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# **FEDERAL FISCAL MONITORING UPDATES**

**Texas Education Agency, Federal Fiscal Monitoring Division**

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# **YOUR PRESENTER**

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# AGENDA

- Federal Fiscal Monitoring Division Updates
- Risk Assessment
- Subrecipient Monitoring
  - Internal Controls
  - Budgetary Controls
  - Requested Documents
  - Expenditures of grant funds
  - Common Findings and Questioned costs
  - Property Management/Shared Service Agreement

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# FEDERAL FISCAL MONITORING

## RESULTS OF REVIEWS

# RESULTS OF MONITORING REVIEWS 2016-2017

## Conducted 57 Desk and Onsite Reviews:

- 44 of those reviewed had at least one **FINDING**
- 32 had **FINDINGS WITH QUESTIONED COSTS**
- \$563,394.82 of **TOTAL QUESTIONED COSTS IDENTIFIED**
- \$456,727.08 in **QUESTIONED COSTS** resolved through **CORRECTIVE ACTIONS**
- \$106,667.74 in **FINAL QUESTIONED COSTS**

# FEDERAL FLEXIBILITY APPLIED TO SUBRECIPIENT MONITORING

- Reviews conducted during the current grant year
- Allows TEA staff to work with subrecipients to resolved finding and/or adjust questioned costs by:
  - Submitting adequate supporting documentation
  - Amending budgets
  - Reclassifying unallowable costs to other funding sources
  - Replacing costs with other allowable expenditures

# RESULTS OF SINGLE AUDITS

- Reviewed 651 Single Audit Reports
- 28 Management Decision Letters issued
- \$157,411 in total **questioned costs collected**



# **RISK ASSESSMENT**

**2017-2018 ANNUAL RISK ASSESSMENT**





# ANNUAL RISK ASSESSMENT

ALL PASS-THROUGH ENTITIES MUST:  
EVALUATE EACH SUBRECIPIENT'S RISK OF  
**NONCOMPLIANCE** WITH FEDERAL  
STATUTES, REGULATIONS, AND TERMS AND  
CONDITIONS OF THE SUBAWARD FOR THE  
PURPOSE OF DETERMINING THE  
APPROPRIATE SUBRECIPIENT MONITORING...  
”  
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## 200.205 – AWARDING AGENCY REVIEW OF RISK POSED BY APPLICANTS

- TEA must have in place a framework for evaluating risks before an applicant receives funding
  - Financial stability
  - Quality of financial management system
  - History of performance
  - Results of audit reports
  - Applicant's ability to effectively implement program



# RISK FACTORS

- Results of single audits
- Repeat findings
- Funding level from all sources
- Financial stability
- Ability to manage grant funds or history of managing grant funds
- Recently organized or reorganized/new personnel
- Progress on corrective actions from single audits and monitoring

# WHAT RISK LEVELS ARE ASSIGNED?

## Risk Levels

- Low
- Medium
- High



# RISK BASED MONITORING

## Use of risk assessment to determine appropriate monitoring, including:

- Differentiated Grant Negotiation based on risk level: Organizations with a high risk level are subject to a more stringent grant negotiation review than those with a low risk level
- Which grantees to monitor
- What level of detail to use to monitor grantees at different levels of risk
- Which program requirements to monitor

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# **SUBRECIPIENT MONITORING**

**MONITORING REVIEW PROCESS**

# MONITORING REVIEW: HOW SHOULD YOU PREPARE?

## ■ **Monitoring review will consist of:**

- Reviewing your internal controls and financial management system
- Addressing questions, concerns, observations, etc., during the review
- Making “real-time” adjustments to be in compliance for all federal grants

# SUBRECIPIENT MONITORING

- Financial Management System:
  - Internal Controls
  - Budgetary Controls
  - Financial Reporting
  - Accounting Records (Source Documentation)
  - Compliance with procurement requirements
  - Expenditures of Program funds



## EMPHASIS ON INTERNAL CONTROLS

- Written policies and procedures are the foundation of internal controls for managing federal funds
- Who should be involved?
  - Fiscal AND Program staff
- Use team approach to capture entire grant process
- Adoption by the board or governing body/superintendent

# INTERNAL CONTROLS

## ADMINISTRATIVE POLICIES AND PROCEDURES MANUAL

### Required per EDGAR: Examples

- ❖ Compliance with conflict of interest
- ❖ Cash Management requirements
- ❖ Procurement of goods and services
- ❖ Travel authorization and reimbursement
- ❖ Reporting fraud, waste and abuse of federal funds

# INTERNAL CONTROLS PROCUREMENT

- ❑ Does the organization have policies and procedures for contracts and procurement that describe following types of purchases?
- ❑ Procedures for:
  - Micro-purchases
  - Small purchases
  - Competitive sealed bids
  - Competitive proposals
  - Non-competitive proposals

# BUDGETARY CONTROLS

- Planning for Budget
- Allocate and adjust appropriations in financial records to match planning amounts, final amount and carry over amount approved by TEA
- Appropriations for set asides/reservations (PS3101, PS3099)
- Use of encumbrances
- Know when to amend budget

# RESERVED FUNDS

## Funds reserved for specific activities

- Use appropriate account codes to document revenue and expenditures
- If necessary, use local option codes to differentiate funds reserved for specific activities.
- When funds are added, may be required to amend the program budget to reflect the changes in the funds reserved in the application.
- Update financial records to reflect changes in funding

# ACCOUNTING SOFTWARE

Accounting software should be able to:

- Incorporate all account codes per Financial Accountability System Resource Guide, FASRG (charter schools: Module I I, special supplement of FASRG )
- Generate chart of account of all account codes used for recording all transactions of grant funds
- Generate detailed general ledger with required detail
- Generate payroll journals

# FINANCIAL REPORTING: DOCUMENTS REQUESTED FOR REVIEWS

- ❖ Chart of accounts
- ❖ General ledger (PDF & Excel)
- ❖ Payroll journal (PDF & Excel)
- ❖ List of grant funded staff
- ❖ Reconciliation of drawdowns with expenditures reported in general ledger
- ❖ Payroll to general ledger reconciliation, if needed
- ❖ Inventory control records

# DETAILED GENERAL LEDGER

At a Minimum Detailed General Ledger should include the following:

- Transaction date
- Account codes (per FASRG )
- Reference numbers (such as a check number, purchase order number, or journal voucher number)
- Vendor name
- Brief description of the transaction
- Budgetary information (initial appropriations, encumbrances, final balance)
- Expenditures



# DETAILED GENERAL LEDGER

Detailed General Ledger should be maintained contemporaneously to ensure:

- Transactions are recorded to appropriate account codes
- Transactions are recorded in cost categories approved in the grant application.
- Appropriations are updated to reflect funds added to the grant
- Total expenditures recorded in the general ledger match or exceed the amount of funds claimed for reimbursement
- Encumbrances are documented to reflect the correct balance available
- Expenditures recorded are supported by adequate documentation

# PAYROLL JOURNALS

At a Minimum Payroll Journals should include the following information for grant funded employees:

- Full name of the employee/identification number
- Pay Period
- Check date and check number.
- Gross salary, other income and net earnings
- Deductions
- Fund code(s) charged to report the payroll cost

# FINANCIAL REPORTING REQUEST FOR SUPPORTING DOCUMENTATION

## Payroll Documentation

- Time and Effort Reports
- Signed and Dated Job Description
- Payroll Authorization Form
- Supplemental Pay Agreements/Time Sheets for Extra Duty Pay

## Non-Payroll Documentation

- Contracts
- Invoices/receipts
- Travel Authorization and Reimbursement Forms
- Purchase Orders
- Procurement Records
- Suspension and Debarment Records
- Purchasing Cooperative Records (if applicable)

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# **SUBRECIPIENT MONITORING**

**TESTING OF EXPENDITURES**

## **ATTRIBUTES TESTED FOR SELECTED PAYROLL TRANSACTIONS:**

- Position approved in the budget by TEA in the grant application
- Current signed and dated job description with description of activities supported by the funding sources
- Position supported by laws, rules, regulations, and the grant application
- Program/activity/strategy that is being funded described in the district/campus improvement plan

# **TESTING OF EXPENDITURES**

## ATTRIBUTES TESTED FOR SELECTED PAYROLL TRANSACTIONS:

- Payroll cost incurred within the allowable grant period
- Payroll authorization form or other record identifying all of the sources of funding from which the employee was authorized to be paid
- Payroll records match the approved source(s) of funding

# TESTING OF EXPENDITURES

# ATTRIBUTES TESTED FOR SELECTED PAYROLL TRANSACTIONS:

## TIME AND EFFORT

- Time and effort documentation was (periodic certification/personnel activity report) maintained based on single/multiple cost objectives
- Time Allocation agreed with the Cost Allocation
- Time and effort document signed and dated by the employee or supervisor having first-hand knowledge of work performed

# TESTING OF EXPENDITURES

# ATTRIBUTES TESTED FOR SELECTED PAYROLL TRANSACTIONS:

## TIME AND EFFORT

- Time and effort documentation was maintained according district's policies and procedures
- Time and effort document was signed after the work was performed
- Time and effort documentation was maintained for stipends (if applicable)

# TESTING OF EXPENDITURES



# ATTRIBUTES TESTED FOR SELECTED PAYROLL TRANSACTIONS:

## SUBSTITUTE TIME AND EFFORT

- Management Certification on file (at TEA) for the Substitute System Time and Effort System on file with TEA
- Predetermined schedule supported activities reported on the semi-annual certification
- Semi-Annual certificate signed and dated by both employee and supervisor
- Time Allocation agreed with the Cost Allocation

# TESTING OF EXPENDITURES

# ATTRIBUTES TESTED FOR SELECTED PAYROLL TRANSACTIONS:

## EXTRA DUTY PAY

- ❖ Signed and dated timesheet for extra duty or substitute pay provided, where applicable
- ❖ Signed and dated supplemental contract (or agreement) provided that stipulated allowable program (Title I, Part A) work activities performed by the teacher for tutoring or extra duty pay

# TESTING OF EXPENDITURES

## ATTRIBUTES TESTED FOR SELECTED NON-PAYROLL TRANSACTIONS: ALLOWABILITY

- ◆ Reasonable and necessary to further the statutory purpose and did it pertain to a required or authorized activity
- ◆ Cost of the goods or services chargeable or assignable to the grant in accordance with the relative benefits received
- ◆ Program/activity/strategy funded described in the district/campus improvement plan
- ◆ Expenditure met supplement, not supplant requirements

# TESTING OF EXPENDITURES

## ATTRIBUTES TESTED FOR SELECTED NON-PAYROLL TRANSACTIONS: SOURCE DOCUMENTATION

- ◇ Cost incurred and the goods/services received, after the start, and before the end of the grant period
- ◇ Accounting record included an original and complete internal accounting document (i.e., executed contract, purchase order, payment authorization form, expense reimbursement form, travel reimbursement form, etc.)
- ◇ Accounting record included an original and complete third-party document (i.e., utility billing statement, itemized receipt/invoice, etc.)

# TESTING OF EXPENDITURES

## ATTRIBUTES TESTED FOR SELECTED NON-PAYROLL TRANSACTIONS: SOURCE DOCUMENTATION

- ◇ Purchase order issued prior to the invoice date
- ◇ Accounting record indicated that the transaction was approved by an authorized individual(s)
- ◇ Appropriate accounting codes were used to record transactions

# TESTING OF EXPENDITURES

## ATTRIBUTES TESTED FOR PROCUREMENT PROCESS:

- ✦ Procurement method adhered to applicable procurement standards
- ✦ Purchasing method was supported by adequate documentation
- ✦ Purchase adhered to applicable state and/or federal competitive bidding requirements.
- ✦ For noncompetitive procurement procedures, the organization properly identified and maintained adequate documentation of its determination.

# TESTING OF EXPENDITURES

## ATTRIBUTES TESTED FOR PROCUREMENT PROCESS:

- ✦ For purchases made through a purchasing cooperative:
  - ★ The organization provided an agreement with the cooperative.
  - ★ The organization provided documentation to support the cooperative's compliance with EDGAR's procurement requirements.

# TESTING OF EXPENDITURES

# EXPENDITURES OF GRANT FUNDS

## Suspension and Debarment :

- These regulations restrict awards, subawards, and contracts with certain parties that are debarred, suspended, or otherwise excluded from or ineligible for participation in Federal assistance programs or activities
- Verification must be done by either:
  - Checking SAM.gov; or
  - Collecting a certification from the vendor



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# **SUBRECIPIENT MONITORING**

**EXAMPLES OF FINDINGS &  
QUESTIONED COSTS**

## Examples of Findings and Questioned Cost:

### Payroll

- Lack of appropriate Time and Effort reporting documentation
- Cost not Allocated per Time and Effort records
- Funds obligated outside of the grant period
- Positions not Approved in the application
- Lack of Job Descriptions describing the duties/activities allowed under the program
- Lack of Salary Authorization to spend grant funds

**FINDINGS & QUESTIONED COSTS**

## Examples of Findings and Questioned Cost:

### Non-Payroll

- Purchase did not adhere to appropriate procurement standards
- Lack of executed agreement of contract with the vendor
- Cost not necessary or reasonable for the benefit of recipients
- Purchases made from purchasing cooperative without an agreement
- Did not demonstrate compliance with suspension and debarment

# FINDINGS & QUESTIONED COSTS

## Examples of Findings and Questioned Cost:

### Non-Payroll

- Lack of an Original and Complete third-party document
  - No utility billing statement, itemized receipt, itemized invoice, etc. to support purchase
- Lack of Complete Internal Document authorizing purchases
  - No purchase order or approval of purchase by authorized personnel
- Obligating grant funds prior to start of grant period...signing contracts prior to grant period

# FINDINGS & QUESTIONED COSTS

# PROPERTY STANDARDS

**Procedures for managing equipment must meet the following requirements:**

- ❖ Physical inventory at least every two years
- ❖ Control system to prevent loss, damage, theft
- ❖ All incidents must be investigated
- ❖ Adequate maintenance procedures
- ❖ If authorized or required to sell property, proper sales procedures to ensure highest possible return.

# PROPERTY STANDARDS

## Property records at a minimum should include following:

- Description
- Serial number or other ID
- Source of funding
- Acquisition date and cost,
- Percent of federal participation,
- Location
- Use and condition,
- Ultimate disposition date including sale price

# SHARED SERVICE AGREEMENT

## Requirements:

- Fiscal agent is responsible for the administration of grant funds
- Fiscal agent is responsible for state and federal reporting requirements including expenditures of grant funds
- The interlocal agreement between the fiscal agent and member districts should clearly outline the roles and responsibilities of each other
- Each member district is responsible for budgeting and maintaining accounting records for the portion of funds received through the fiscal agent

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# QUESTIONS



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