is doing.
- Most of our projects have a period of availability of 27 months, with a 3-month liquidation period. (I believe the COVID extension expire this year.)

Most accounting systems of which I am familiar only show one fiscal year at a time; and the numbers brought forward when beginning work on the new year-which is often done in the spring-are the numbers as of that date. So, expenditures and amendments after that date are not automatically reflected in the new year and must be updated by the Business Administrator once all the dust has settled on the ending fiscal year.

- Keep in mind, charges may be made in the old fiscal year, up to the mandatory FETS submission date of October 15.
- Accounting principles require that any goods or services received by the end of the fiscal year, even if paid in July or August, be journalized back to the correct fiscal year.

- Starting this year, OFP is asking for a separate Request of Funds, due by August 3, to include as many expenditures as possible charged back through June 30, 2022.
- I will speak more about strategies to monitor the 27-month life later in the presentation.

Audit Requirements and Internal Controls

Indicators C and D

- C-1 The LEA/Subgrantee has a policy and/or procedure that assigns an individual or office to promptly follow up and take corrective action on any audit finding.
- C-2 The LEA/Subgrantee has policy and/or procedures for the development of a corrective action plan (CAP) for the Single Audit Finding(s).

D-1 The LEA has board policy and/or procedures in place to demonstrate the segregation of duties among LEA staff that provides an adequate system of checks and balances emphasizing the importance of integrity and ethical values within the LEA.

D-2 The LEA has board policy and/or procedures in place to demonstrate controls that protect against waste, fraud and abuse for identifying and assessing risks to compliance and successful operation within different elements of the organization and how to respond to any identified risks.

D-3 The LEA has board policy and/or procedures in place to demonstrate the evaluation of the performance of its internal controls systems, who will conduct evaluation, who will monitor compliance with internal controls requirements/effectiveness of the internal controls system, and how the results of evaluation of its internal controls will be revised or implemented.

§200.303 The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award...
- (c) Evaluate and monitor the non-Federal entity's compliance with statutes, regulations and terms and conditions of Federal awards...

§200.303 The non-Federal entity must (continued):

(d) Take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings.

That language indicates to me the LEA is obligated to monitor internal control itself, in addition to the auditors.

Asset Management



Indicator F

We've talked about keeping up with our assets for years now. Now, you likely have hundreds, if not thousands, of new items to keep track of. This must not be ignored.

I would make sure I had someone to lead this process.

- F-1 The LEA/Subgrantee has written policy and/or procedures regarding equipment that comply with state and federal regulations.
- F-3 A physical inventory of the property, at least annually, that includes the names and titles of responsible individuals, as well as, the frequency of the inventory process.

F-2 A database which contain the following elements:

- description of the item,
- serial number and other identifying numbers,
- vendor, acquisition date, cost,
- percentage of Federal participation in the cost,
- physical location of property by building and room,
- use and condition, and
- disposition data (date, method of disposition, sale price-if applicable, and when property retired from service.

F-4 A control system to ensure adequate safeguards to prevent loss, damage or theft of the property (includes notifying local law enforcement and ensuring that a police report is filed when it is discovered equipment has been stolen).

F-5 Adequate maintenance procedures to keep the property in good condition.

F-6 Disposition of equipment that is obsolete or no longer needed for the original program from which it was purchased.

F-7 Proper disposal of equipment which includes ensuring the highest possible return if the LEA is authorized or required to sell equipment, if applicable.

F-8 Proper disposal of equipment that addresses the disposal of equipment with a fair market value of >\$5,000

F-9 Ensure that any equipment was essential to and purchased for the benefit of the program from which it was funded.

Personnel

Indicator G

G-1 The LEA/Subgrantee has board policy and/or procedures in place to demonstrate:

- that specific officials are designated to approve employee time and effort documentation and charges that have firsthand knowledge of work performed
- the internal process to evaluate the accuracy and reliability of its time and effort system

G-1 The LEA/Subgrantee has board policy and/or procedures in place to demonstrate (continued):

- where employees are funded 100% with a single federal award, the LEA has on file certifications that the employees worked solely on that program for the period covered by the certification. Certificates are completed at least twice a year
- employees who work on multiple activities funded from different sources have personnel activity record that support the distribution of their salaries/wages

G-2 The LEA/Subgrantee has personnel activity documentation that meets the following standards:

- reflect an after-the-fact distribution of the actual activity and signed by employee at least monthly and
- reconcile actual cost to budgeted amounts at least quarterly based on monthly activity reports (cost charged to federal awards are adjusted as necessary).

G-3 The LEA/Subgrantee has certification documentation that meets the standard for employees who are 100% funded with a single federal award.

G-4 The LEA/Subgrantee has board policy and/or procedures in place that ensure that fringe benefits charged to the program are reasonable and in compliance with requirements.

You may have hired many new employees. They likely are not aware of the Time and Effort recording requirement for federal funds. They may not know they are federally-funded, nor what that means.

I would include information on this during orientation and have someone monitor this component.

Procurement



Indicator H

How do you handle...

- credit cards?
- reoccurring purchases?
- monthly services?

H-1 The LEA/Subgrantee has written procurement procedures which comply with federal and state regulations and ensure that the director/supervisor of each federal program documents prior approval of purchases, including full and open competition when conducting procurement transactions.

H-2 The LEA/Subgrantee has board policy and/or procedures for procurement that ensures, to the greatest extent possible, avoidance of acquisition of unnecessary or duplicative items

H-3 The LEA/Subgrantee has board policy and/or procedures for analyzing the procurement process to determine the most economical approach.

How do you prove...

- that you checked for duplications?
- that you thought this out and it is the most economical approach?

H-4 The LEA/Subgrantee has board policy and/or procedures to review and/or audit the content of its procurement files to ensure completeness of its procurement records and outlines the frequency that it is performed.

200.329 (a) The non-Federal entity is responsible for oversight of the operations of the Federal awards to assure compliance with the applicable Federal requirements and performance expectations are being achieved. Monitoring by the non-Federal entity must cover each function, program or activity.

This implies an ongoing, timely monitoring effort by the LEA.

- What are you doing?

H-5 The LEA/Subgrantee determines that purchases with federal funds comply with federal cost principles, (e.g. reasonable, necessary, allocable, etc.

H-6 The LEA/Subgrantee has a policy and/or procedures for awarding contracts that ensures the appropriate approval and contain all applicable provisions stated in the Uniform Guidance (Appendix II to Part 200). Supervisor of each federal program has internal controls for developing and awarding contracts.

How do you document that?

- checklist?
- narrative?

H-7 The LEA/Subgrantee has a policy and/or procedures to monitor the work of contractors to ensure work is performed in accordance with agreement and Federal requirements.

...regarding service contracts....

Is there sufficient documentation on file to assure that the scope of work was completed as stated by the contractor and verified by the responsible district employee with first-hand knowledge of the work?

H-8 The LEA/Subgrantee has a policy and/or procedures to follow where contractors fail to perform according to the terms of agreements or otherwise fail to provide adequate goods and/or services.

H-9 The LEA/Subgrantee maintains a written code of standards of conduct for any employee involved in the award or administration of contracts, including conflicts of interests; accepting gifts, favors, etc.

H-10 The LEA/Subgrantee has policy and/or procedures for documentation that is maintained to establish that all procurement requirements have been met for each transaction, including:

- how procurement documentation is safeguarded and stored
- documented rationale for method of procurement
- details pertaining to the selection or rejection
- description of the contract type
- basis for the contract price

§200.318 (i) The non-Federal entity must maintain records sufficient to detail the history of procurement. These records will include, but are not necessarily limited to the following: rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price.

Suggestions

If you feel this is the right way to handle a transaction, but you also see that it could be interpreted as incorrect; write and attach a memo to file, explaining your argument.

This is why I believe it is:

Reasonable

Most economic approach

Necessary

Needs assessment; data; validity

Allowable

Allocable (proper purpose)

And...

- If, after writing your justification, you then feel your argument is not sound, can change your mind
- Actually, this is exactly the kind of discussion/documentation that is required.

Review bids and quotes to be sure there is a clear apples to apples comparison and there is ample documentation for the reviewer to very easily see why the vendor selection was made. If necessary, place a cover sheet summarizing the selection decision.

As a reviewer, many times I see two quotes, but the items are listed and/or priced in different manners and it is impossible, at a glance, to determine the best price.

So, my question is, “how did you determine to purchase the items from vendor X?”

H-11 The LEA/Subgrantee has policy and/or procedures for ensuring that it does not contract with parties who have been suspended or debarred.

LEA must check suspension/debarment for any purchase \$25,000 or more; however, follow your policy/procedure for any amounts lower.

Indirect Costs



Indicator I

I-1 The LEA/Subgrantee applies indirect cost rates to actual amounts expended when making indirect cost charges for Federal award.

- apply rate in effect when the original expenditure occurred

I-2 The LEA/Subgrantee has policy and/or procedures in place that are taken when it identifies excess indirect cost charges.

- need a policy/procedure, even if you don't take indirect costs

Budgeting and Activities

Indicator J

J-1 The LEA/Subgrantee has board policy and/or procedures governing the preparation and approval of budgets and budget revisions for the LEA and the schools.

While budget development and monitoring is certainly a fiscal operation, its end results are largely covered in the preceding indicators. Indicators in Sections J and K mainly refer the programmatic side of budgeting.

Maintenance of Effort



Indicator L

L-1 The LEA has board policy and/or procedures in place to demonstrate:

- the calculation of MOE
- process if it fails to meet the MOE requirements
- the monitoring process used during the fiscal year to ensure it meets the MOE requirements for expenditures levels

Comparability



Indicator M

M-1 The LEA follows the procedures set by the MDE for the annual determination of comparability

General Fiscal Requirements



Indicator P

P-1 Funds are drawn down from MCAPS or requested regularly in correlation to expenditures.

P-2 Funds are being requested and reported as expended monthly to satisfy the intent of each federal program

General Fiscal Requirements

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| Hancock County School District | | TOTALS | | | | | | | | | |
|--------------------------------|-------|------------|------------|-----------|-----------|----------|------|------------|------------|------|------------|
| 2021 Funding | | | | | | | | | | | |
| Title I | | | | | | | | | | | ALLOWED |
| | MCAPS | EXP FY21 | C/F | EXP FY22 | C/F | EXP FY23 | ETD | REMAINING | INELIGIBLE | | DRAW |
| 1120 | 100 | 338,853.22 | 338,853.19 | 0.03 | 0.00 | 0.03 | 0.00 | 338,853.19 | 0.03 | 0.00 | 338,853.19 |
| | 200 | 132,533.36 | 132,533.34 | 0.02 | 0.00 | 0.02 | 0.00 | 132,533.34 | 0.02 | 0.00 | 132,533.34 |
| | 300 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| | 400 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| | 500 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| | 600 | 74,286.28 | 9,413.52 | 64,872.76 | 61,020.50 | 3,852.26 | 0.00 | 70,434.02 | 3,852.26 | 0.00 | 70,434.02 |
| | 700 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| | 800 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| | Total | 545,672.86 | 480,800.05 | 64,872.81 | 61,020.50 | 3,852.31 | 0.00 | 541,820.55 | 3,852.31 | 0.00 | 541,820.55 |
| 1130 | 100 | 47,219.70 | 47,219.70 | 0.00 | 0.00 | 0.00 | 0.00 | 47,219.70 | 0.00 | 0.00 | 47,219.70 |
| | 200 | 12,630.63 | 12,630.63 | 0.00 | 0.00 | 0.00 | 0.00 | 12,630.63 | 0.00 | 0.00 | 12,630.63 |
| | 300 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| | 400 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| | 500 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| | 600 | 20,636.55 | 1,612.23 | 19,024.32 | 18,338.38 | 685.94 | 0.00 | 19,950.61 | 685.94 | 0.00 | 19,950.61 |
| | 700 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| | 800 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| | Total | 80,486.88 | 61,462.56 | 19,024.32 | 18,338.38 | 685.94 | 0.00 | 79,800.94 | 685.94 | 0.00 | 79,800.94 |
| 1140 | 100 | 48,426.10 | 48,426.10 | 0.00 | 0.00 | 0.00 | 0.00 | 48,426.10 | 0.00 | 0.00 | 48,426.10 |
| | 200 | 17,034.94 | 17,043.94 | (9.00) | (9.00) | 0.00 | 0.00 | 17,034.94 | 0.00 | 0.00 | 17,034.94 |
| | 300 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| | 400 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| | 500 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| | 600 | 33,580.64 | 565.60 | 33,015.04 | 29,331.58 | 3,683.46 | 0.00 | 29,897.18 | 3,683.46 | 0.00 | 29,897.18 |
| | 700 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| | 800 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| | Total | 99,041.68 | 66,035.64 | 33,006.04 | 29,322.58 | 3,683.46 | 0.00 | 95,358.22 | 3,683.46 | 0.00 | 95,358.22 |

| ACCOUNT CODE | MCAPS Budget | EXP YR 1 | C/F | EXP YR 2 | C/F | EXP YR 3 | EXP To Date | REMAINING | INELIGIBLE | DRAW |
|-----------------|-----------------|-------------|--------|-------------|---------|-------------|----------------|-----------|------------|---------|
| 2210-300 | 1000.00 | 600.00 | 400.00 | 250.00 | 150.00 | 0 | 850.00 | 150.00 | 0 | 850.00 |
| 3900-100 | 5000.00 | 4500.00 | 500.00 | 600.00 | -100.00 | 0 | 5100.00 | -100.00 | 100.00 | 5000.00 |

I use this format when monitoring districts for MDE and also when I am preparing monthly draws for districts.

MCAPS and Local Accounting Systems

Suggestions

- pay close attention to your salaries and fringes and those items that may be charged without a purchase order, so that you will not go over budget
- MDE OFP position is that you cannot request an amendment to cover a prior purchase without a budget or in excess of budget

- some sort of spreadsheet to carry expenditures through the life of the program
- update after October 15th (or last journal entry per your Business Administrator)
- update for budget revisions
- track at the school level-this is especially true for Title I, for you cannot use funds generated by a student at School X to serve a student at School Y (yes, I've seen that)

- Separate Funds vs Program Codes or Modifiers...
- Separate Funds requires you to remember which fund is which year, and there is a routine in the software to report correctly in FETS as, for example, 2211 is the only allowed fund for Title I

- Separate Funds vs Program Codes or Modifiers...
- Program Codes or Modifiers have all years in just one fund. Over time, the number of accounts gets massive, unless you stay on top of it to delete. Also, sometimes items get charged with and old or without a program code/modifier and you won't see the charge when you run your reports because you are looking for the active code.

- I suggest you prepare your draws as of the end of the prior month's expenditures. Once you prepare your draw, check against your negative cash in your fund. The requested draw(s) plus any amounts ineligible for draws should add up to your negative cash.

Title I, Part A

Indicator Q

Q-3 Documentation is on file to support that all transfers are made in accordance with consolidated administration and all fiscal records are maintained to reflect the transfers

It is my understanding if, for example, you transfer \$100,000 from Title II to Title I, then when reimbursed via an MCAPS request, you would look for that Title II money and receipt to Title II, and utilize a Transfer OUT/Transfer IN to get the money to Title I.

Title IV, Part A

Indicator T

T-1 The LEA uses Title IV, Part A administrative funds appropriately. Ensure administrative cost does not exceed 2% of the LEA's Title IV, Part A Allocation. (Sec. 4105(c))

Questions





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