



The  
Administrator's  
Handbook on  
EDGAR  
5th Edition



# EDGAR Workshop

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**& BRUSTEIN  
MANASEVIT, PLLC**  
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# Recent OIG Investigations

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# Former President of Madison District Public Schools Board and Local Contractor

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Indictment of bribery scheme in which contractor paid \$560,000 in bribes to school board president in exchange for \$3.1 million in school contracts.

- Bribery payments covered vacations to FL, boat slip

Contracts were for maintenance and construction projects in the district; “pay to play” policy

Faces up to 10 years prison for each of 3 bribery charges; restitution payment

# Former Athens City Schools Administrator – Alabama Virtual Education Fraud Scheme

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Fraudulently enrolled students in virtual public education school;  
reported students to AL State Dept of Ed

Ordered to pay restitution in the amount of \$1,303,514

Sentenced to 66 months in federal prison



# Recent Audit Findings

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# ED OIG HEERF Audit: Lincoln College

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## Findings:

1. Did not adequately document eligibility determinations for a small number of students.
2. Improperly applied \$700K of institutional grant funds to credit 461 students' accounts for rent the students paid to third party landlords during campus closure\*.
3. Improperly used \$9K for software subscriptions that extended beyond the 1-year period of performance\*.
4. Did not follow cash management requirements—did not minimize time between drawing down and disbursing HEERF funds, nor deposit excess funds in an interest-bearing account.

\*Note: After the Department presented its findings, Lincoln reallocated the questioned costs to other expenditures they believed were eligible.

# Lincoln College: Period of Availability Finding

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Questioned a software subscription that extended past the grant performance period:

“While the dollar amount of costs we questioned was small, it is critical that grantees not prepay costs that extend beyond the grant performance period. Properly allocating costs to the grant performance period helps to protect taxpayer dollars; minimize the risk of fraud, waste, and abuse; and ensure Federal funds are used for allowable and intended purposes.”

# ED OIG HEERF Audit: Remington College

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## Findings:

1. Improperly used \$80K of institutional funds to purchase multiyear software subscriptions that extend beyond the grant period.
2. May have improperly used \$64K of institutional grant funds to cover costs associated with its purchase of student computers.
3. Did not always use a competitive procurement process for institutional grant purchases over \$10K.
4. Did not follow cash management requirements—did not minimize time between drawing down and disbursing HEERF funds, nor deposit excess funds in an interest-bearing account.



# Remington College: Period of Availability Finding

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Auditors argue that online subscription costs could not extend past the close of the grant, even just to finish the semester:

“However, to comply with 2 C.F.R. § 200.309, Remington College should have charged to the Institutional grant only those subscription costs through May 19, 2022. Subscription costs after that date should be paid for with other (non-HEERF) school funds.”

# Remington College: Procurement Finding

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Finding: College failed to follow federal procurement for its contracts with HEERF

Corrective action:

“Determine whether the \$639,400 that Remington College charged to its Institutional grant for contracts awarded without a competitive procurement process was reasonable when compared to the quality and costs of suitable alternatives, and if not, require appropriate corrective actions.”

# ED OIG GEER Audit: Oklahoma

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## Findings:

1. OK did not award all of its GEER funds in accordance with the CARES Act.
2. GEER monitoring process needs strengthening as it did not include a review of supporting documentation for information contained in weekly statute reports resulting in unallowable costs of a GEER initiative including TVs, air conditioners, and Christmas Trees.
3. Did not follow cash management requirements—drew down its entire GEER award without any immediate cash need at the time of the draw down. .

# ED OIG GEER Audit: Oklahoma OIG Recommendations

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Examples of OIG recommendations:

- Monitoring procedures for reviewing supporting documentation for GEER grant expenditures
- Return \$652,720 in questionable expenditures or provide show that the expenditures are education-related
- Perform a 100-percent review, or review a statistical sample, of the \$5,473,894 to determine whether the expenditures were allowable, and if applicable, return the funds for any unallowable expenditures to ED

# ED OIG GEER Audit- Missouri

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## Finding re Monitoring of LEAs:

- Did not include review of supporting documentation related to LEA expenditures
- Did not require LEAs to certify their responses to self-assessment

## Finding re calculation of “most impacted” by coronavirus

- OIG determined a calculation error that resulted in a re-ranking of most-impacted LEAs, and reallocation of GEER funds

# ED OIG GEER Audit – Missouri OIG Recommendations

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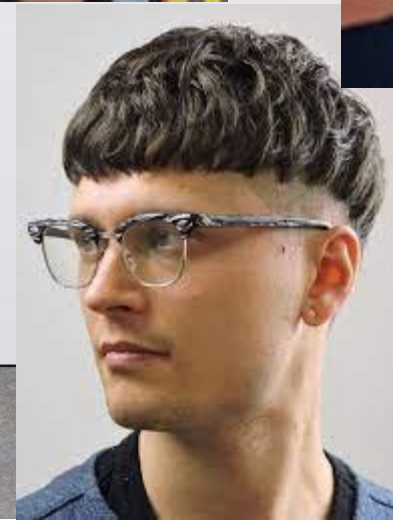
Examples of OIG recommendations:

- Provide the formulas used to calculate the reallocation amount (without the info, OIG indicated it wasn't able to determine if reallocations were correct)
- Include “medium-risk LEAs” for a review of supporting documentation of expenditures
- Written procedures for monitoring process, including detail of internal controls to monitor expenditures of grant-funded initiatives

# What Is EDGAR?

## Education Department General Administrative Regulations

<https://www2.ed.gov/policy/fund/reg/edgarReg/edgar.html>



# ////////////////////////////////////

## New Book, Same Regs? [Not exactly]

NEW! Fifth Edition

- Updated introduction
- Includes GEPA excerpts
- 2020 Revisions - 2 CFR Part 200 (Uniform Guidance)
- Updated Guidance section

The  
Administrator's  
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EDGAR  
5th Edition





## What's in this EDGAR Book?

- (p. 1) – General Education Provisions Act (GEPA) (excerpts)
- (p. 27) – Direct Grant Programs – 34 CFR Part 75
- (p. 60) – State-Administered Programs – 34 CFR Part 76
- (p. 92) – GEPA Enforcement Provisions – 34 CFR Part 81
- (p. 104) – Uniform Guidance – 2 CFR Part 200
- (p. 230) – Non-procurement Debarment and Suspension – 2 CFR Part 3485
- (p. 236) – Selected Guidance



# Direct Grant and State Administered Programs

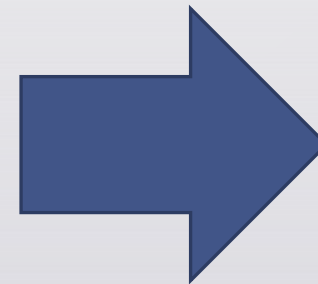
34 CFR Part 75 – (p. 27)

34 CFR Part 76 – (p. 60)

# Direct Grant Programs 34 CFR Part 75

- Applicability and eligibility 75.1, 75.60 (p. 30, 32)
- Group applications and legal responsibilities of group members 75.127, 75.129 (p. 36)
- One-year extension, no approval 75.261 (p. 47)
- Use of consultants 75.515 (p. 49)
- Use of a grant for construction 75.600 (p.53)

- 
- Eligibility of faith-based organizations 75.52 (p. 30)
  - Nondiscrimination Requirements 75.500 (p.48)
  - General costs principles 75.530 (p. 50)
  - Compliance with statutes, regs 75.700 (p. 55)
  - Obligation of funds 75.703 – 75.707 (p. 56)
  - Record retention 75.730 – 75.731 (p. 58)



**Same  
Requirements  
as Part 76**



## State-Administered Programs 34 CFR Part 76

- Applicable Programs 76.1 (p. 63)
- Statutes Determine Eligibility for Subgrants 76.50 (p.63)
- Eligibility of faith-based organizations 76.52 (p. 63)
- LEA general application 76.301 (p. 70)
- Disapproval of an application 76.401 (p. 70)
- Nondiscrimination Requirements 76.500 (p. 72)
- Records related to grant funds and compliance 76.730, 76.731 (p. 87)



## State-Administered Programs 34 CFR Part 76 (cont.)

- General cost principles 76.530 (p. 73)
- Acquisition of real property; construction 76.533, 76.600 (p. 74, 76)
- Funds not to benefit a private school 76.658 (p. 78)
- Compliance with statutes, regs 76.700 (p. 81)
- When obligations are made 76.707 (p. 84)
  - Pre-award costs 200.210 (p. 127); 200.458 (p. 178)
- When certain subgrantees may begin to obligate funds 76.708 (p. 84)
- Funds may be obligated during a “carryover period” 76.709 (p. 85)
- Obligations made during a carryover period 76.710 (p. 85) / GEPA Sec. 421(b) (p. 4)



# Uniform Grant Guidance

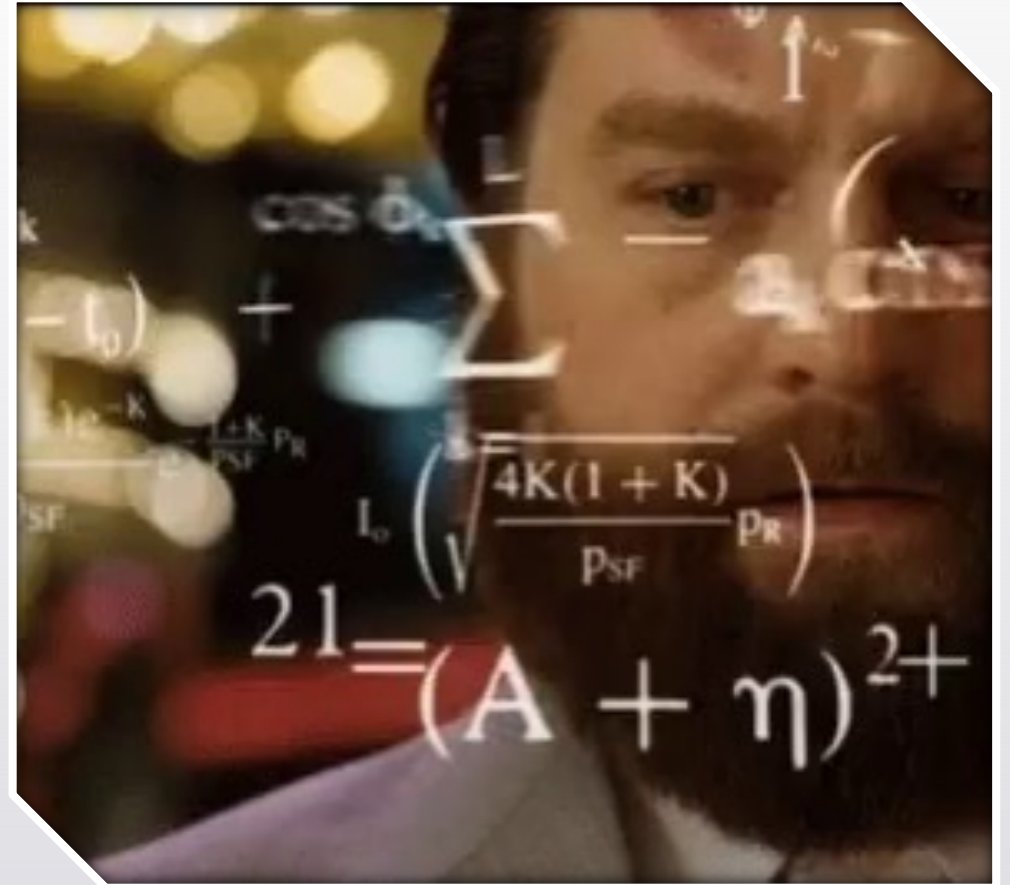
2 CFR Part 200 – (p. 105)

## Uniform Grant Guidance – (p. 105)

- Subpart A – Acronyms and Definitions (p. 108)
  - Examples changes: added “budget period”, “renewal award”, revised period of performance, etc.
- Subpart B – General Provisions (p. 118)
- Subpart C – Pre-federal Award Requirements and Contents of Federal Awards (p. 123)
- Subpart D – Post Federal Award Requirements Standards for Financial and Program Management (p. 130)
- Subpart E – Cost Principles (p. 153)
- Subpart F – Audit Requirements (p. 184)

# Financial Management

2 CFR 302(b)  
(p. 130)





# Standards for Financial and Program Management

- Financial Management 2 CFR 200.302 (p. 130)
  - 200.302(a) States
  - 200.302(b) Everyone else
    - (1) Identification of awards;
    - (2) Financial reporting per 200.328 and 200.329 (p. 145);
    - (3) Accounting records;
    - (4) Internal controls 200.303 (p. 131);
    - (5) Budget controls, 200.308 (p. 135);
    - (6) Written cash management procedures 200.305 (p. 131);
    - (7) Written allowability procedures 200.403 (p. 154)
- Federal Payment 2 CFR 200.305 (p. 131)



# Procurement

2 CFR 200.317 – 200.327

(p. 140)



# Procurement Standards

- Procurement by states 200.317 (p. 140)
- General Procurement Standards 200.318 (p. 140)
- Competition 200.319 (p.141)
- Methods of procurement 200.320 (p. 142)
  - Informal procurement methods 200.320(a);
    - Micro-purchase 200.1 (p.115)
  - Formal procurement methods 200.320(b);
    - Simplified acquisition threshold (p.117)
  - Noncompetitive procurement 200.320(c)

# Procurement Standards and Reporting

- Domestic Preferences 200.322 (p. 144)
- Awards to responsible contractors 200.318(h) (p. 141)
- Suspension and Debarment 200.214 (p. 129)
  - 2 CFR 180.300; 180.220
    - (a) Checking SAM Exclusions; or
    - (b) Collecting a certification; or
    - (c) Adding a clause or condition to the contract.
  - 34 CFR 3485.310 – (p. 231)



# Inventory Management

2 CFR 200.313  
(p. 138)



# Inventory Management – (p. 137)

- Definitions 200.1
  - Equipment (p. 111)
  - Supplies (p. 118)
  - Computing devices (p. 110)
- Equipment 200.313 (p. 138)
  - Use 200.313(b)-(c)
  - Management and inventory 200.313(d)
  - Disposition 200.313 (e)
- Supplies 200.314 (p. 139)
  - Disposition 200.314(a)



# Allowability

2 CFR 200.403  
(p.154)





## Cost Principles – (p. 153)

- Factors affecting allowability 200.403 (p. 154)
- Applicable credits 200.406 (p. 155)
- Prior written approval 200.407 (p. 156)
- Direct and Indirect (F&A) Costs 200.413 (p. 157); 200.414 (p. 158)
  - Restricted indirect cost rate information 34 CFR Part 76 (p. 74)
- Selected Items of Costs – (p. 161)
  - (Time and Effort) 200.430(i) (p. 164)
    - Cost Allocation Guide – Policies and procedures required (p. 264)
  - Telecommunications and video surveillance costs 200.471 (p. 182)
  - Travel 200.475 (p. 183)





# Record Retention and Access

- Retention requirements for records 200.33<sup>4</sup> (p. 149)
  - GEPA 81.31 (p. 97)
  - Records related to grant funds and compliance 75.730 – 75.731 (p. 58); 76.730, 76.731 (pg.87)
- Methods of collection, transmission and storage of information 200.33<sup>6</sup> (p. 149)
- Access to records 200.33<sup>7</sup> (p. 150)

## Subrecipient Monitoring / Audit

- Subrecipient and Contractor Determinations 200.33<sup>1</sup> (p.147)
- Requirements for the pass-through entities 200.33<sup>2</sup> (p.147)
- Remedies for noncompliance 200.33<sup>9</sup> (p. 150)
  - Specific conditions 200.20<sup>8</sup> (p. 126)
- Expending \$750,000 or more in federal funds in a year (200.501) (p. 184)

## Written Procedures: Must or Should?

- |  |  |
|--|--|
| <ul style="list-style-type: none"><li>■ Cash Management Procedures - 200.302(b)(6) &amp; 200.305</li><li>■ <b>Allowability Procedures - 200.302(b)(7)</b></li><li>■ Managing Equipment – 200.313(d)</li><li>■ Conflicts of Interest Policy - 200.318(c)</li><li>■ <b>Procurement Procedures - 200.320</b><ul style="list-style-type: none"><li>■ Method for Conducting Tech Evals of Proposals</li><li>■ Establishment of thresholds</li></ul></li><li>■ Travel Policy - 200.475(b) (new citation)</li></ul> | <ul style="list-style-type: none"><li>■ Time and Effort Procedures - “essential” ED, Cost Allocation Guide (agency specific)</li><li>■ Subrecipient Monitoring Procedures – required by Compliance Supplement</li><li>■ Grant Application Procedures</li><li>■ Record Retention Procedures</li><li>■ Audit Resolution Procedures</li><li>■ Program-specific Procedures</li></ul> |
|--|--|

# Test Your Knowledge



## Question 1

What does EDGAR stand for?

- A. Education Department Grant Award Rules.
- B. Education Department Grantees Administrator's Rights.
- C. Education Department General Administrative Regulations
- D. Every Darn Grant Administrator Rocks!



# Allowability



## Question 2

- Identification of the period of performance in a federal award commits the awarding agency to fund the award \_\_\_\_?
- A. Beyond the currently approved budget period
- B. Only to the currently approved budget period **2 CFR 200.1**
- C. Up to the currently approved budget period and any subsequent budget period
- D. To any budget period planned by the grantee



## Question 3

Which of the following is **not** something to consider when determining whether a cost is reasonable:

- A. Whether the purchase deviates significantly from established practices.
- B. Whether the cost is generally recognized as ordinary and necessary for the performance of the award.
- C. Whether price is the market price.
- D. Whether the cost can be shared with another program. **2 CFR 200.404**





## Question 4

A district shares the use of a printer amongst its Title I, Title II, and IDEA programs. The district should document the use of the printer by:

- A. Assigning a print code to each program
- B. The district does not need to document the use of the printer by each program
- C. Develop a system that reflects each program's use of the printer
- D. A and C. 2 CFR 200.405

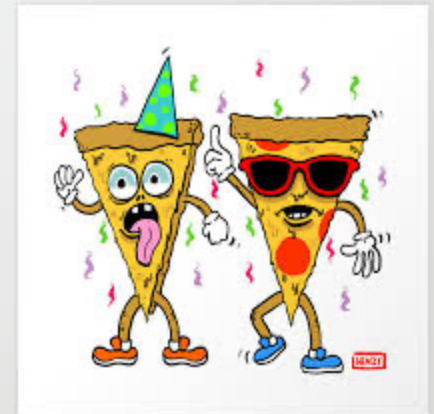
## Question 5

- Expenditures on food using ED grants are \_\_\_\_\_
- A. Allowable because ED guidance prohibiting expenditures on food did not go through the formal rulemaking process
- B. Unallowable because expenditures on food are prohibited by ED guidance
- C. Unallowable because expenditures on food are generally not necessary for the performance of a federal award 2 CFR 200.403(a); 200.404 – ED Guidance letter.
- D. Unallowable because expenditures on food are always unreasonable

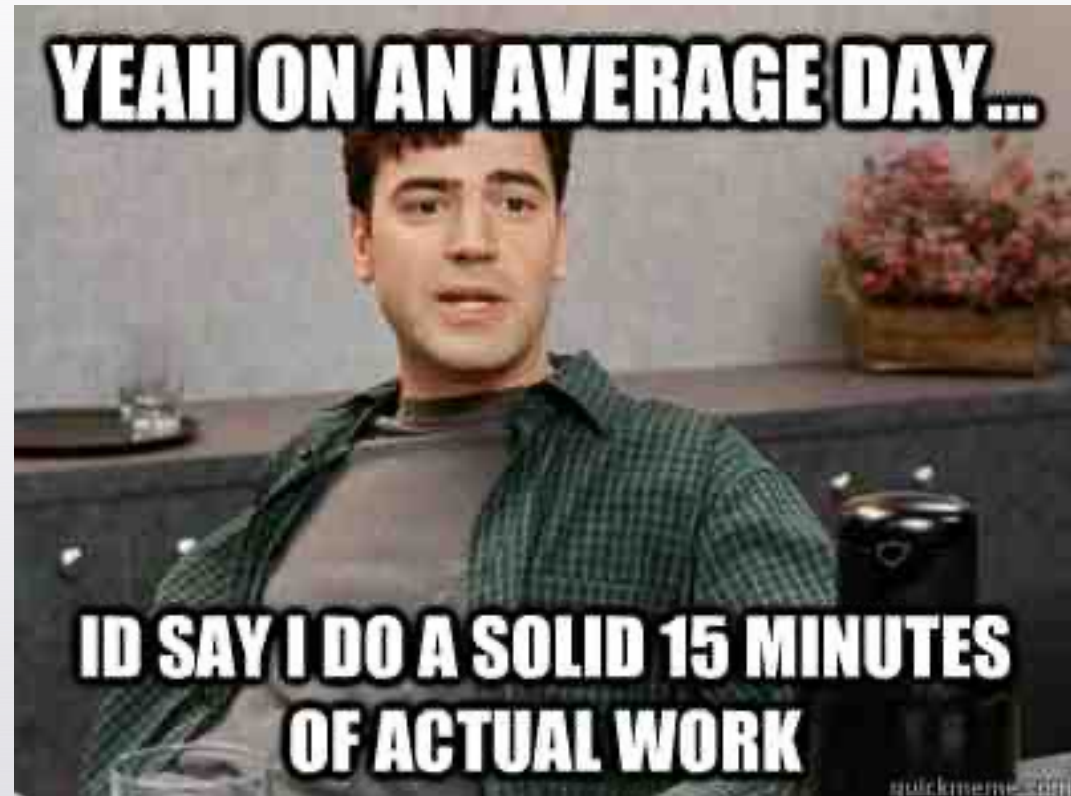
## Question 6

To increase their assessment scores, Jones Elementary wants to give students an incentive so if a student attends after school tutoring for the year, the student will receive a gift certificate for a pizza. Is this allowable under Title I?

- A. Yes
- B. No 2 CFR 200.403(a); 200.404 – ED Guidance letter.
- C. It Depends



# Time and Effort





## Question 7

The UGG requires that time and effort records must:

- A. Reasonably reflect the total activity for which an employee is compensated.
- B. Be completed, signed, and submitted weekly.
- C. Be supported by a system of internal controls.
- D. A & C only **2 CFR 200.430(i)(1)**
- E. None of the above. Only employees who spend 100% of their time on federal grants must keep time and effort records.

## Question 8

An administrator spent 40% of his time working on IDEA administrative activities and 60% of his time working on non-federal activities. The administrator must:

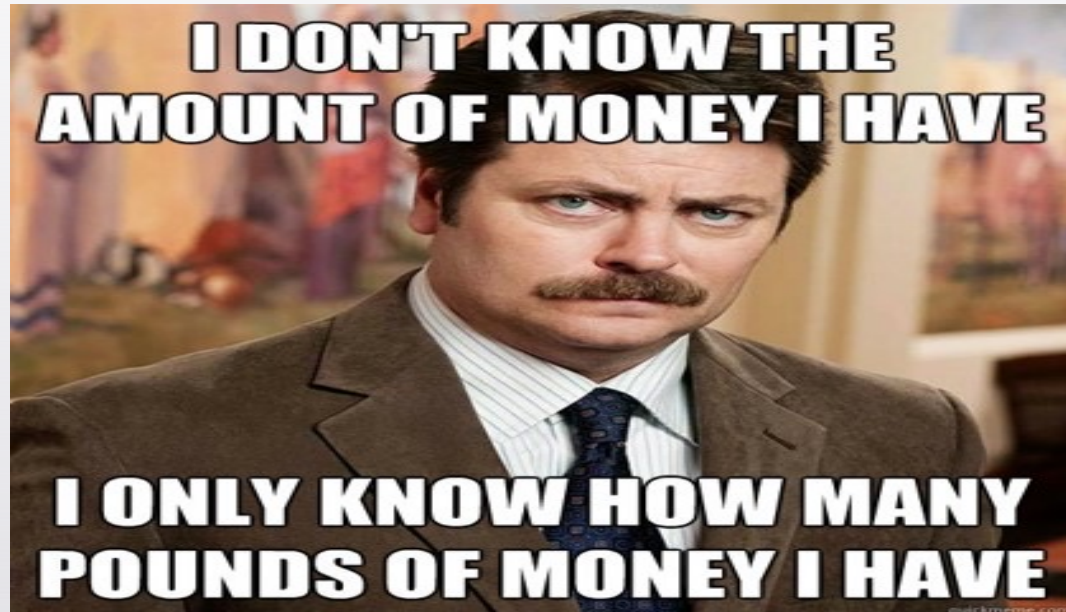
- A. Maintain time and effort documentation reflecting that he worked on one cost objective
- B. Maintain time and effort documentation reflecting that he worked on at least two cost objectives **2 CFR 200.430(i)**
- C. Does not need to maintain time and effort documentation
- D. Only needs to maintain time and effort documentation if his work is being used to match a federal contribution

## Question 9

Which individuals paid with federal funds need to keep time and effort records?

- A. A part time employee spending 50% of her time working on federal grants.
- B. A contractor spending 50% her time working on federal grants.
- C. A full time employee spending 50% of her time on federal grants.
- D. A and C only. 2 CFR 200.430(i)
- E. None of the above. Only employees who spend 100% of their time on federal grants must keep time and effort records.

# Financial Management





## Question 10

A school district contracts with a company to offer virtual instruction in its schools. The contract obligates to the federal award:

- A. On the date the services begin.
- B. On the first day of the grant.
- C. The date of the finalized contract. 34 CFR 76.707
- D. On the date services are completed.



## Question 11

The grant began on July 1<sup>st</sup>, but your district did not get their grant approved until August 1<sup>st</sup>. All charges prior to August 1<sup>st</sup> are therefore pre-award costs. Pre-award costs are only allowable to the extent they would have been allowable and:

- A. There is a public emergency that will not permit delay.
- B. With written approval from the award agency. 2 CFR 200.309; 200.458
- C. Nothing else is required.
- D. The cost does not exceed \$5,000.



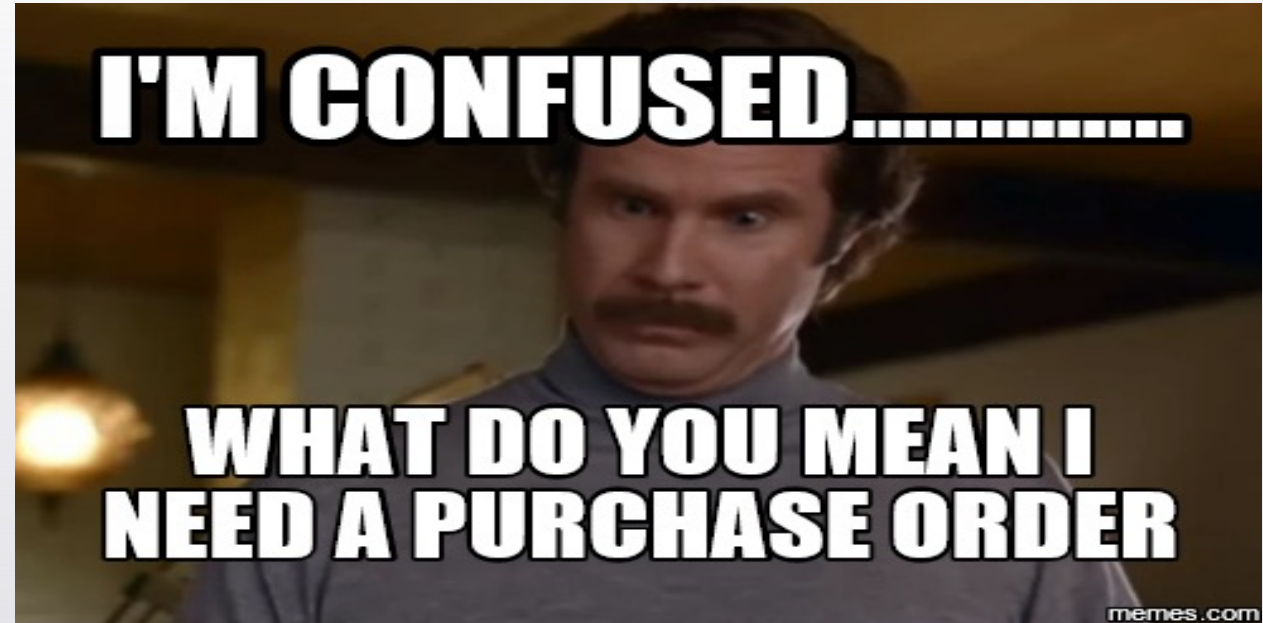
## Question 12

A district submitted its final performance report to the state 45 days after the end of the period of performance. The state now has \_\_\_\_ days to submit the final performance report to ED:

- A. 45
- B. 60
- C. 75 2 CFR 200.329(c)(1); 200.302(b)(2)
- D. 120
- E. Request an extension from ED



# Procurement





## Question 13

Your state law requires competitive proposals for all purchases over \$150,000. For your Federal grant, you must:

- A. Submit competitive proposals for all purchases over \$250,000 because that is what EDGAR requires.
- B. Submit competitive proposals for all purchases.
- C. Submit competitive proposals for over \$150,000. 2 CFR 200.318(a)
- D. Follow EDGAR and submit competitive proposals only for purchases over \$250,000.

## Question 14

Grantees and subgrantees may sole source procurement from a vendor as long as that vendor was included in an approved application.

- A. True
- B. False 2 CFR 200.320(c)



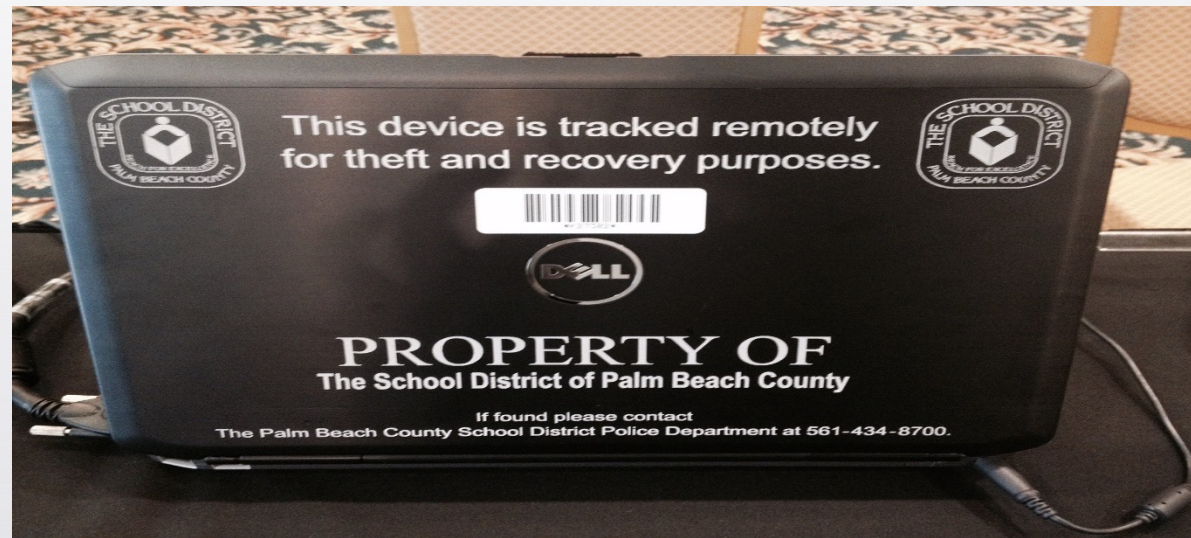


## Question 15

A district wants to use “Numbers R Us” for all its Title I math needs (valued over \$17,000) and has no interest in bidding it, this is allowable as long as:

- A. Numbers R Us has the best reviews.
- B. There are no other vendors in the District.
- C. The district believes they are best vendor for the job.
- D. The State allows the noncompetitive selection. **2 CFR 200.320(c)**
- E. All of the above are allowable.

# Equipment Management



## Question 16

To meet equipment management requirements, a nonfederal entity must:

- A. Take physical inventory every two years.
- B. Investigate all incidents of loss, damage, or theft.
- C. Maintain property records that include a description of the property, a serial or other identification number, the source of funding, acquisition date and cost.
- D. All of the above **2 CFR 200.313(d)**
- E. None of the above. Equipment management is left to the discretion of the nonfederal entity through its policies and procedures.

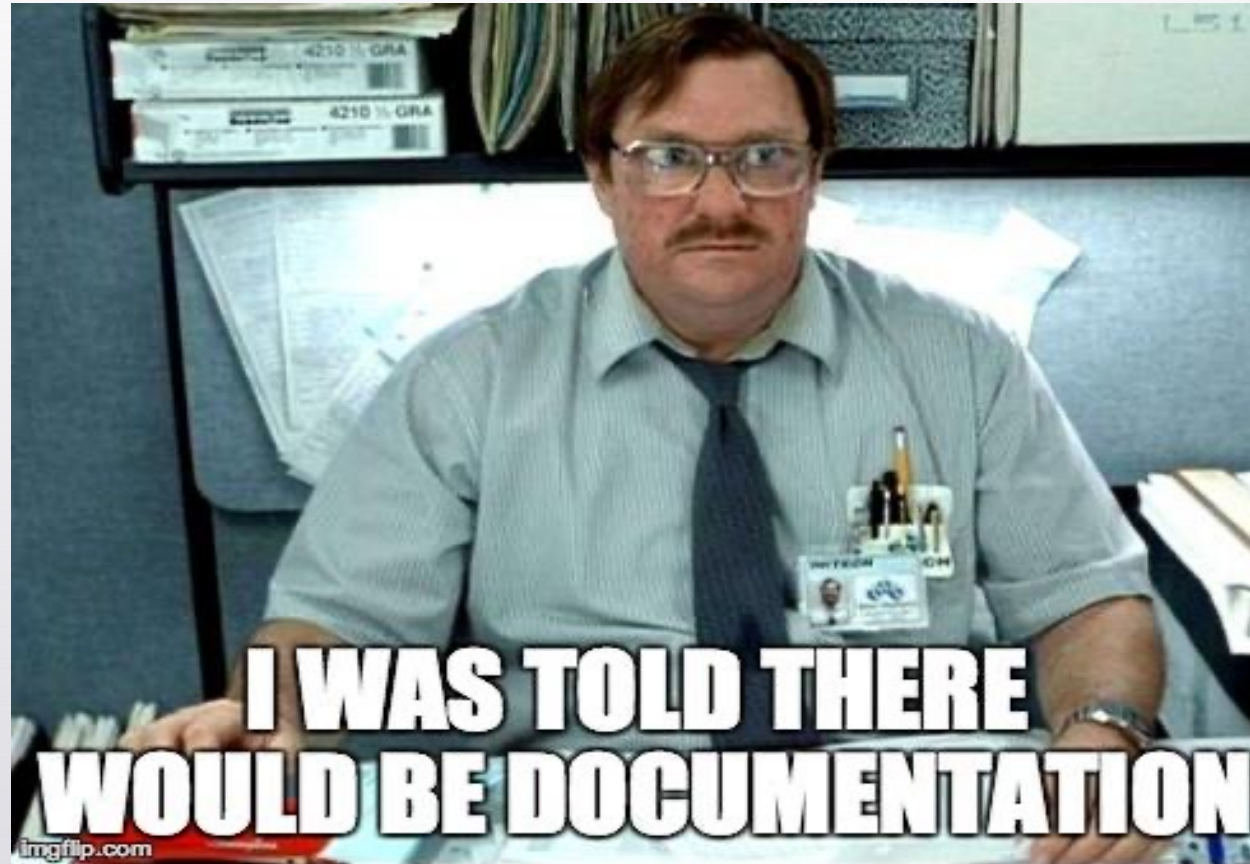


## Question 17

A local agency purchased several iPads using federal funds for a digital only design school. The school has closed and the iPads are no longer needed in any program. The local agency should:

- A. Retain the iPads in storage for a future project, if ever needed.
- B. Sell the iPads and if valued over \$5,000 pay federal share. 2 CFR 200.314(a)
- C. Give the iPads to the staff as a going away gift.
- D. A and B
- E. None of the above. You should never buy iPads with federal funds.

# Record Retention





## Question 18

When the original records are electronic and cannot be altered, there is no need to create and retain paper copies.

A. True 2 CFR 200.336

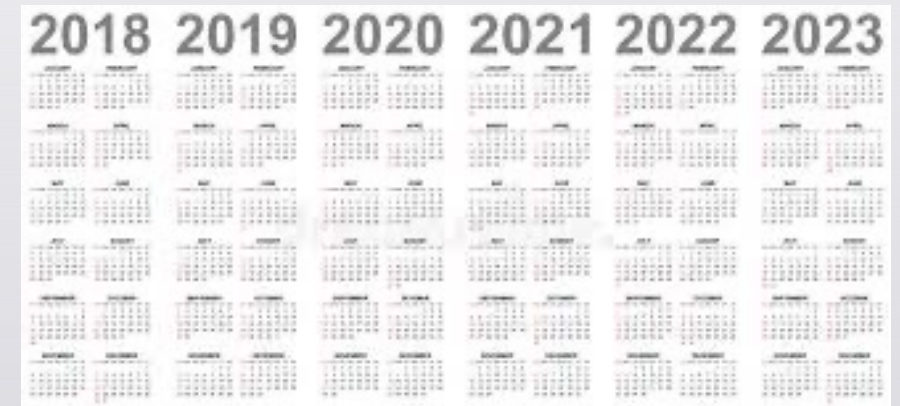
B. False



## Question 19

EDGAR mandates that records be kept for 3 years subject to certain exceptions. However, we should ignore EDGAR and maintain records for \_\_\_\_ years.

- A. 1
- B. 3
- C. 5 2 CFR 200.334; GEPA 34 CFR 81.31
- D. 7



## Question 20

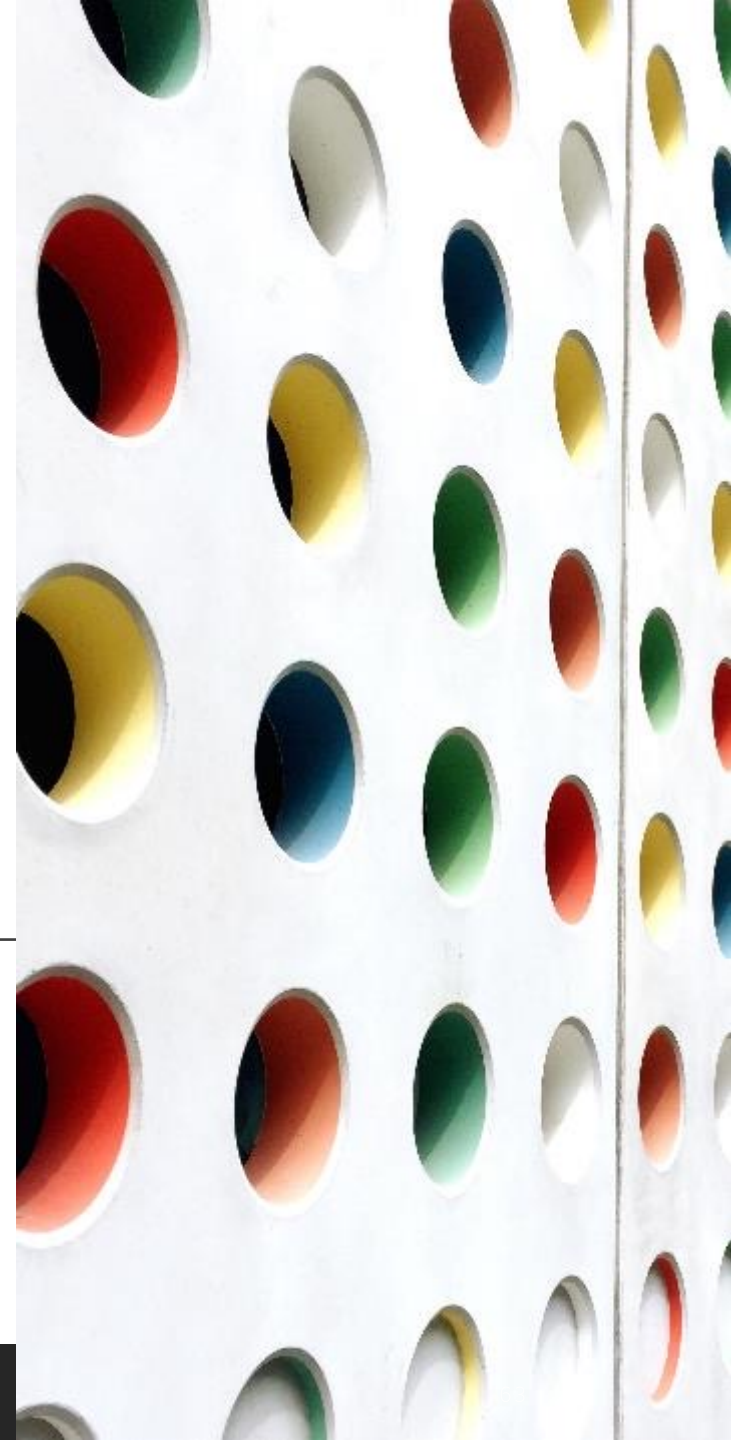
How are you feeling about your EDGAR and UGG knowledge?

- A. Great! I'm now an expert!
- B. Much better, but I still have some things to learn.
- C. Good, my head is still spinning though.
- D. Who is EDGAR?



# ESSER Grants Compliance and Strong Internal Controls

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**NEWS**

# As Districts Spend Relief Funds, Auditors Say 'Business is Booming'

But the heightened scrutiny is causing districts to be cautious about using the money on urgent needs like learning loss





**WHEN ASKED ABOUT ESSER**



**TRYING TO STAY POSITIVE**

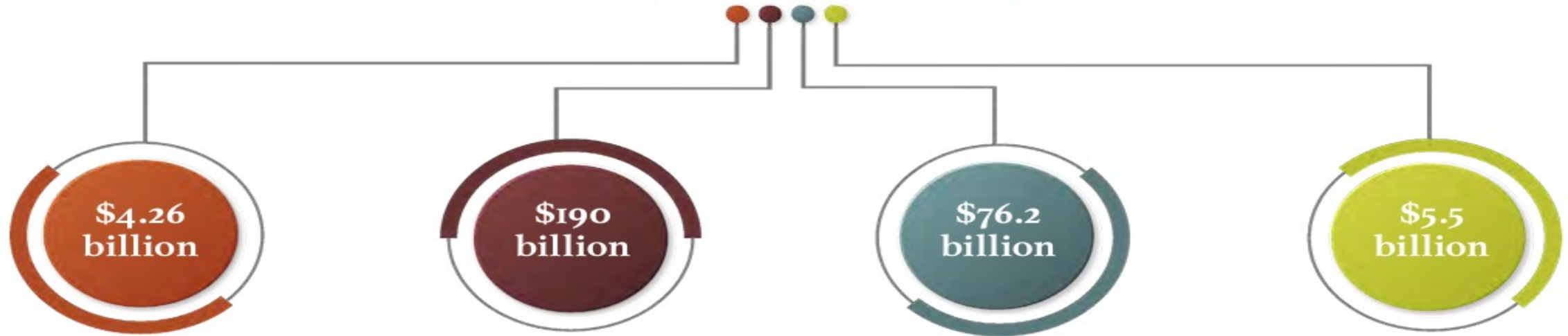
# Topics

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- ESSER Allowable Uses of Funds
- ESSER Obligations/Liquidation Timelines
- Allowable Uses Examples
- Construction Requirements
- ESSER Monitoring and Recent Findings
- Single Audit Requirements
- OIG Workplan

# Education Stabilization Fund Snapshot

Funded through the [CARES Act](#), the [Coronavirus Response and Relief Supplemental Appropriations Act](#), and the [American Rescue Plan](#)



## Governor's Emergency Education Relief Fund

**Awarded To:** Governor's offices to provide to local educational agencies (LEAs), institutions of higher education (IHEs), or other education-related entities the Governor deems essential

**Purpose:** Support efforts to provide educational services to students and to support ongoing operations. [Learn more.](#)

## Elementary and Secondary School Emergency Relief Fund

**Awarded To:** State educational agencies to provide to LEAs and charter schools that are LEAs

**Purpose:** A wide range of activities, including purchasing and using technology for online learning, coordinating efforts with public health departments, addressing the needs of disadvantaged student populations, planning for school closures, purchasing cleaning supplies, providing mental health services, and implementing summer learning and supplemental after-school programs. [Learn more.](#)

## Higher Education Emergency Relief Fund

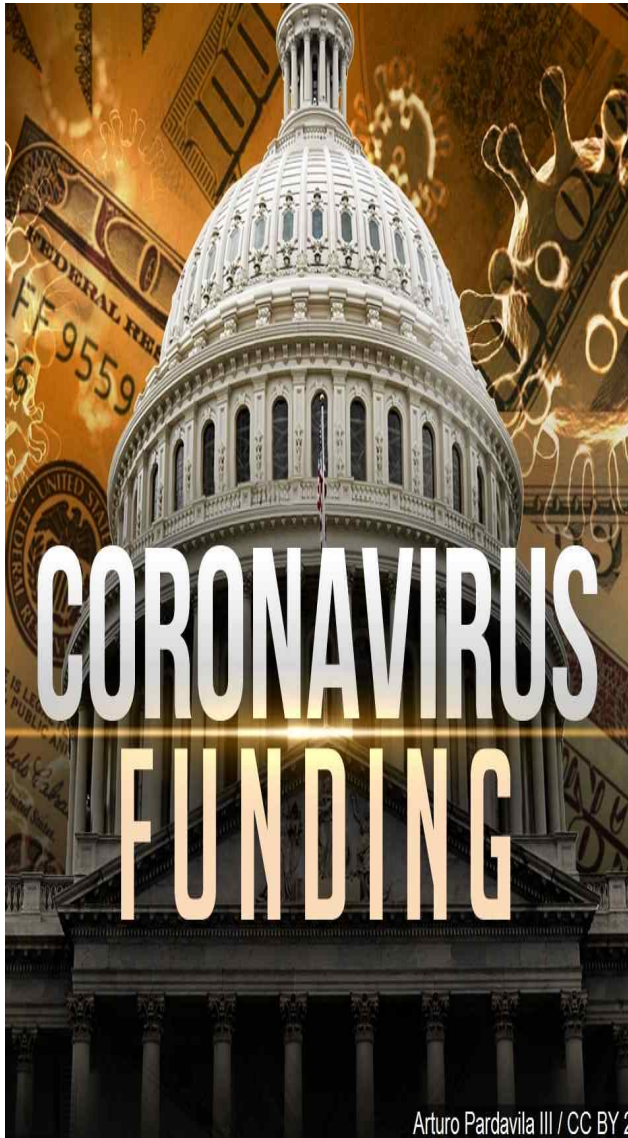
**Awarded To:** IHEs

**Purpose:** Assist students affected by the coronavirus pandemic with expenses such as food, housing, technology, healthcare, childcare, and course materials; help Historically Black Colleges and Universities and Minority Serving Institutions to cover expenses related to closures and transitions to distance education, and help institutions of higher education cover lost revenue, technology, or other expenses related to the cost of attendance. [Learn more.](#)

## Emergency Assistance to Nonpublic Schools

**Awarded To:** Awarded to Governor's offices (\$2.75 million from Governor's Emergency Education Relief Fund)

**Purpose:** Provide services or assistance to nonpublic schools that enroll a significant percentage of low-income students and are most impacted by the pandemic. [Learn more.](#)



# Supplemental Federal Funding

## Coronavirus Aid, Relief, and Economic Security (CARES) Act: \$30.9 Billion

- Governor's Emergency Education Relief Fund (GEER) - \$3B
- Elementary and Secondary Education Relief Fund (ESSER) - \$13.5B

## Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act: \$81.9 Billion

- GEER II - \$4.05B; ESSER II - \$54.3B

## The American Rescue Plan Act: Est 1.9 Trillion

- No GEER funds; ARP ESSER - \$130 B
- 20% Address learning Loss
- Emergency Assistance to Non-public Schools (EANS) - \$2.7 B



# Updated ESSER Guidance!

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Published 12/29/21: [https://oese.ed.gov/files/2021/12/Fact-Sheet\\_COVID\\_connection\\_12.29.21\\_Final.pdf](https://oese.ed.gov/files/2021/12/Fact-Sheet_COVID_connection_12.29.21_Final.pdf)



# What may ESSER funds be used on?

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Any of the ESSER funds may be used to support all of the allowable uses of funds listed in any of the ESSER Programs (A-1)

ESSER FAQs – May 26, 2021:

[https://oese.ed.gov/files/2021/05/ESSER.GEER\\_.FAQs\\_5.26.21\\_745AM\\_FINALb0cd6833f6f46e03ba2d97d30aff953260028045f9ef3b18ea602db4b32b1d99.pdf](https://oese.ed.gov/files/2021/05/ESSER.GEER_.FAQs_5.26.21_745AM_FINALb0cd6833f6f46e03ba2d97d30aff953260028045f9ef3b18ea602db4b32b1d99.pdf)

- Also in ARP ESSER Fact Sheet (March 2021)
- [https://oese.ed.gov/files/2021/03/FINAL\\_ARP-ESSER-FACT-SHEET.pdf](https://oese.ed.gov/files/2021/03/FINAL_ARP-ESSER-FACT-SHEET.pdf)



# ESSER Allowable Uses of funds

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1. Any activity allowed under ESEA, IDEA, AEFLA, Perkins, or McKinney-Vento Title VIIB (ESSER 3 does not include McKinney-Vento)
2. Coordination of preparedness and response efforts
3. (Listed in ESSER 1 and 2) Providing principals and others school leaders with the resources necessary to address the needs of their individual schools.
4. Activities to address the unique needs of low-income children or students, children with disabilities, English learners, racial and ethnic minorities, students experiencing homelessness, and foster care youth
5. Improve the preparedness and response efforts of LEAs
6. Training and professional development for LEA staff on sanitation and minimizing the spread of infectious diseases

# ESSER Allowable Uses of funds (cont.)

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7. Purchasing sanitization and cleaning supplies for LEA-operated buildings
8. Planning for and coordinating during long-term closures, including for how to provide meals, technology
9. Purchasing educational technology
10. Providing mental health services and supports
11. Summer learning and supplemental afterschool programs
12. (Listed in ESSER 2 and 3) Addressing learning loss among students

# ESSER Allowable Uses of funds (cont.)

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- 13. (Listed in ESSER 2 and 3) School facility repairs and improvements to enable operation of schools to reduce risk of virus transmission and exposure to environmental health hazards
- 14. (Listed in ESSER 2 and 3) Inspection, testing, maintenance, repair, replacement, and upgrade projects to improve the indoor air quality in school facilities
- 15. Other activities that are necessary to maintain the operation of and continuity of services in local educational agencies and continuing to employ existing staff of the local educational agency

# Mandatory Use of Funds

## ARP ESSER (ESSER 3) – Learning Loss

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### LEA Use of Funds

- Must reserve at least 20% for learning loss mitigation, including through:
  - Afterschool, summer school, extended day/year programs
  - Targeted to ESEA subgroups, students experiencing homelessness, and children and youth in foster care
- To “address to academic impact of lost instructional time” through evidence-based interventions.
  - Evidence based defined in FAQ A-10 and provides additional materials and links.

# Do all ESSER funds have to be related to COVID?

---

Yes. “To prevent, prepare for, and respond to coronavirus”

- The overall purpose of the CARES Act, CRRSA Act, or ARP Act programs, which is “to prevent, prepare for, and respond to” COVID-19 (ESSER FAQs B-6).

Remains standard in OMB Compliance Supplement

Stated in all prior guidance and recent ARP guidance.

- **Updated Guidance:** For needs arising from or exacerbated by the COVID-19 pandemic, or to emerge stronger post-pandemic (to address pre-existing challenges that, if left unaddressed, will impede recovery from the pandemic) (12/29/21 ESSER FAQs).



# Updated Guidance: ESSER Tie to COVID

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The Department encourages SEAs and LEAs to think holistically about their response to COVID-19 in order to address the impact of lost instructional time from the pandemic on all students and to address pre-existing challenges that, if left unaddressed, will impede recovery from the pandemic.

These Federal emergency resources are available for a wide range of activities to address diverse needs arising from or exacerbated by the COVID-19 pandemic, or to emerge stronger post-pandemic, including responding to students' social, emotional, mental health, and academic needs and continuing to provide educational services as States, LEAs, and schools respond to and recover from the pandemic" [*emphasis added*].

# So, can I use my ESSER funds on...(cont.)

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It depends!

All Allowable Use Questions Must Meet 3 Requirements!

1. Prevent, Prepare and Respond to Coronavirus (ESSER FAQ B-6)
2. Be an allowable use of ESSER funds
  - Any of the ESSER funds may be used to support all of the allowable uses of funds listed in any of the ESSER Programs (ESSER FAQ A-1)
3. Be allowable under EDGAR (including in approved plan with prior approvals, as necessary).



# Timely Spending

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# ESSER Funding Breakdown

	CARES – ESSER 1 \$13.2 Billion	CRRSA – ESSER 2 \$54.3 Billion	ARP – ESSER 3 \$122 Billion
Enacted	March 2020	December 2020	March 2021
Start date	March 13, 2020	March 13, 2020	March 13, 2020
Statutory end	September 30, 2021	September 30, 2022	September 30, 2023
Tydings period	September 30, 2022	September 30, 2023	September 30, 2024
Liquidation Period	No later than January 30, 2023	No later than January 29, 2024	No later than January 28, 2025



# Period of Performance

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“The total estimated time interval between the start of an initial Federal award and the planned end date, which may include one or more funded portions, or budget periods.”

- “Identification of the Period of Performance in the Federal award per §200.211(b)(5) does not commit the awarding agency to fund the award beyond the currently approved budget period.”

2 CFR 200.1

# Period of Performance (cont.)

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Funds must be *obligated* within the period of performance.

What does it mean to *obligate* funds?

- “Financial obligations, when referencing a recipient’s or subrecipient’s use of funds under a Federal award, means orders placed for property and services, contracts and subawards made, and similar transactions that require payment.” 2 CFR 200.1
- When funds obligate depends on the type of cost.
- Obligate  $\neq$  liquidate

# When Obligations Are Made

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Type of Obligation	When Obligation Occurs
Acquisition of Property	Date of binding written commitment
Personal Services by Employee	When services are performed
Personal Services by Contractor	Date of binding written commitment
Travel	When travel is taken
Approved Pre-Agreement Cost	On the first day of the grant or subgrant performance period.

34 CFR 76.707

# Extensions to the obligation/liquidation period?

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## Obligation extension?

- Not likely

## Liquidation extension?

- Possible
- ED template for applying for a liquidation extension up to the first 14 months (for CARES only) but it cannot be sought until after the end of the obligation period.
  - CRRSA and ARP extensions not be addressed until the summer prior to expiration.
- Traditionally these requests include documentation of timely obligations, allowability of costs, part performance, single audit compliance, etc.



# CARES Act Programs Late Liquidation Requests (From U.S. Department of Education)

Program	Obligation deadline	(Automatic) 120-day liquidation deadline	(Up to) 14-month liquidation extension
ESSER I	Sep. 30, 2022	Jan. 30, 2023	Apr. 1, 2024
ESSER II	Sep. 30, 2023	Jan. 29, 2024	Mar. 31, 2025
ARP ESSER	Sep. 30, 2024	Jan. 28, 2025	Mar. 31, 2026
GEER I	Sep. 30, 2022	Jan. 30, 2023	Apr. 1, 2024
GEER II	Sep. 30, 2023	Jan. 29, 2024	Mar. 31, 2025
CRRSA EANS	Sep. 30, 2023	Jan. 29, 2024	Mar. 31, 2025
ARP EANS	Sep. 30, 2024	Jan. 28, 2025	Mar. 31, 2026



Just Keep  
Spending...  
ESSER Allowable  
Uses of Funds

---



Current  
difficulty...  
how to timely  
spend the  
funds?

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# Can ESSER funds pay for projects that were planned/started prior to March 13, 2020?

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Maybe.

- If it is a pre-existing challenge that, if left unaddressed, will impede recovery from the pandemic, then yes (i.e. assists SEA/LEA to “emerge stronger”).; **or**
- If additional costs or changes are made due to COVID, then yes, but must:
  - Demonstrate allowability;
  - Obtain required prior approvals, as required;
  - Meet Davis-Bacon Wage, as applicable; etc.

# Is ESSER I, II or III subject to supplement not supplant?

---

**No!** There is not a supplement not supplant provision in ESSER/GEER

- But, keep in mind:
  - The general purposes of CARES/CRRSAA: “to prevent, prepare for and respond to the Coronavirus”
  - The MEQ requirement in ARP; and
  - Other programmatic MOE requirements!

(ESSER FAQs A-18)





# Staff and teacher stipends/bonuses?

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Recruitment/Relocation Bonuses, Overtime, Premium Pay

- Must have the link to COVID
- Be reasonable and necessary
- Pursuant to an established plan (in response to pandemic)
  - Consistent with applicable collective bargaining agreements (2 CFR 200.430(f))
- <https://www2.ed.gov/documents/coronavirus/arp-teacher-shortages.pdf>  
<https://www2.ed.gov/documents/coronavirus/arp-staff-shortages.pdf>

2025

2026

January						
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## Federal Holidays 2025

Calendarpedia  
Your source for calendars

Jan 1	New Year's Day	Sep 1	Labor Day
Jan 20	Martin Luther King Day	Oct 13	Columbus Day
Feb 17	Presidents' Day	Nov 11	Veterans Day
May 26	Memorial Day	Nov 27	Thanksgiving Day
Jun 19	Juneteenth	Dec 25	Christmas Day
Jul 4	Independence Day		

January						
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September						
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October						
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November						
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December						
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23	24	25	26	27	28	29
30						

## Federal Holidays 2026

Calendarpedia  
Your source for calendars

Jan 1	New Year's Day	Jul 4	Independence Day
Jan 19	Martin Luther King Day	Sep 7	Labor Day
Feb 16	Presidents' Day	Oct 12	Columbus Day
May 25	Memorial Day	Nov 11	Veterans Day
Nov 26	Thanksgiving Day	Dec 25	Christmas Day
Jul 3	Independence Day (obs.)		

Data provided 'as is' without warranty

## Multi-year Subscriptions

Grant activities carried out through a valid obligation of funds may continue beyond that date; must be liquidated within 120 calendar days after the end of the performance period (ESSER FAQs E-1).

- Considerations: how far past the period would the subscription last?
- Is the cost still allocable to the program (related to the prevention/response to coronavirus)?
- Recent OIG Findings

# Future Needs

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## ✓ COVID connection

- ✓ Hard to demonstrate how future needs prepare, respond and prevent COVID-19.

## ✓ General cost principles (2 CFR 200.403)

## ✓ Procurement requirements (2 CFR 200.319 -.327)



# Watch out for MOE Requirements!

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- Maintenance of effort may apply at the State and/or local level depending on the program.
- MOE consequences can include reduction of funds or repayment depending on the federal program requirements.





# Construction and Renovation

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# Can we use ESSER funds for construction and renovation?

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Yes, but must meet all the applicable requirements:

- ✓ General cost principles (reasonable, necessary, allocable) (2 CFR 200.403)
- ✓ Procurement requirements
  - ✓ Sole sourcing exceptions may apply (2 CFR 200.319 – 200.327)
- ✓ Timely implementation!! (ESSER FAQs B-6).
- ✓ Prior written approval from SEA (2 CFR 200.439)
- ✓ Construction regulations (34 CFR 76.600/75.600)
  - ✓ Davis-Bacon Act: <https://www.dol.gov/agencies/whd/government-contracts/construction>

# What rules apply to construction?

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## 76.600 – Where to find construction regulations

- A state or subgrantee shall comply with the rules on construction that apply to applications and grantees under 34 CFR 75.600 – 75.617.
- State performs functions of Secretary (Sec. 75.602 (preservation of historic sites))

## 75.600 – Use of a grant for construction

- Sections 75.601 – 75.615 apply
- However, ED has since said that 75.601 (assessment of environmental impact) and 75.605 (approval by Secretary of final drawings before beginning) do not apply!



# Construction Performance Monitoring

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Must monitor performance of construction projects!

To ensure performance, use:

- onsite technical inspections
- certified percentage of completion data

2 CFR 200.329(d)

# In/Out of State/ American Preferences

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- Domestic Preference - should, to the greatest extent practicable under a Federal award, provide a preference for the purchase, acquisition, or use of goods, products, or materials produced in the United States (2 CFR 200.322).
- Geographical Preference Prohibition - Must prohibit the use of statutorily or administratively imposed state or local geographical preferences in the evaluation of bids or proposal, except where applicable Federal statutes expressly mandate or encourage geographic preference.
  - Exception: architectural and engineering services (2 CFR 200.319(c)).

(ESSER FAQs A-20)

# Does the Buy American Act apply to ESSER?

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The Buy American Act does not apply to the ESSER or GEER grants. (ESSER FAQs A-20) **BUT...**

- USDOE has identified both ESSER and ARP-ESSER as infrastructure programs subject to the Buy America preference within the infrastructure program list:

<https://www2.ed.gov/about/offices/list/ofo/oaga/infrastructureprogramslist2022.pdf>

- OMB Memorandum 22-11 indicates that new federal awards and financial modifications to existing federal awards will be

covered. <https://www.whitehouse.gov/wp-content/uploads/2022/04/M-22-11.pdf>



# Can we sole source out construction and other ESSER projects?

---

Maybe.

SEAs – If flexibility under its State procurement procedures

LEAs – An LEA may determine that its response to the COVID-19 pandemic qualifies as a public exigency or emergency that does not permit the delay that would result from competitive bidding. (ESSER FAQs C-27).



# What Other Rules Must We Consider?

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# Basic Factors of Allowability

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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 non-federal activities and costs
- Be consistently treated as either direct or indirect costs
- Be determined in accordance with GAAP
- Not be included or used to meet cost sharing / match requirements
- Be adequately **documented**
- **Be incurred during approved budget period (NEW)** 2 CFR 200.403

# Capital Expenditures Defined

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## Capital expenditures

Expenditures to acquire capital assets or to make additions, improvements, modifications, replacements, rearrangements, reinstallations, renovations, or alterations to capital assets that materially increase their value or useful life. 2 CFR 200.1

## Equipment & Other Capital Expenditures

Expenditures for equipment, buildings, and land are **unallowable** as direct charges without prior written approval

- Includes improvements to land, building & equipment

For equipment with per-unit cost of \$5000 or more—may be directly charged with prior written approval. 2 CFR 200.439

# Contract Administration

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Non-federal entities must maintain oversight to ensure that contractors perform in accordance with the terms, conditions, and specifications of the contract

2 CFR 200.318(b)



# Appendix II to Part 200

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Contracts *must* contain applicable provisions in Part 200 Appendix II

What's in appendix II?

- Davis-Bacon Act
- Contract Work Hours and Safety Standards Act
- Clean Air Act
- Federal Water Pollution Control Act
- Byrd Anti-lobbying Amendment

2 CFR 200.327

# Davis-Bacon Act

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- DBA requirements apply to those federally-funded contracts valued greater than \$2,000 for the actual construction, alteration, and/or repair, including painting and decorating, of a public building or public work. 29 C.F.R. Part 5, subpart A § 5.5.
  - Must pay workers no less than the locally prevailing wage & fringe benefits for corresponding work in the area.
  - Requires certification of weekly payroll reports, among other requirements. ESSER FAQ B-6

<https://www.dol.gov/agencies/whd/government-contracts/construction>

What's Next?

Monitoring, audits, and  
more!





# ED's ESSER Comprehensive Monitoring

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[HTTPS://OESE.ED.GOV/OFFICES/EDUCATION-STABILIZATION-FUND/ELEMENTARY-SECONDARY-SCHOOL-EMERGENCY-RELIEF-FUND/ESSER-COMPREHENSIVE-MONITORING-PROTOCOLS/](https://oese.ed.gov/offices/education-stabilization-fund/elementary-secondary-school-emergency-relief-fund/esser-comprehensive-monitoring-protocols/)



# LEA: ESSER Program Fiscal and Program Requirement Domains – Comprehensive Monitoring Subrecipient Self-Assessment

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## **A. Budgeting and Subawards**

### Subtopics:

- Support for Development of LEA (OR OTHER SUBRECIPIENT) Budgets/Plans
- Budget Development Process

## **B. Award Process**

### Subtopics:

- Grant Award Notice
- Subaward Information Submission

## **C. Subrecipient Monitoring**

### Subtopics:

- Pre-Monitoring Process
- Monitoring Activities
- Post-Monitoring Process

## **D. Maintenance of Equity (MOEq)**

### Subtopics:

- MOEq Calculation/Review Process

## **E. Equitable Services – ESSER I only (for LEAs only)**

### Subtopics:

- Provision of Equitable Services
- Equitable Services Oversight and Guidance



# SEA/LEA: Fiscal Self-Assessment and On-site/Desk Review Protocol

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A. Accounting Systems and Fiscal Controls

B. Cash Management and Payment Systems

C. Period of Availability and Carryover

D. Internal Controls

E. Audit Requirements

F. Records and Information Management

G. Personnel

H. Procurement

I. Equipment and Supplies Management

J. Indirect Costs

K. Charter School Authorization and Oversight

SEA Self-Evaluation

# Recent ESSER And GEER Monitoring Findings



## STATUS KEY



**Met requirements  
with commendation**

High quality  
implementation &  
compliance



**Met requirements**

No instances of  
noncompliance  
identified



**Met requirements with  
recommendation**

Satisfactory compliance  
with quality concerns



**Action required**

Significant  
compliance &  
quality concerns

State	Date	Report Link	Closeout Letter
Tennessee	April 2020	<a href="#">PDF</a> , <a href="#">PDF</a>	<a href="#">PDF</a>
Kentucky	August 2020	<a href="#">PDF</a>	No findings
Indiana	October 2021	<a href="#">PDF</a>	Pending
Iowa	October 2020	<a href="#">PDF</a>	Pending
Texas	November 2020	<a href="#">PDF</a>	<a href="#">PDF</a>
Montana	December 2020	<a href="#">PDF</a>	<a href="#">PDF</a>
North Carolina	January 2021	<a href="#">PDF</a>	<a href="#">PDF</a>
Nevada	January 2021	<a href="#">PDF</a>	<a href="#">PDF</a>
Oklahoma	February 2021	<a href="#">PDF</a>	Pending
West Virginia	February 2021	<a href="#">PDF</a>	<a href="#">PDF</a>
Maine	November 2021	<a href="#">PDF</a>	Pending

## GEER and ESSER Monitoring Reports

<https://oese.ed.gov/offices/american-rescue-plan/performance-and-reporting/>

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# Nevada Consolidated Performance Review Report FY 2021

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**Required Action Internal Controls:** Lack of internal risk identification and assessment process, and a process for monitoring the operation of an organization's internal controls.

- 60 days to create a process to identify and review internal controls of the agency.

**Required Action Audit Requirements:** NDE staff stated that they do not provide determination letters to subrecipients when NDE identifies an audit finding.

- 60 days to provide standard operating procedures for identifying and tracking LEA audit findings.

**Required Action Procurement:** Lack of policies and procedures and conflict of interest procedures.

# CARES Act - GEER Funds Targeted Monitoring Report: Office of the West Virginia Governor

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**Required Action Cash Management:** Rather than advance the entire subaward to subrecipients, OOG must limit advance payments to actual and immediate cash requirements.

- Return unexpended advance payments; remind subrecipients of CMIA and “immediate cash needs”; calculation of required interest on cash advances and return over \$500.

**Required Action Financial Management:** Lack of required financial allowability and reconciliation procedures. (60 days to submit procedures)

**Required Action Internal Controls:** Lack of internal risk identification and assessment process, and a process for monitoring the operation of an organization’s internal controls.

- 60 days to create a process to identify and review internal controls of the agency.

**Required Action Subrecipient Monitoring:** No subrecipient monitoring process. (60 days to create a plan)



# Maine Comprehensive Performance Review Report FY 2020 ESSER and GEER

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**Recommended Action Debarment/Suspension Review:** have a process in place to verify vendor debarment and suspension at the state level as part of their internal control system as part of the risk assessment process.

**Required Action Subrecipient Monitoring:** MDE noted that, while they have informal monitoring and review activities with LEAs, its subrecipient monitoring process had not been fully developed and implemented.

- Within 60 business days, MDE must provide a plan and timeline to implement a post-award fiscal monitoring process.



# Single Audit Review 200.501

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2022 Compliance Supplement:

[https://www.whitehouse.gov/wp-content/uploads/2022/05/2022-Compliance-Supplement\\_PDF\\_Rev\\_05.11.22.pdf](https://www.whitehouse.gov/wp-content/uploads/2022/05/2022-Compliance-Supplement_PDF_Rev_05.11.22.pdf)

Released April 2022

1,968 Pages

# OMB Compliance Supplement Compliance Requirements

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1. Activities Allowed or Unallowed
2. Allowable Costs/Costs Principles
3. Cash Management
4. Eligibility
5. Equipment & Real Property Management
6. Matching, Level of Effort, Earmarking
7. Period of Performance
8. Procurement and Suspension & Debarment
9. Program Income
10. Reporting
11. Subrecipient Monitoring
12. Special Tests & Provisions

# ESSER Allowable Costs/ Cost Principles

References Part 3 general cross-cutting allowability requirements under 2 CFR Part 200.

Demonstrate costs are consistent with the purpose of the ESF, which is “to prevent, prepare for, and respond to COVID-19.”

ED has clarified that SEAs, LEAs and schools may use ESSER funding to support a very wide range of activities, including activities indirectly linked to the impact of COVID-19

CARES and CRRSA authorize grantees to continue to pay employees and use funds to protect education-related jobs; including paying staff who are on leave because schools are closed due to COVID-19. May be used for that purpose even in the absence of a policy that specifically addresses these circumstances.

# ESSER Equipment/Real Property Management

The governor or SEA pass-through agency must provide prior approval to subrecipients.

Approved construction projects must comply with all applicable Uniform Guidance requirements, and ED's regulations at 34 CFR section 76.600 - 76.617, as applicable.

- Please note that recipients and subrecipients may use ESF funds for minor remodeling without triggering these requirements.

Comply with Davis-Bacon requirements (\$2,000 or more, as applicable)



# Matching, Level of Effort, Earmarking

## MOE – SEA MOE Requirements

- Auditors should separately corroborate the amounts reported for state support for elementary and secondary education and for higher education for FY 2022 and FY 2023 with data representing either actual state expenditure data or data representing final appropriated or allocated amounts.

## Earmarking – ESSER I and II and ARP ESSER

- Auditors will review set-asides (both mandatory and optional) and ensure allowable uses of funds are met.

# ESSER Reporting

Review annual and quarterly performance reporting (including FFATA reporting)

- Depending on the time the audit is conducted, auditors should examine the annual report and reconcile that reported data with underlying documentation and the public quarterly reporting amounts to ensure accuracy.
- Also references Part 3 FFATA reporting for audit guidance.

# ESSER Subrecipient Monitoring

Defers to Part 3 cross-cutting section on subrecipient monitoring requirements.

- Obtain an understanding of internal control, assess risk, and test internal control as required by 2 CFR section 200.514(c).
- Determine whether the PTE identified the subaward and applicable requirements at the time of the subaward (or subsequent subaward modification) in the terms and conditions of the subaward and other award documents sufficient for the PTE to comply with federal statutes, regulations, and the terms and conditions of the federal award.
- Determine whether the PTE monitored subrecipient activities to provide reasonable assurance that the subrecipient administered the subaward in compliance with the terms and conditions of the subaward.

# ESSER Special Tests and Provisions

Wage Rate Requirements (refers to Part 4 and Part 3 requirements)

Equitable services

- Defers to Part 4 equitable services – follow equitable services under Title I,A

EANS: Identifying Non-Public Schools under ARP EANS that Enroll a Significant Percentage of Students from Low-Income Families and are Most Impacted by the COVID-19 Emergency

- Auditors will verify that the SEA implemented the relevant criteria to determine eligibility.

# OIG Specialized Work Coronavirus Response and Relief Oversight & Disaster Recovery Oversight

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## Coronavirus Response and Relief Aid Oversight

<https://www2.ed.gov/about/offices/list/oig/disasterrecovery.html>


**STOP CARES ACT FRAUD**

**Theft of CARES Act funding  
for schools robs our students.**

*Be on the lookout for signs of fraud, waste, and abuse:*

- Financial conflicts of interest
- Suspicious or unverifiable vendors
- Missing school property or records
- Defective or low-quality products and services
- Irregularities in contract awards or procedures
- Nonexistent students

*If you think something is amiss, it may well be. Report your suspicions to the Office of Inspector General and we'll evaluate for fraud, waste, and abuse!*



We can provide confidentiality.

**IF YOU SUSPECT ANY WRONGDOING,  
REPORT IT AT [OIGHotline.ed.gov](https://oighotline.ed.gov)  
or call 1-800-MIS-USED**



# ED OIG Pandemic Relief Oversight Workplan

OIG auditors anticipate performing a series of audits, inspections, and quick response reviews of programs, grants, requirements, and flexibilities established and funded under the three measures described above.

## State and Local Programs Department Focus

- Department's oversight of ESSER funds External Focus (i.e., States, SEAs, LEAs, schools)
- Use of ESSER funds, with a focus on activities to address learning loss
- Use of ESSER funds for technology purposes
- Allocation and use of American Rescue Plan Homeless Children and Youth funds
- Processes for awarding and monitoring GEER funds
- Plans for allocating GEER funds to eligible entities
- Processes for administering Emergency Assistance to Nonpublic Schools funds



So... how can we  
prevent being a  
news story!??

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# How Do I Know If We Have Problems?

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- “Because We’ve Always Done It That Way!”
- Magical Letters
- “I signed off on it because Joe did”
- Attempts to Circumvent Procedures or No procedures
- Missing Property
- Employees in the News!

# Communication is Key

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## WHAT YOU SAID...

"Our policies are being drafted."

"We have a small staff, and many people have collateral duties."

"I need to check around to find that document."

"You can use my logon to review system records."

## WHAT THE AUDITOR HEARD...

The program may not be administered effectively. Let's increase our testing sample.

No segregation of duties, potential for fraud.

There is no document management system. The records are not accurate.

There are no controls over systems. There is potential error, fraud and unauthorized use.

# Test Your Internal Controls!! 200.303

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The non-Federal entity must:

a. Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

These internal controls should be in compliance with guidance in:

- “Standards for Internal Control in the Federal Government”, issued by the Comptroller General of the United States, or
- The “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

# Internal Controls 200.303 (cont.)

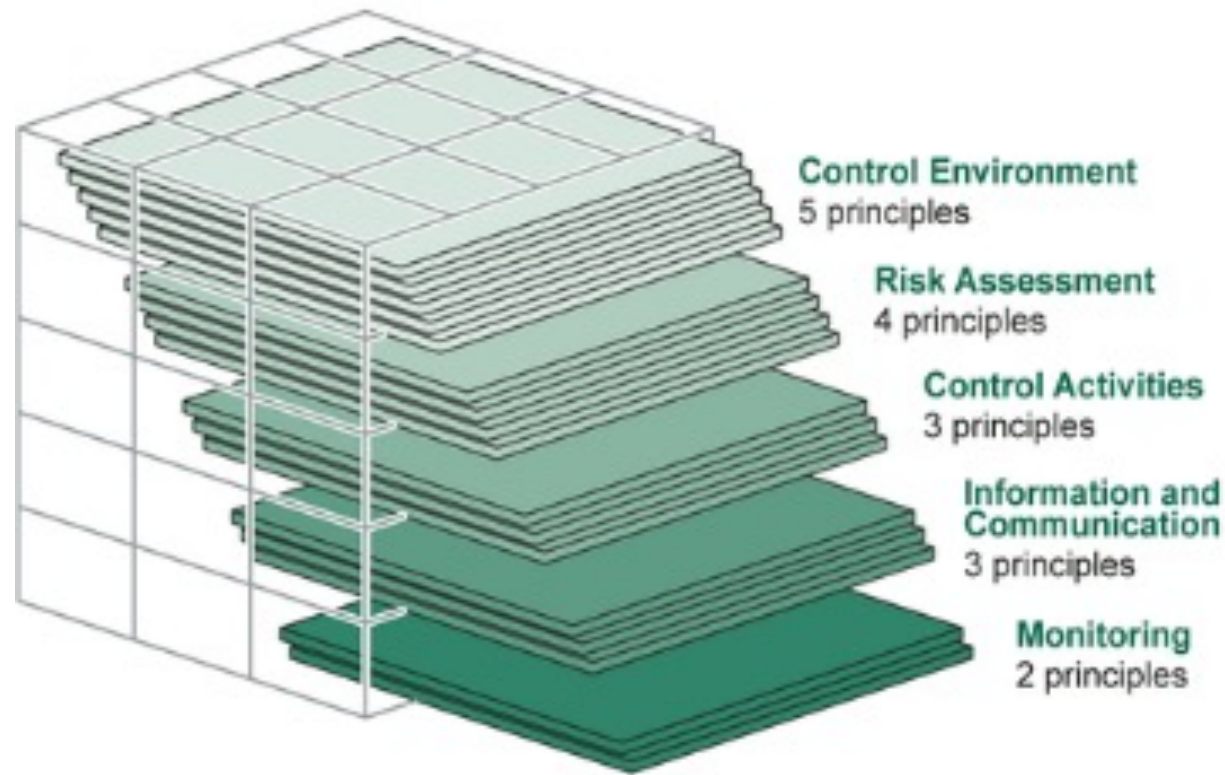
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- b. Comply with Federal statutes, regs, and the terms and conditions of the Federal awards.
- c. Evaluate and monitor the non-Federal entity's compliance with statutes, regs and the terms and conditions of Federal awards.
- d. Take prompt action when instances of noncompliance are identified including in audit findings.
- e. Take reasonable measures to safeguard protected personally identifiable info (PII) and other information designated or deemed sensitive



# The 5 Components and 17 Principles of Internal Controls

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Source: GAO. | GAO-14-704G

# Control Environment Principles

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1. A commitment to integrity and ethical values;
2. Independent oversight over the development and performance of internal controls;
3. Clearly defined organizational structure, clear reporting lines, appropriate authorities;
4. A commitment to attract, develop and retain competent individuals; and
5. Maintain a level of competence that allows personnel to accomplish their assigned duties (and holding individuals accountable)

# Control Environment Examples

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- Well-written policies and procedures manuals
  - Addressing employee responsibilities, limits to authority, performance standards, hiring practices, whistleblower policies, conflict of interests, etc.
- Organizational chart
  - Clear lines of authority and responsibility
- Accurate Job descriptions
- Adequate training programs and performance evaluations

# Risk Assessment Principles

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1. Clear objectives to enable the identification and assessment of risks;
2. Identify risks to achievement of objectives across the entity and analyze risks as a basis for determining how the risks should be managed;
3. Consider the potential for fraud; and
4. Identify and assess changes that could significantly impact the system.

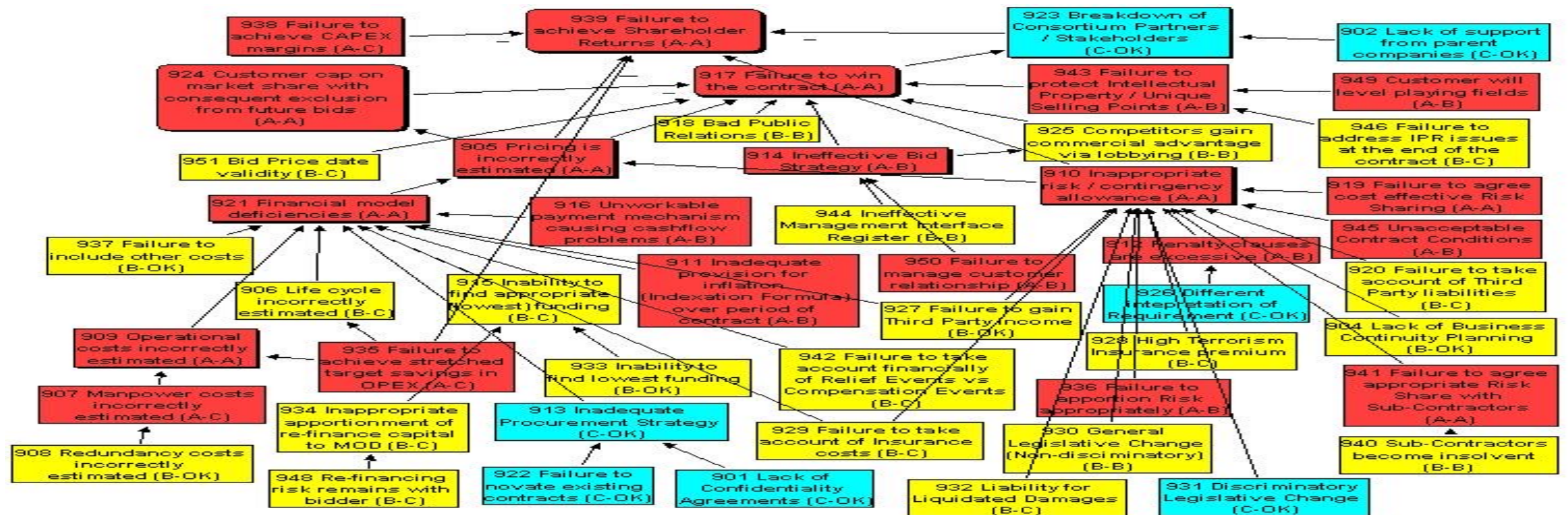
# Risk Areas (cont.)

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Risks are not stagnate; they increase and change as laws and operational environments change.

- New personnel
- Experienced personnel
- Lack of personnel
- Reorganizations
- Rapid growth/Changes in population
- Leadership Changes
- Change in Laws / Regulations
- New Grants
- New Technology
- High Crime Area

# Risk Mapping

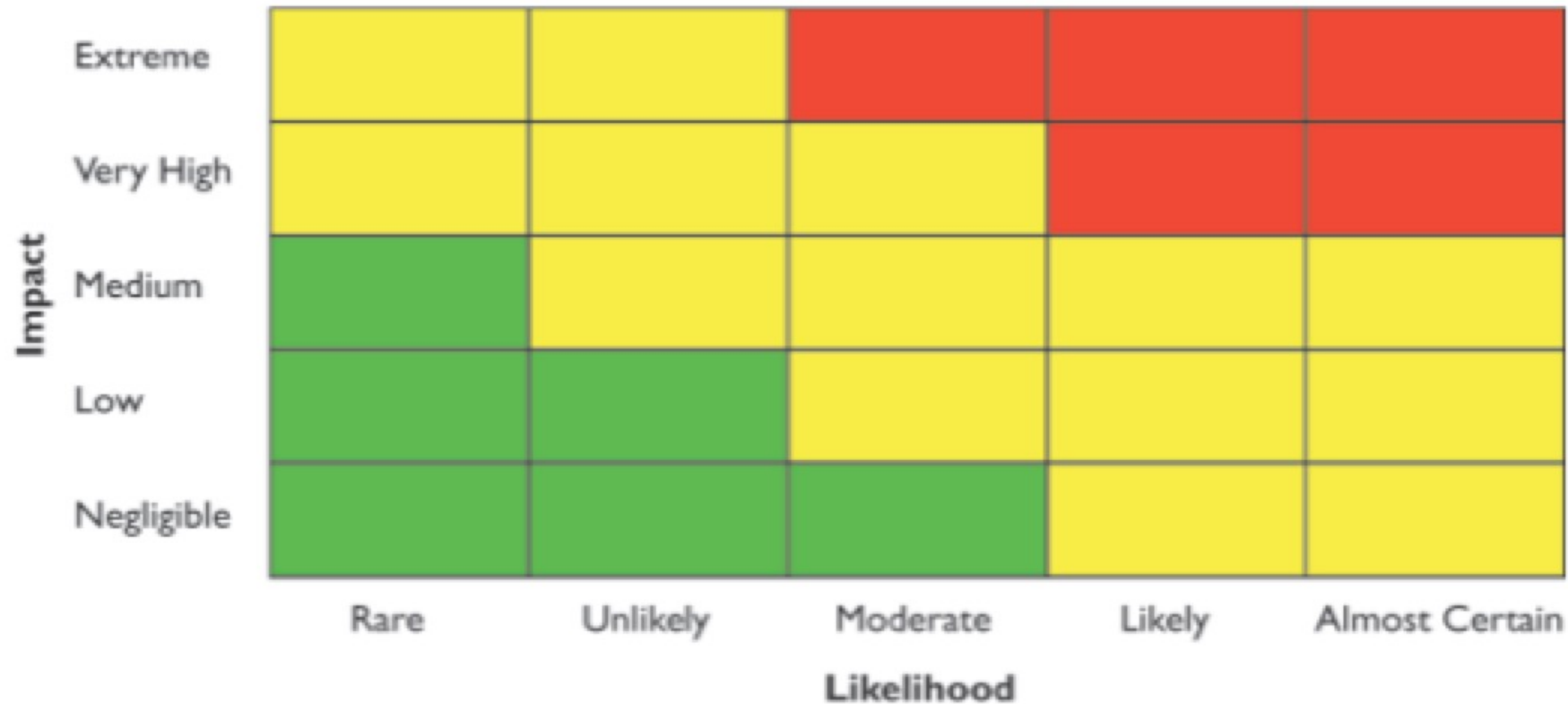


Example: "Current Risk Severity Map" graphically shows the level of risk prior to mitigation.



# Let's Try That Again! Risk Mapping

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# Control Activities Principles

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1. Select and develop control activities that contribute to the mitigation of risk and achievement of objectives to acceptable levels;
2. Select and develop general control activities over technology to support the achievement of objectives; and
3. Deploy control activities through policies that establish what is expected and procedures that put policies into action.

# Control Activity Examples

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**Preventive Controls:** Control that helps management avoid issues before they occur.

- Approval for purchases
- Restricting Access (Passwords)
- Training
- Security and surveillance systems
- Segregation of Duties
- Safeguarding Assets

**Detective Controls:** Control that discover issues after they occur.

- Match receiving to POs
- Compare actual expenditures to budgeted
- Reconciliations
- Physical inventory count
- Review activity logs

# Information and Communication Principles

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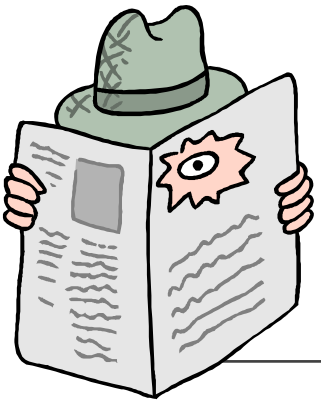
1. Obtain or generate or use relevant, quality information to support the functioning of the entity;
2. Internally communicate info, including objectives and responsibilities necessary to support the entity; and
3. Communicate with external parties regarding matters affecting the functioning of the entity.

Develop procedures for identifying pertinent information and distributing it in a form and timeframe that permits people to perform their duties efficiently.

# Monitoring Principles

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1. Select, develop and perform ongoing and/or separate evaluations to ascertain whether the components of internal controls are present and functioning;
2. Evaluate and communicate internal control deficiencies in a timely manner to parties responsible for taking corrective action.



# Monitoring Examples

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Ongoing program and  
fiscal monitoring

Regular oversight by  
supervisors

Record reconciliation

Formal program  
reviews/audits

Annual single audits

Include policies and  
procedures for  
correcting any findings  
in a timely manner



# Weak Internal Controls – What Now?

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- Document findings
- Discuss the results of the walkthrough with management and inform them of any deficiencies that need immediate attention.

## Mitigation

Improve controls to reduce likelihood/impact

## Transfer

Shift responsibility to an external party

## Acceptance

Accept the risk!

## Creation

Seek risk activities strategically to maximize opportunities





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