


**Implementation of the New EDGAR**

Office for Grants and Federal Fiscal Compliance  
Texas Education Agency

ESC Cluster Site  
Implementation Training

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**Agenda**

- ▶ Introduction
- ▶ Written Policies and Procedures
- ▶ Comparison of Federal and State Requirements
- ▶ Changes to the Grant Applications
- ▶ Expenditure Reporting

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**Agenda (continued)**

- ▶ New TEA Policies and Procedures
- ▶ TEA Point of Contact for Selected EDGAR Requirements
- ▶ Next Steps for TEA and Subgrantees
- ▶ Closing and Questions

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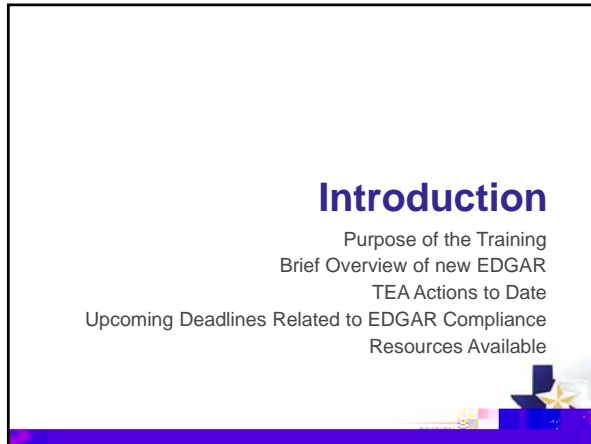
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- ▶ To provide information to subgrantees that will help them prepare for 792.0 at 0 0 9.846em/lm1 edimentation 16.2TT2894 8TD-.0012 Tc1-.0027 Tw3(5)Tjata 12.



## New EDGAR

Title 34

- ▶ Part 75—Direct Grant Programs
- ▶ Part 76—State-Administered Program
- ▶ Part 77—Definitions
- ▶ Part 81—General Education Provision Act

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## New EDGAR (continued)

Title 2

- ▶ Part 200—Administrative Rules, Cost Principles and Audit Rules
- ▶ Part 3474—USDE Exceptions and Adopts Part 200 into EDGAR
- ▶ Part 3485—Debarment and Suspension

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- ▶ **Subpart A**—Acronyms and Definitions
- ▶ **Subpart B**—General Provisions
- ▶ **Subpart C**

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### Upcoming EDGAR Training

- ▶ ESC Cluster Site Training Sessions
  - March 27, 2015, at ESC 4 (Houston)
  - April 14, 2015, at ESC 17 (Lubbock)
  - April 16, 2015, at ESC 20 (San Antonio)
  - April 21, 2015, at ESC 10 (Richardson)
  - April 22, 2015, at ESC 7 (Kilgore)

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### Upcoming Deadlines Related to EDGAR Compliance

- By designated deadlines
- ▶ Submit survey of real property/reporting
  - ▶ Submit grant applications following new EDGAR regulations

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### Upcoming Deadlines Related to EDGAR Compliance

- July 1
- ▶ Policies
  - ▶ Procedures
  - ▶ Internal Control Systems
  - ▶ Training staff
  - ▶ Documentation system

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### Allowability of Costs Procedures

200.302(b)(7)

- ▶ Procedures to include determining allowable costs from the planning process, procurements, time and effort, and expenditure of funds

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### Conflict of Interest Policy

200.112 Conflict of Interest

- ▶ USDE – must establish conflict of interest policies
- ▶ All subgrantees must establish conflict of interest policies and disclose in writing any potential conflict of interest

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### Procurement Procedures

200.319(c) Competition and procurement transactions

- ▶ Not restrict competition
- ▶ Identify all requirements and factors in evaluating bids/proposals
- ▶ Prequalified lists of vendors maintained current and provide open and free competition; don't preclude potential vendors being added

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### Procurement Policy

- ▶ Must include whether grantee is implementing the one-year grace period for implementing the procurement rules in new EDGAR
- ▶ Not very different for LEAs

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### Travel Policy

- 200.474(b) Travel Costs
- ▶ Define reasonable and allowable costs to be reimbursed
    - Including whether reasonable temporary dependent care beyond regular dependent care is allowable
  - ▶ Participation of individual is necessary
  - ▶ Documentation required

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### Writing Policies and Procedures

- Getting Started
- ▶ Gather existing policies and procedures
  - ▶ Research what is available from other similar organizations
  - ▶ Determine who needs to be involved

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### Steps in the Process

1. Develop a timeline for the process
2. Review existing policies and procedures
3. Develop questions
4. Schedule interviews with relevant staff
5. Gather information on actual practices

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### Steps in the Process (continued)

6. Draft policies and procedures
7. Review internally with appropriate staff
8. Revise
9. Formally adopt and implement
10. Use for staff training
11. Monitor implementation of policy/procedure

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### Developing a Policies and Procedures Manual

Recommendation

- ▶ One manual that addresses all requirements that apply to federal and state grants
- ▶ Has a consistent format
- ▶ Is applicable to all federal programs

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**Areas to Include, minimally**

- Organization, Structure and Function
- Grant Application Process
- Financial Management System
- Procurement
- Inventory/Property Management
- Time and Effort

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**Areas to Include (continued)**

- Record Keeping/Record Retention
- Monitoring
- Audit Resolution
- Programmatic Fiscal Requirements
- Programmatic Requirements
- Other

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**Previous Versions of Policies and Procedures**

- Ensure all polices and procedures have effective dates
- Keep older versions of policies and procedures

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## Comparison of Federal and State Requirements



## Travel – EDGAR and State/Local Policies

### EDGAR

- ▶ Actual costs, per diem, or combination

### State

- ▶ Actual costs only

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## Changes to the Grant Applications

NOGA Supplement  
Revised Provisions and Assurances and General  
and Fiscal Guidelines  
Application Schedules  
Flexibility with Accountability

- ▶ Familiar one-page NOGA
- ▶ Second page supplement
  - Federal Award Information Number
  - GAN date to state
  - Cumulative amount of total GAN to state
  - Project description of f TD-.00t.nera635ram

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### NOGA Supplement

- ▶ Second page supplement
  - Identify whether a research and development grant award
  - Indirect cost rate of the grantee
  - All program requirements
  - Grantee allows USDE, TEA, and auditors access to records
  - Terms and conditions of closeout process

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### Revised Provisions and Assurances and General and Fiscal Guidelines

- ▶ Added Definitions
- ▶ Updated Citations
- ▶ Revised Sections to Comply with EDGAR

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### Application Schedules

NCLB Consolidated Application

- ▶ New attachment for consolidating federal, state, and local funds to identify the amounts to be consolidated in the aggregate at the LEA level

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In general

- ▶ Deleting Congressional District, CCR  
CAGE code and expiration
- ▶ Budget schedules not require as detailed  
descriptions of items of cost, especially  
when not required in EDGAR

▶

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### Budget Schedules

- ▶ Deleted supplies and materials for advisory councils (advisory council not allowed unless in statute, i.e., Migrant PAC)
- ▶ Deleted subgrants options (not appropriate to most USDE grants)
- ▶ Revised travel for students (requires USDE written approval on file with the subgrantee)

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### Budget Schedules

- ▶ Revised travel for nonemployees (requires USDE written approval on file with the subgrantee)
- ▶ Stipends for nonemployees require an explanation
- ▶ Deleted actual losses could have been covered by permissible insurance (now unallowable)

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### Budget Schedules

- Expect to justify, regardless of Ed-Flex
- ▶ Field trips
  - ▶ Hosting conferences
  - ▶ Out-of-state travel

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## Direct Grant Applications

- ▶ More detailed application schedules may be required for direct grants from USDE, under 34 CFR Part 75

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- ▶ All expenditures must be reasonable, necessary, and allocable to the federal award
- ▶ All expenditures must be properly documented
- ▶

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**200.404 – Reasonable (continued)**

Consideration must be given to

- ▶ Market prices for comparable goods or services in the geographical area;
- ▶ Whether the individuals acted with prudence under the circumstances considering their responsibilities; and
- ▶ No significant deviation from established practices and policies

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**200.404 – Reasonable (continued)**

Practical Questions

- ▶ Do I really need this?
- ▶ Is the expense targeted to valid programmatic/administrative need?
- ▶ Is this the minimum amount I need to spend to meet my need?
- ▶ Do I have the capacity to use what I am purchasing?
- ▶ Did I pay a fair rate?
- ▶ If I were asked to defend this purchase, would I be able to?

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**200.403/404 – Necessary**

- ▶ Costs must be necessary for the performance of the federal award
- ▶ Costs are necessary for the operation or proper and efficient performance of the federal award

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- ▶ Practical questions to identify risks needing stronger controls
  - What could go wrong?
  - How could we fail?
  - What decisions require the most judgment?

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### Certification Statement (continued)

*I am aware that any false, fictitious, or fraudulent information, or the omission of any material fact, may subject me to criminal, civil or administrative penalties for fraud, false statements, false claims or otherwise.”*

(U.S. Code Title 18, Section 1001 and Title 31, Sections 3729–3730 and 3801–3812).

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### 200.305 – Payment

- ▶ For all non federal entities, payments must minimize time elapsing between drawdown from ER and disbursement (not obligation)

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### 200.305 – Payment (continued)

- ▶ Written procedures must describe whether non-federal entity uses
  - Advance Payments (preferred)
  - Reimbursement

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### 200.305 – Payment (continued)

- ▶ Advances must be maintained in insured accounts
- ▶ Pass through cannot require separate depository accounts
- ▶ Accounts must be interest bearing unless
  - Aggregate federal awards under \$120,000
  - Account not expected to earn more than \$500 per year
  - Bank requires minimum balance so high, that account not feasible
  - A foreign government or banking system prohibits interest bearing accounts

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### 200.305 – Payment (continued)

- ▶ Interest amounts up to \$500 may be retained by non federal entity for administrative purposes
  - Previously \$100 for State and local governments
  - Previously \$250 for IHEs and Non-profits.
- ▶ Interest earned must be remitted annually to federal HHS Payment Management System

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### 200.305 – Payment (continued)

- ▶ 30 days to comply with refund due
- ▶ If not compliant, an enforcement action to withhold future payments will be implemented (See 200.338)
- ▶ Opportunity for hearing with all enforcement actions

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## New TEA Policies and Procedures

- Reporting of Real Property
- Professional Services
- Documentation for Personnel Expenses
- EDGAR Cost Principles
- Monitoring of Subgrants

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### 200.329 – Reporting of Real Property

- ▶ New focus
- ▶ New process – applicable primarily to old grants where real property may have been allowed
- ▶ Not currently allowable cost
- ▶ Survey later this spring
- ▶ Annual reporting afterward

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### 200.459 – Professional Services

- ▶ Professional and consultant services are allowable when reasonable and the following factors are considered
  - Nature and scope is relative to the service required
  - The contract is necessary because the non-federal entity's capability in the area
  - The past pattern of such contact costs
  - The impact of the federal award

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**200.459 – Professional Services**

Whether the proportion of federal grant work to the other total business is such to influence the entity in incurring the cost

Whether the service can be performed more economically by direct employment

Qualifications of the contractor and customary fees charged

Adequacy of the contract agreement for the service

- ▶ Fees must be supported by evidence of services being rendered

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**Professional Services**

- ▶ New guidance from TEA for negotiating and signing professional services contracts

- ▶ Refer to handout #3

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**200.430(i)(1) – Documentation for Personnel Expenses**

Who must participate?

- ▶ Time and effort must be maintained for all employees whose salaries are
  - Paid in whole or in part with federal funds
  - Used to meet a match/cost share requirement
  - NOT contractors

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### Does This Employee Have to Keep Time and Effort Records?

Is she/he an employee?			
I don't know	No	Yes	
Ask HR	No T&E Required	Is she/he paid with federal funds?	
		Yes	No
		T&E Required	Salary used for match?
		No	Yes
		No T&E Required	T&E Required

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### 200.430(i)(1) – Documentation for Personnel Expenses

These records MUST

- ▶ Be supported by a system of internal controls which provides reasonable assurance charges are accurate, allowable and properly allocated
- ▶ Be incorporated into official records
- ▶ Reasonably reflect total activity for which employee is compensated

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### 200.430(i)(1) – Documentation for Personnel Expenses (continued)

- ▶ Encompass all federal and non-federal activities
- ▶ Comply with established accounting policies and practices
- ▶ Support distribution among specific activities or cost objectives

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### 200.430(i) – Use of Budget Estimates

- ▶ Budget estimates alone do not qualify as support for charges to Federal awards
- ▶ May be used for interim accounting purposes if
  - Produces reasonable approximations
  - Significant changes to the corresponding work activity are identified in a timely manner
  - Internal controls in place to review after-the-fact interim charges based on budget estimates

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### 200.430(i) – Percentages

- ▶ Because practices vary as to the activity constituting a full workload, records may reflect categories of activities expressed as a percentage distribution of total activities

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### 200.430(i) – Compliance

- ▶ For records which meet the standards, the non-federal entity will not be required to provide additional support or documentation for the work performed
  - DOL regulations for Fair Labor Standards Act must still be met (i.e. charges must be supported by records indicating the total number of hours worked each day)

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- ▶ For a non-Federal entity where the records do not meet these standards



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**200.430(i) – Alternative Proposals**

- ▶ TEA will consider alternative proposals based on outcomes and milestones for program performance
- ▶ These plans may be acceptable as alternatives to the Part 200 standards

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**200.430(i) – Blended Funding**

- ▶ A non-Federal entity may submit performance plans that incorporate funds from multiple Federal awards and account for their combined use based on performance-based metrics, if approved
- ▶ Must submit a request for a waiver that includes certain information, including the method of charging costs

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**Recommendation for Time and Effort**

- ▶ The audit compliance supplement expected to be released later this spring or early summer may further define documentation for auditors for time and effort
- ▶ Until then, it is recommended the grantee continue its current system of documenting time and effort, as long as it is currently compliant

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**EDGAR Cost Principles**

200.400 Policy Guide

(a) Grantee is responsible for efficient and effective administration through sound management practices

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**EDGAR Cost Principles**

200.400 Policy Guide

(b) Grantee is responsible for administering federal funds consistent with agreements, program objectives, and terms and conditions of grant award

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**EDGAR Cost Principles**

200.400 Policy Guide

(c) Grantee is responsible for employing sound organization and management techniques to assure proper and efficient administration

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**EDGAR Cost Principles**

200.400 Policy Guide

(d) Grantee is responsible for its accounting practices being consistent with federal cost principles and provide for adequate documentation to support costs charged to federal funds

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**EDGAR Cost Principles**

200.400 Policy Guide

(e) Grantee is responsible for applying cost accounting principles on a consistent basis

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**EDGAR Cost Principles**

200.400 Policy Guide

(g) Grantee may not earn or keep any profit resulting from federal funds; unless explicitly authorized in the terms and conditions of the grant award

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### 200.331 – Monitoring of Subgrants

▶ TEA must

Depending on assessment of risk, monitoring tools may be useful to ensure proper accountability and compliance with program requirements and achievement of performance goals

Training and technical assistance on program-related matters

On-site or desk reviews

Arranging for “agreed-upon procedures” engagements (200.425)

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▶ TEA must have in place a framework for evaluating risks before applicant receives funding

Financial stability

Quality of financial management system

History of performance

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### 200.331 – Monitoring of Subgrants

- ▶ TEA must
  - Verify subrecipients have audits as required in Subpart F
  - Consider taking enforcement actions (200.338)

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### 200.338 – Remedies for Noncompliance

- ▶ If noncompliance cannot be remedied with specific conditions, TEA may take one or more of the following actions
  - Temporarily withhold cash payment pending correction
  - Disallow all or part of the cost
  - Wholly or partly suspend or terminate the Federal award (200.339)
  - Initiate suspension or debarment (2 CFR Part 180)
  - Withhold further Federal awards for the program
  - Take other remedies that may be legally available

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### TEA Point of Contact for Selected EDGAR Requirements

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### Process for Requesting Written Prior Approval

- ▶ Applies to
  - Conflict of Interest Disclosures
  - Mandatory Disclosures
  - Requests for Sole Source Approval
  - Submission of Grantee Procurement Systems
  - Request for Prior Written Approval
  - Requests for Program Income
  - Disposition of Equipment/Supplies

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### Conflict of Interest Disclosures

- ▶ The Federal awarding agency (USDE) must establish conflict of interest policies for Federal awards
- ▶ All non-federal entities must establish conflict of interest policies and disclose in writing any potential conflict of interest to the federal awarding agency in accordance with applicable Federal awarding agency policy

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### Mandatory Disclosures

- Non-federal entities must disclose in writing, in a timely manner
- ▶ All violations of Federal criminal law involving fraud, bribery, or gratuity violations potentially affecting the Federal award
  - ▶ Failure to make disclosures can result in remedies for noncompliance (200.338)

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### Request for Sole Source Approval

- ▶ The Federal awarding agency or pass-through expressly authorizes noncompetitive proposals in response to a written request from non-Federal entity; or
- ▶ After soliciting a number of sources, competition is determined inadequate

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### Submission of Grantee Procurement Systems

- ▶ The non-federal entity must make available upon request for pre-review, all procurement documents
- ▶ TEA may review and determine the grantee's procurement system and procedures meet the required standards
  - The grantee may request pre-review of its procurement system and procedures; or
  - The grantee may self-certify it's system

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### Request for Prior Written Approval

- ▶ Grantee may seek prior *written* approval for "special or unusual costs"
- ▶ May prevent future disallowance or dispute based on "unreasonableness" or "non allocability"

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### Process for Requesting Written Prior Approval

Procedure

- ▶ Grantee submits request to the Chief Grants Administrator (CGA) in writing
- ▶ CGA requests additional information, as applicable
- ▶ CGA meets with applicable TEA staff
- ▶ CGA responds to grantee in writing

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### Process for Requesting Written Prior Approval

- ▶ No calling or emailing around agency staff
- ▶ Must follow TEA process described above

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### Next Steps for TEA and Subgrantees

TEA Plans for Implementation  
Subgrantee Responsibilities Prior to Submitting  
2015-2016 Federal Grants Applications  
After the Grant is Awarded  
Financial Reporting

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### TEA Plans for Implementation

- ▶ Training opportunities
- ▶ Technical assistance and support
- ▶ Release of 2015-2016 federal grant applications and supporting materials

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### Subgrantee Responsibilities

Prior to Submitting 2015-16 Federal Grant Applications

- ▶ New policies and procedures adopted
- ▶ Training for staff
- ▶ Planning for implementation of new requirements

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### After the Grant is Awarded

- ▶ Program implementation
- ▶ Performance measures
- ▶ Program monitoring
- ▶ Audits and the new compliance supplement

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## Financial Reporting

- ▶ Accurate, current, complete disclosure of financial results of each award in accordance with 200.327 and 200.328
- ▶ 200.327 – Federal awarding agency can only collect OMB approved data elements, no less than annually, no more than quarterly
- ▶ 200.328 – Non federal entity must submit performance reports at intervals required by federal agency or pass through


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