



Fiscal Management

SANDRA TORO, PH.D.

GRANTS MANAGEMENT POLICY DIVISION

OFFICE OF ACQUISITION, GRANTS, AND RISK MANAGEMENT

U.S. DEPARTMENT OF EDUCATION

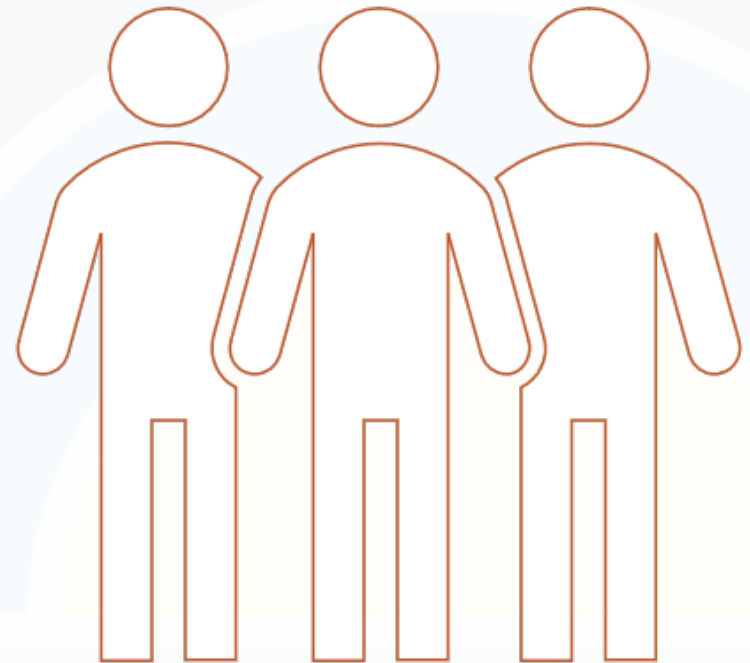
GRANTS MANAGEMENT POLICY DIVISION

- **Who We Are**

- GMPD Policy Liaisons
- GMPD Training Team

- **What We Do**

- Conduct Policy Research
- Coordinate with all components of ED to develop and institute Department-wide grant policies and procedures for formula and discretionary grants management.
- Provide technical assistance on grant policy issues to Program Offices.



OBJECTIVES

1. Understand the importance of internal controls and review best practices.
2. Evaluate strengths and weaknesses of existing internal controls practices and procedures.
3. To learn the basics of managing your budget.
4. To understand when prior approval from the Office of Migrant Education (OME) is required
5. To understand the budget revision process
6. To understand how OME monitors fiscal matters

OBJECTIVE 1: DEFINE INTERNAL CONTROLS AND THEIR PURPOSE.



INTERNAL CONTROLS

- **Internal Control** - A process effected by management and other personnel that provides reasonable assurance regarding the achievement of goals and objectives relating to operations, reporting, and compliance.
- **Internal Control System** - A continuous built-in component of operations, effected by people, that provides reasonable assurance, not absolute assurance, that an entity's objectives will be achieved.

RESOURCES

- Program statute
- Regulations
- Executive orders
- Title 34 of the Code of Federal Regulations (CFR) Education Department General Administrative Regulations (EDGAR)
- Title 2 of the CFR, Grants and Agreements
- Grant Award Notification (GAN)
 - See accompanying attachments
- Approved application

GRANT GUIDANCE

Program Statute	Title IV, Section 418A of the Higher Education Act of 1965 as amended by section 408 of the Higher Education Opportunity Act P.L. 110-315 (H.R. 4137)
Uniform Guidance	2 Code of Federal Regulations (CFR) part 200
Program Regulations	34 Code of Federal Regulations (CFR) part 206
<u>EDGAR</u>	Education Department General Administrative Regulations

INTERNAL CONTROLS GUIDANCE

Uniform Guidance

2 Code of Federal Regulations (CFR) part 200.303
Internal Controls

COSO Integrated Framework

The Committee of Sponsoring Organizations'
(COSO) Internal Control—Integrated Framework
(2013)

The Green Book

U.S. Government Accountability Office (GAO)
Standards for Internal Control in the Federal
Government (The Green Book)

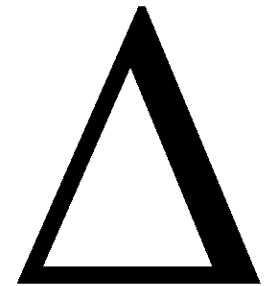
UPDATED 2 CFR PART 200 IN THE WORKS

- OMB is working to reissue the Uniform Guidance in 2023
 - Goal is to publish new 2 CFR 200 in December 2023 that:
 - Reflects administration priorities and any statutory requirements
 - Clarifies 2 CFR language and regulatory interpretations to ensure consistency between agencies
 - Considers policy changes recommended by agencies and external stakeholders

POST AWARD KEY CHANGES

Increased flexibilities and responsibilities for you, our grantees:

- Greater emphasis on internal controls to ensure compliance and fiscal responsibility
- Enhanced oversight requirements of sub-recipients and contracts which include risk assessment and use of monitoring tools
- Greater focus on performance expectations and results



RESOURCES ON OME'S WEBSITE

Legislation, Regulations, and Guidance

Legislation

- [1998 Amendments to the Higher Education Act of 1965](#)
- [The Higher Education Opportunity Act \(2008\)](#)

Regulations

Program Regulations

- Program Regulations are found at [34 CFR 206](#).

Department Regulations

- The [Education Department General Administrative Regulations \(EDGAR\)](#) also apply.

CAMP Non-Regulatory Guidance

- [Recruitment and Eligibility Guidance](#)
- [Non-Regulatory Guidance on Allowable Services to HEP/CAMP Students](#)

College Assistance Migrant Program

Performance Reporting and Evaluation

Applicant Information

Eligibility

Awards

Funding Status

Legislation, Regulations, and Guidance

Performance

Resources

Contacts

<https://oese.ed.gov/offices/office-of-migrant-education/>

**OBJECTIVE 2: EVALUATE
STRENGTHS AND WEAKNESSES OF
EXISTING INTERNAL CONTROLS
PRACTICES AND PROCEDURES.**



200.303 INTERNAL CONTROLS

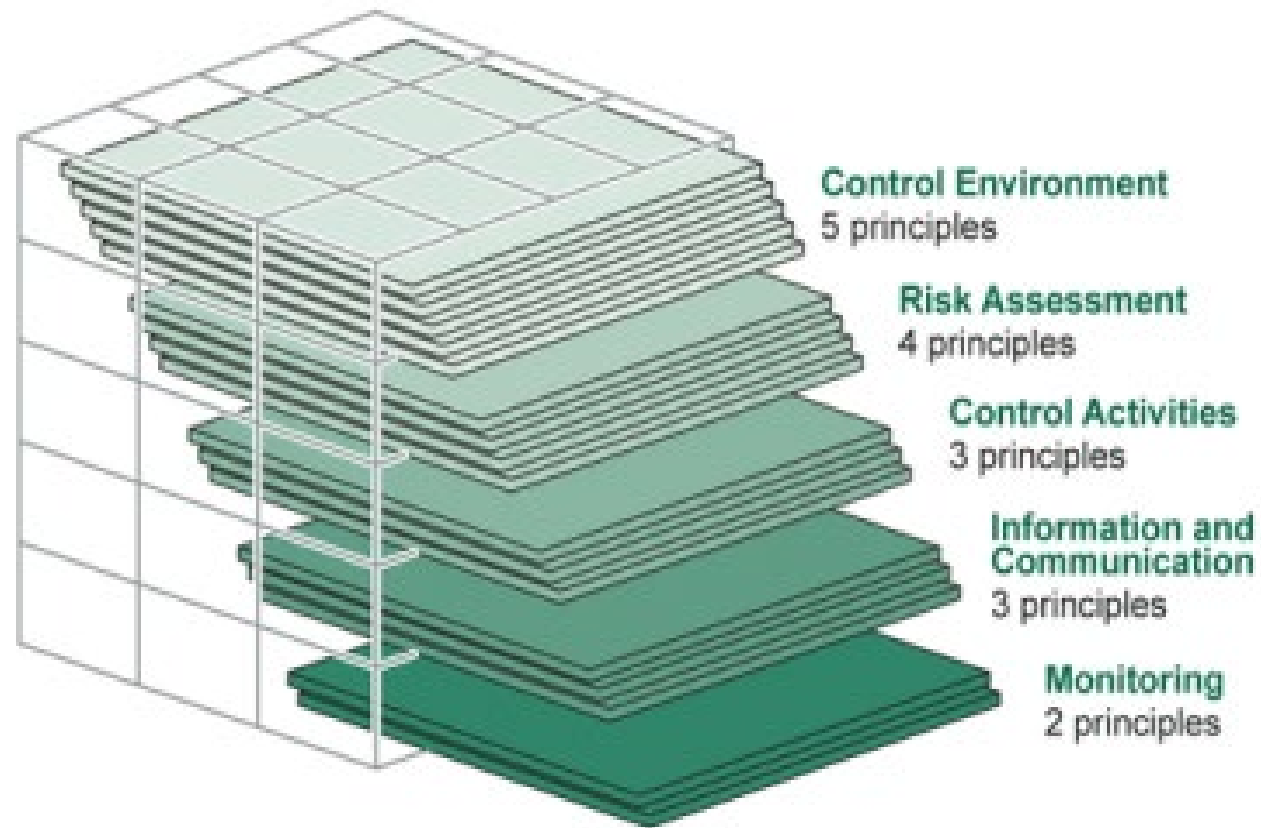
- Is a process effected by an entity's oversight body, management, and other personnel that provides reasonable assurance that the objectives of an entity will be achieved
- These objectives can be broadly classified into the following three categories:
 - Operations
 - Reporting
 - Compliance

GAO's Standards for Internal Controls

- Standards to guide agency's operations: GAO established these standards so that government agencies know:
 - What internal control is (and isn't)
 - How it should work effectively within agencies
 - How entities should use the Green Book
- Resource not just for federal entities:
 - The Green Book may also be used and adopted by state & local government agencies, as well as non- profits
 - Management can determine how to appropriately apply the elements of within the Green Book to their particular agencies' needs



INTERNAL CONTROL COMPONENTS



Source: GAO. | GAO-14-704G

LEVELS OF ORGANIZATIONAL STRUCTURE

- Let's reconsider internal controls for your organization:
 - Entity Level
 - Division
 - Operational Unit
 - Function



CONTROL ENVIRONMENT

- Management demonstrates commitment to integrity and ethical values
- Management/oversight body oversees the entity's internal control system
- Management establishes an organizational structure, assigns responsibilities and delegates authority to achieve the agency's mission and objectives

CONTROL ENVIRONMENT

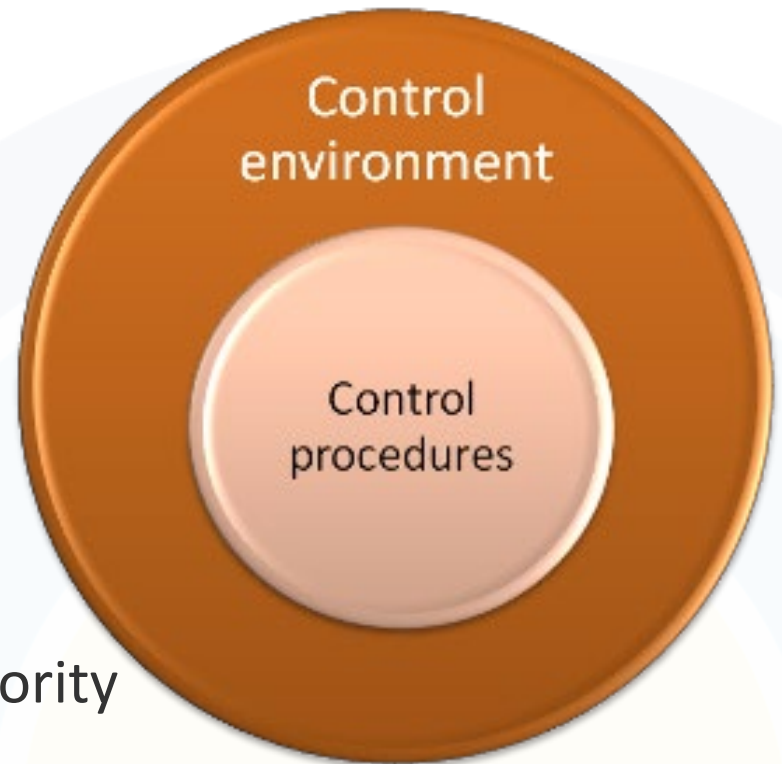
- Management demonstrates a commitment to recruit, train and retain competent people
- Management evaluates performance and holds individuals accountable for their internal control responsibilities.

DISCUSSION QUESTION

How do you maintain strong internal controls during staff transitions and turnover?

CONTROL ENVIRONMENT AREAS

- Hiring Practices
- Training Programs
- Whistleblower Policies
- Code of Ethics
- Clear lines of responsibility and authority
- Grants/program administration
- Fiscal management and operations



Document Procedures

CONTROL ACTIVITIES

- Preventive—these controls help management to avoid problems before they occur. Prevent the occurrence of negative events
- Detective—these controls help to uncover issues after they've occurred. Identify the occurrence of a negative event
- Corrective—these controls detect if risk is present, and then elicits a response and/or corrective action

DISCUSSION QUESTION

What are some examples of preventive control activities? How about detective? Corrective?

CONTROL ACTIVITIES EXAMPLES

- Approvals and authorizations (Preventive)
- Reconciliations (Detective)
- Training (Preventive)
- Update/Implement SOPs (Corrective and/or Preventive)
- Asset Security (Preventive)
- Segregation of Duties (Preventive)
- Compensatory– employed when a weakness or limitation exists within the control environment

CONTROL ACTIVITIES CONVERSATION

- What control activities does your organization rely on the most currently?
- What control activities would you like to implement within your organization?
- What are the strengths and weaknesses of your existing internal controls?

INFORMATION AND COMMUNICATION

- Management should use quality information to achieve the agency's goals and objectives
- Management should internally communicate the necessary quality information to achieve the entity's objectives
- Management should externally communicate the necessary information to achieve the agency's mission and objectives

MONITORING

- Activities management establishes to assess the quality of performance over time and to promptly resolve management reviews or audit findings
- Management establishes and operates monitoring activities to assess the internal control system and evaluate results
- Management remediates identified internal control deficiencies in a timely manner

VALIDATING CONTROLS

- Deficiency in Design
 - A critical control is not properly designed and does not meet the control objective, or is simply ineffective
- Deficiency in Operations
 - A critical control is designed properly but does not perform in the intended manner and is unable to address the identified risks
- Monitor frequently for effectiveness
 - Review supporting documentation
 - Review reconciliations
 - Review policies and procedures and observe demonstrations to ensure procedures are being followed properly

**Document &
Address
Deficiencies**

A NOTE ABOUT AUDITS

- Consider the impacts of the findings on successful project outcomes, compliance, and fiscal accountability
- ED staff and grantees should consider:
 - How consequential are the findings to the successful completion of the grant project?
 - Are the findings an indication larger issues?

OBJECTIVE 3: TO LEARN THE BASICS OF MANAGING YOUR BUDGET



BASIS OF YOUR BUDGET

- Your approved Application Project Narrative
- Your approved Application ED 524 (Sections A, B & C)
 - **Section A:** Categorical description of use of Federal funds
 - **Section B:** Categorical description of the use of Non-Federal funds
 - **Section C:** Narrative of the use of Federal AND Non-Federal funds
- Subsequent Changes and Revised Budgets



**U.S. DEPARTMENT OF EDUCATION
BUDGET INFORMATION NON-CONSTRUCTION PROGRAMS**

OMB Control Number: 1894-0008
Expiration Date: 08/31/2020

Name of Institution/Organization

Applicants requesting funding for only one year should complete the column under "Project Year 1." Applicants requesting funding for multi-year grants should complete all applicable columns. Please read all instructions before completing form.

SECTION A - BUDGET SUMMARY U.S. DEPARTMENT OF EDUCATION FUNDS

Budget Categories	Project Year 1 (a)	Project Year 2 (b)	Project Year 3 (c)	Project Year 4 (d)	Project Year 5 (e)	Total (f)
1. Personnel						
2. Fringe Benefits						
3. Travel						
4. Equipment						
5. Supplies						
6. Contractual						
7. Construction						
8. Other						
9. Total Direct Costs (lines 1-8)						
10. Indirect Costs *Enter Rate Applied _____						
11. Training Stipends						
12. Total Costs (lines 9-11)						

***Indirect Cost Information (To Be Completed by Your Business Office):**

If you are requesting reimbursement for indirect costs on line 10, please answer the following questions:

- Do you have an Indirect Cost Rate Agreement approved by the Federal government? Yes No.
- If yes, please provide the following information:
 Period Covered by the Indirect Cost Rate Agreement: From: ___/___/___ To: ___/___/___ (mm/dd/yyyy)
 Approving Federal agency: ___ ED ___ Other (please specify): _____ The Indirect Cost Rate is _____ %
- If this is your first Federal grant, and you do not have an approved indirect cost rate agreement, are not a State, Local government or Indian Tribe, and are not funded under a training rate program or a restricted rate program, do you want to use the de minimis rate of 10% of MTDC? Yes No. If yes, you must comply with the requirements of 2 CFR § 200.414(f).
- If you do not have an approved indirect cost rate agreement, do you want to use the temporary rate of 10% of budgeted salaries and wages? ³¹ Yes No. If yes, you must submit a proposed indirect cost rate agreement within 90 days after the date your grant is awarded, as required by 34 CFR § 75.560.
- For Restricted Rate Programs (check one) -- Are you using a restricted indirect cost rate that: Is included in your approved Indirect Cost Rate Agreement? Or Complies with 34 CFR 76.564(c)(2)? The Restricted Indirect Cost Rate is _____ %
- For Training Rate Programs (check one) -- Are you using a rate that: Is based on the training rate of 8 percent of MTDC (See EDGAR § 75.562(c)(4))? Or Is included in your approved Indirect Cost Rate Agreement, because it is lower than the training rate of 8 percent of MTDC (See EDGAR § 75.562(c)(4))?

NARRATIVE AND 524 FORM

The Budget Narrative line items must equal the 524 line items.



INDIRECT COST RATE AGREEMENT

- Check to see if your project has a current indirect cost rate agreement.
- Check the expiration date of the indirect cost rate agreement.
- Please be sure to apply for an indirect cost rate if there is no indirect cost rate agreement in place.

INDIRECT COST RATE AGREEMENT (CONTINUED)

The following text regarding indirect cost can be found on page 3 of the current Notice Inviting Application (NIA):

“b. Indirect Cost Rate Information: This program uses a training indirect cost rate. This limits indirect cost reimbursement to an entity’s actual indirect costs, as determined in its negotiated indirect cost rate agreement, or eight percent of a modified total direct cost base, whichever amount is less. For more information regarding training indirect cost rates, see 34 CFR 75.562. For more information regarding indirect costs, or to obtain a negotiated indirect cost rate, please see www2.ed.gov/about/offices/list/ocfo/intro.html.”

DEFINING REASONABLE, ALLOCABLE, AND ALLOWABLE

1

Reasonable – 2 CFR 200.404

...when the cost does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost

2

Allocable – 2 CFR 200.405

... when the goods/services involved are chargeable/assignable to a cost objective in accordance with relative benefits received and traceable to specific grant activities

3

Allowable – 2 CFR 200.403

... when costs are necessary and reasonable for the grant performance, consistent with the entity's uniform procedures, in accordance with GAAP, not included in other federally-financed grants (unless authorized)

TURN AND TALK ACTIVITY #1

It is the Spring of 2023. Dr. Sue Lopez is a Principal Investigator from Sunny Valley University. She is invited to participate in the A+ Rural Schools Research conference that will occur in the Fall of 2023. She has a five-year grant that began in FY 2022. She has some FY 2023 grant funds left and is wondering if she can use these funds to cover the conference registration costs, since low cost “early bird” registration rates will end July 30th. She also knows that she will have plenty of grant funds available for travel in FY 2024 and would love to bring her Co-Principal Investigator and some interns to the conference as well.

- 1) Is Sue allowed to use her FY 2023 grant funds to register for a conference that occurs in FY 2024? (Is it considered “reasonable” to get the early bird rate?)
- 2) What kinds of questions might Sue want to ask her Program Officer before committing to attending the conference?
- 3) If you had to sketch out a possible budget for the conference for Sue and her team, what costs should you include? (What might a rough estimate look like?)
- 4) Bonus question: Is there ever a circumstance that would allow Sue and/or her team members to fly first class?

**OBJECTIVE 4: TO UNDERSTAND WHEN
PRIOR APPROVAL FROM THE OFFICE OF
MIGRANT EDUCATION (OME) IS
REQUIRED**





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	(a)	(b)	
1. Personnel			
2. Fringe Benefits			
3. Travel			
4. Equipment			
5. Supplies			
6. Contractual			
7. Construction			
8. Other			
9. Total Direct Costs (lines 1-8)			
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***Indirect Cost Information (To Be Completed by Your Business Office):**

LINE ITEM 11: STIPENDS

- Stipends are funds that are distributed to individual participants.
- Detailed information regarding the stipends must be provided in the budget narrative.
- To move funds *out* of stipends, you must request prior approval.
- Funds can be moved to or within the stipend category without prior approval.

LINE ITEM 11: STIPEND EXAMPLES

- Individual student transportation
 - Example: Gas voucher or bus passes
- Childcare
- School-related fees
- Student supplies (if keeping)
- Dental health services
- Any allowable stipend to assist students in successfully completing a program

Tip: Student incentives are not an allowable use of stipends.

TURN AND TALK ACTIVITY #2

- May stipends be offered to a student for academic achievement or completion of the equivalent of a high school diploma?
- May stipends be offered to a student for student academic achievement or completion of the first academic year at the IHE?

CORRESPONDENCE ADDRESSING STIPENDS

When requesting a transfer of funds out of the stipend category for the budget, consider the following:

- ✓ List the funds in the stipend category.
- ✓ List the amount needed to move from stipends to another line item.
- ✓ Provide a reason for moving the funds to another line item.
- ✓ Explain why the funds will not be needed in the stipend category.
- ✓ Explain how it is part of the project's objectives.



LINE ITEM 4: EQUIPMENT

- Equipment is tangible nonexpendable personal property that:
 - 1) has a useful life of more than one year and
 - 2) has an acquisition cost of \$5,000 or more per unit.
- Physical inventory is taken at least every two years.
- Guidance on equipment is located in § 200.33 and § 200.439 of the Uniform Guidance.
- If you do not enter an amount for equipment into the budget narrative and 524 form, enter a zero. Do not leave any fields blank.
 - *Tip: Laptops are not listed under equipment.*

LINE ITEM 5: SUPPLIES

- Tangible property (§200.94 and §200.20)
 - Examples: paper, pens, pencils, calendars, CDs, DVDs, chairs, desks, etc.
 - Are less than \$5,000 per unit
 - Are not equipment or intangible property
- Tip: Laptops are included in the Supply category, not the equipment category, if less than \$5,000.00.*



EXPANDED AUTHORITY

- A one-time extension of the expiration date of the award of up to 12 months is called a No-Cost Extension.
- It is used to meet obligations of the grant and not to just spend unobligated funds.
- It carries forward unobligated balances to subsequent funding periods.

Tip: This applies to grants in the final year of the 5-year grant cycle. EDGAR § 75.261

CARRYOVER BALANCE

- Unexpended funds from a previous budget period that are authorized for allowable costs in a current budget period
- Can be used in the next budget period for allowable activities without any action by ED or the grantee unless restricted by program staff as an award condition
- Program staff may require a description of how the unexpended funds will be used.
- OME sends out 'large available balance letters' in spring of each year to projects with 70% or more of obligated funds remaining.

Note: Please see 2 CFR 200.308

OBJECTIVE 5: TO UNDERSTAND THE BUDGET REVISION PROCESS



WHEN ARE REVISED BUDGETS, IF NEEDED, DUE?

- Due September 30, 2023
- Can also be proposed throughout the year
- Not required in all cases



CHANGES REQUIRING PRIOR APPROVAL AND BUDGET REVISIONS

- Change in scope or objectives
- Change in key personnel specified in the application
- Absence for more than 3 months of PD or PI
- A 25% reduction in time of PD or PI
- Costs that require prior approval in accordance with the Uniform Guidance
- Transfer of funds allotted for training allowances (stipends) to other categories of expense
- If NOT described in the application and funded in the approved award, the transfer or contracting out of any work under an award

Note: Changes in scope or requests for additional funding are generally not approved.

**OBJECTIVE 6: TO UNDERSTAND
HOW ONE MONITORS FISCAL
MATTERS**

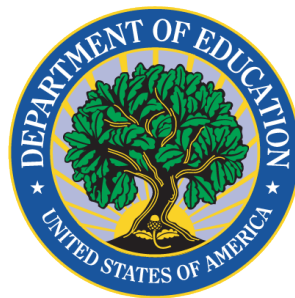


OME MONITORING OF FISCAL MATTERS

- Review of application budget
- Review of revised budgets, if requested
- Review of APR expenditure report
- Monthly or quarterly review of drawdowns
- Review of grant balance at continuation
- Review of use of funds for specific requests
- On-site and desk monitoring
- Large available balance and carryover review

Please see 2 CFR 200 and EDGAR.

QUESTIONS



THANK YOU!

**WE APPRECIATE YOUR FEEDBACK
ON THIS SESSION.**