AMARILLO COLLEGE

GRANT COMPLIANCE TRAINING

Wednesday, August 5, 2009

9:00 – 11:00 a.m.

Library 113

Office of Grant Compliance

Our Contact Information:

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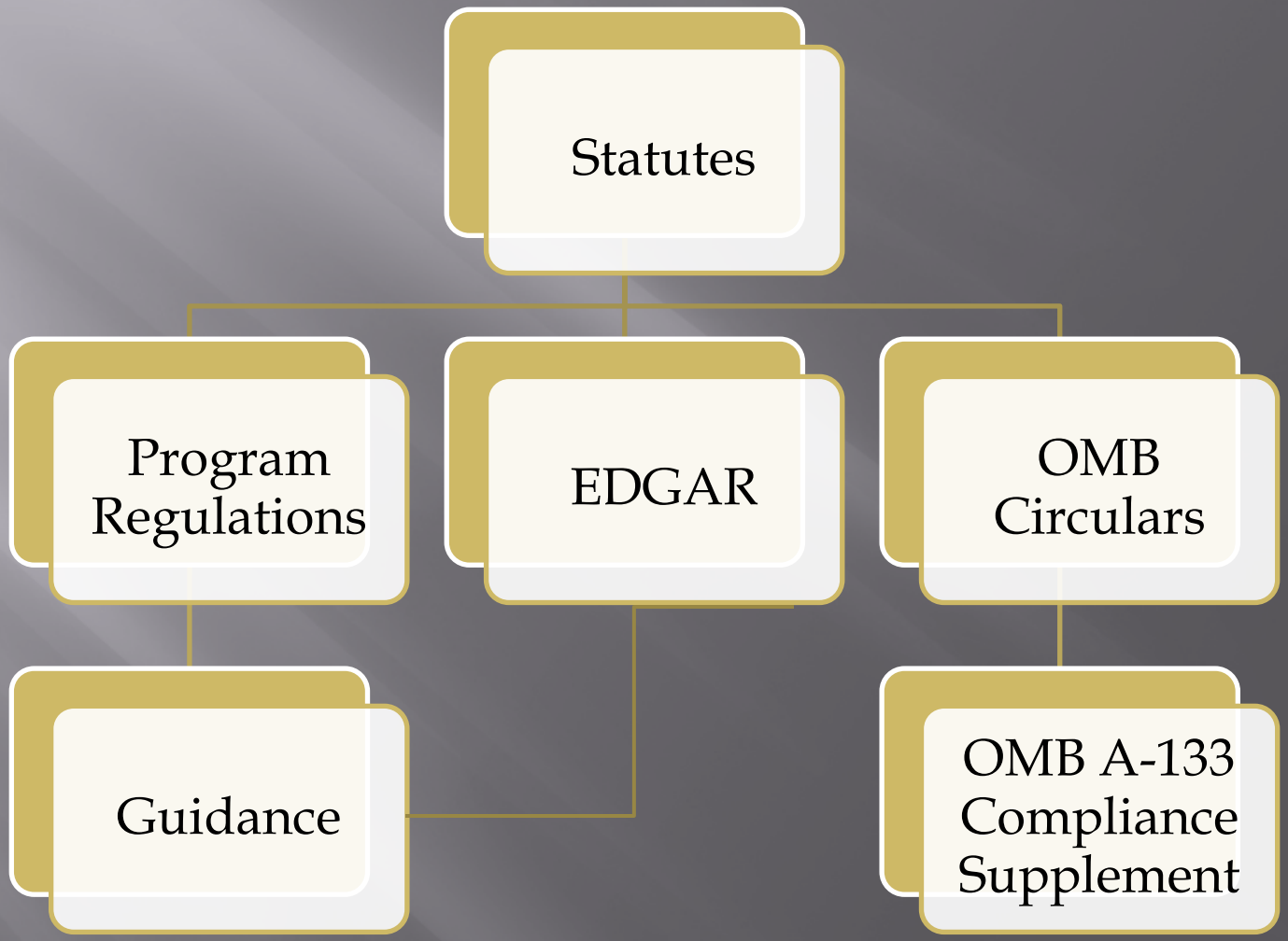
SECTION I

General Compliance

Legal Structure of Federal Programs



Where to Find Federal Education Grants Management Requirements

- Office of Management and Budget (OMB) Circulars:

  http://www.whitehouse.gov/omb/circulars

- *Your most valuable resource* when you have questions about grant management.

- For AC, an educational institution, the following circulars apply:
  - **A-21** for cost principles – The name of A-21 has recently been changed to 2 CFR, Part 220
  - **A-110** for uniform administrative requirements – The name of A-110 has recently been changed to 2 CFR, Part 215
  - **A-133** for audit guidance and compliance information

Where to Find Federal Education Grants Management Requirements

- Circular A-133 Compliance Supplement:
  http://www.whitehouse.gov/omb/circulars_a133_compliance_09toc/
  - For the programs contained in the Supplement, this circular provides a source of information for auditors to understand the Federal program's objectives, procedures, and compliance requirements relevant to the audit as well as audit objectives and suggested audit procedures for determining compliance with these requirements
  - For single audits, this Supplement replaces agency audit guides and other audit requirement documents for individual Federal programs.

Where to Find Federal Education Grants Management Requirements

- Program Rules: www.ed.gov
  - Statutes
  - Regulations
  - Guidance

- General Education Provisions Act (GEPA):

http://straylight.law.cornell.edu/uscode/html/uscode20/usc_sup_01_20_10_31.html

- Education Department General Administrative Regulations (EDGAR): http://www.ed.gov/policy/fund/reg/edgarReg/edgar.html

Document

Document

Document

Monitoring Visit Checklist for Project Directors

1. AC Office of Grants Compliance notified of monitoring visit
2. Monitoring visit agenda developed and completed
3. Agenda distributed to:
   - Monitoring agency
   - All AC participants
4. Grant/contract informational binder constructed
   - Monitoring agency's lead auditor will receive original

Monitoring Visit Checklist for Project Directors

5. Copies of informational binder constructed for:
   - Additional monitoring agency representatives
   - AC Project Director
   - AC Office of Grant Compliance
6. AC meeting rooms reserved and/or confirmed
7. AC vehicles reserved for intercampus or offsite excursions
8. Meeting dates, times, locations sent to all involved AC parties via calendar appointments

Annual/Quarterly Reports

- IR Databook homepage:
  - http://sites.actx.edu/~iresearch/databook/databook.htm
  - The IR Databook contains helpful college-wide statistical information for use in the construction of your annual or quarterly reports.
- Before you submit your annual/quarterly reports…
  - Jennifer will need to review them.
    - Please e-mail a copy of all reports to Jennifer one week prior to the submission date.

High-Risk Grantees

- What does “high-risk grantee” mean?
- How does a grantee become high-risk?
- How can AC avoid high-risk status?

High-Risk Grantees

- Grantee (or Subgrantee) can be considered high-risk if the Awarding Agency determines that the Grantee:

  1. Has a history of unsatisfactory performance
  2. Is not financially stable
  3. Has a management system that does not meet standards
  4. Has not conformed to terms of previous grant awards
  5. Is otherwise not responsible

- If one or more of the above apply, the Awarding Agency can place special conditions or restrictions on a grantee.

High-Risk Grantees: Special Conditions

- Special conditions may include:
  - Payment on reimbursement basis
  - Withholding authority to proceed until acceptable performance is demonstrated
  - Requiring more detailed financial and programmatic reports
  - Additional project monitoring
  - Requiring additional technical assistance (TA) or managerial assistance
  - Establishing additional prior approval requirements

High-Risk Grantees: Notice

- If a Grantee is placed on high-risk status, the Awarding Agency must notify the Grantee as early as possible.
  - In writing
  - Nature of special conditions/restrictions
  - Reasons for imposing these special conditions
  - Corrective Actions that must be taken by the Grantee
  - Time allowed to complete Corrective Actions
  - Method to request reconsideration of high-risk status

High-Risk Grantees

- How can AC avoid high-risk status?
  - **It takes a team** - Project Directors, Grants Compliance Office, Grant Accounting Office, and others (Purchasing, Procurement, Inventory) must communicate and work together to ensure programmatic and fiscal compliance for grants and contracts
  - Quarterly compliance meetings with all Project Directors to discuss important issues, policies, and needs
  - Programmatic/fiscal mini-audits conducted annually by the Office of Grants Compliance

SECTION II

Financial Management

Single Audit

DID YOU KNOW?

- **The OMB requirement:** Amarillo College meets the OMB's $500,000 threshold of federal dollars expended per year. An entity that expends at least $500,000 in federal dollars annually is required to undergo a single audit.
  - **AC's annual single audit is normally conducted in July.**

- Auditors select which grants and contracts will be audited based on several key components including total dollar amount and risk factors.
  - **This explains why some of AC's largest grants are continually selected for single audit.**

Single Audit: What do auditors look for?

- As directed by the OMB A-133 Compliance Supplement, auditors focus on as many as fourteen specific areas when conducting a single audit.

Activities Allowed or Unallowed	Allowable Costs/Cost Principles	Cash Management	Davis-Bacon Act
Eligibility	Equipment and Real Property Management	Matching, Level of Effort, Earmarking	Period of Availability of Federal Funds
Procurement and Suspension and Debarment	Program Income	Real Property Acquisition/ Relocation Assistance	Reporting
	Subrecipient Monitoring	Special Tests & Provisions	

Recent Statistics on Single Audit Findings

- **1167 Total Findings:**
  - 29% (341) – Unallowable Costs
  - 16% (189) – Reporting
  - 10% (113) – Property and Procurement
  - 9% (105) – Cash Management
  - 9% (104) – Subrecipient Monitoring
- Example: AC's FY2007 single audit

Impact of Single Audit Findings

- Copies of AC's single audits are sent to each federal and state agency from which AC receives funds, including:
  - U.S. Department of Education (ED)
  - U.S. Department of Labor (DOL)
  - The Higher Education Coordinating Board (THECB)
- Repeated single audit findings often send up a "red flag" to these agencies and can lead to a federal audit.
  - This is why preventative measures and general compliance are extremely important!

Time and Effort

Words near and dear to the heart of every AC Project Director

Time and Effort: Why do we do it?

- The short answer? Because we have to.
- If any portion of your time is spent working for a grant project *and* any portion of your salary is being paid with grant funds, you are required to complete monthly Time and Effort reports.
- Current training for auditors advises them to look for records that document an employee's time and effort spent on a grant project.

Time and Effort
Did you know?

- At AC, Time and Effort (T&E) is actually a four-step process:
- Step One – Maintain thorough backup documentation for every grant/contract employee
  - The most important step!
  - As a Project Director, **you** are responsible for ensuring that you and your staff keep adequate T&E backup documentation in the case of an audit or monitoring visit.
  - Let's look at some examples…

Time and Effort

- Step Two – Complete monthly T&E reporting forms based on backup documentation
  - **Every** employee, **every** month (even if an employee worked zero hours)

- Step Three – Compile spreadsheet of actual hours worked; reconcile totals with Payroll records

Time and Effort

- Step Four – T&E quarterly adjusting entries made by Grant Accounting Office
  - Entries are based upon the difference between an employee's actual grant/departmental hours worked (as listed on the submitted T&E forms) and the employee's designated pay split (as listed on the 310 form).
    - **100% grant-paid employees who are not paid from any AC funds will not have adjusting entries**
  - Quarterly adjusting entries show up on your grant's budget in an account called **"T&E Fringe Clearing".**
  - As a Project Director, you need to monitor these T&E adjusting entries closely!

Time and Effort

- What should you look for in the T&E Fringe Clearing account entries?
  - Small adjustment amounts are OK; but watch out for large adjustment entries made for a single employee for two or more consecutive quarters.
    - Large adjustment entries may indicate a problem with the employee's current pay split.
  - Any T&E adjustment entries that raise questions for you (i.e. incorrect account number, large amount of funds moved)
  - Questions about an adjusting entry? Please ask Jennifer.

Supplement not Supplant

- Federal funds must be used to supplement and in no case supplant federal, state, and local resources.

- Supplement: The use of federal funds to *augment* regular (mandated) educational programs

- Supplant: The use of federal funds for services that would otherwise be provided during the time period in question.

Supplement not Supplant

- The BIG question is: **"What would have happened to this expense (activity, purchase) in the absence of federal funds?"**

Presumptions of Supplanting

- Auditors presume supplanting is occurring if federal funds are used to…

1. Provide services that are required to be made available under other federal, state, or local laws
2. Provide services that were funded with non-federal funds in a prior year
3. Provide services to grant personnel while providing the same services to non-grant personnel using institutional funds.

SECTION III

AC Internal Controls

Procurement/Inventory/Purchasing

Internal Controls

- Are tools to help program and financial managers achieve results and safeguard the integrity of their programs
- Are the means by which an organization's resources are directed, monitored, and measured
- Play an important role in preventing and detecting fraud and protecting resources

Types of Internal Controls

- Preventative Controls – designed to discourage errors or irregularities (before they happen)
  - Documented policies and procedures
  - Trained, competent, and trustworthy personnel
  - Process for approvals and authorizations
  - Access and data entry
  - Segregation of duties

Types of Internal Controls

- Detective Controls – designed to identify an error or irregularity after it has occurred
  - Monitoring transactions
  - Audits
  - Reconciliations and Reviews
  - Verifications (i.e. exception reports)

Types of Internal Controls

- Corrective Controls – designed to detect and react once a risk has been realized
  - Example: Using Colleague/Datatel, AC is able to implement strong corrective controls. Transactions are rejected without all of the necessary approvals.

Payment Procedures & Travel

Michael Sugden, Disbursements Supervisor

Questions about an AC card purchase?

Ask permission, not forgiveness!

- Important to ensure that AC's internal policies (as well as your grant's) are followed
- **"Can I do this?"** Check with the Business Office if you have questions!

Travel expenses must not only comply with your grant's rules, but with AC's standard travel procedures as well.

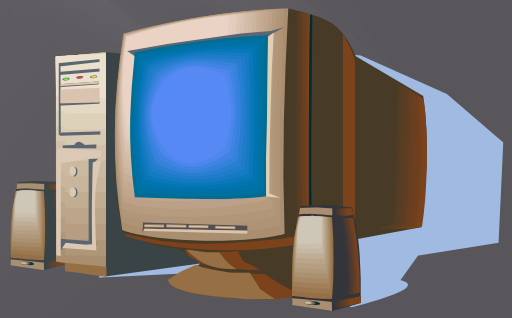
- Same forms and reporting requirements apply to grant-funded and AC-funded trips
- Grant–funded trips usually require additional documentation

Inventory Management

Tom Sanders, Fixed Asset Inventory Specialist

- Most importantly: Utilize the "Comments" section on requisitions
  - Minimum information that should be included:
    - Full name of the item
    - Grant purchasing the item
    - Location: Building and room # where the item will be housed
    - Point of contact for any questions
  - Identify which line items on a requisition go together (i.e. piece of equipment, related peripherals, shipping, installation)
  - If there are multiple purchase orders related to one equipment item, include that linkage info in the Comments section (i.e. one peripheral that was ordered at a later time)

- Why should I include this much information? **To help AC**
  1. Helps with assignment of special additional inventory tags for federally-funded purchases
  2. Item information is carried from requisition to purchase order to voucher
  3. Info included on the requisition relates the item's original intent for use
  4. Info needed for AC's current and future reporting for tax, insurance, and disposal



Purchasing

Vickie Shelton, Director of Purchasing

DO:	DON'T:
Complete all paperwork (including quotes) for Purchasing when creating a requisition • Include as much information as possible on requisitions -- use the Comments section	Break up requisitions to keep them below a certain dollar threshold
When possible, choose vendors that AC frequently uses (i.e. Elliott Russell, Office Depot)	Offer too much information regarding payment if a vendor calls you directly
Become/stay familiar with AC Purchasing guidelines: • When are outside bids needed? • When is AC board approval needed?	Forget that the bid approval process takes a minimum of 30 days to complete • plan ahead for big purchases

Most importantly: please share this information with those who complete requisitions for you!

Questions?

Thank you for attending today's session!