

TITLE I NUTS AND BOLTS INTERNAL CONTROLS

Title I Administrative Meeting
September 22, 2011
Anne Arundel Community College

Internal Controls

- ◆ Internal Controls --organization, policies, and procedures –are tools to help program and financial managers achieve results and safeguard the integrity of their programs.
- ◆ Federal employees must ensure that Federal programs operate and Federal resources are used efficiently and effectively to achieve desired objectives.

Internal Controls

- ◆ Management has a fundamental responsibility to develop and maintain effective internal control. The proper stewardship of Federal resources is an essential responsibility of agency managers and staff.

Internal Controls

- ◆ Internal control guarantees neither the success of agency programs, nor the absence of waste, fraud, and mismanagement, but is a means of managing the risk associated with Federal programs and operations.

OMB Circular A-123

Findings

- ◆ The following are areas where USDE has seen a lack of internal controls based on A-133 and OIG audits and program monitoring of the Title I Program:
 - ◆ **Time/Effort**
 - ◆ **Sub-recipient Monitoring**
 - ◆ **Equipment/Inventory**
 - ◆ **Payments/Reimbursements**
 - ◆ **Suspension and Debarment**

Time and Effort

- ◆ Time/Effort findings have been identified in both audits and through the SASA monitoring process:
- ◆ Employees not maintaining appropriate semi-annual certifications or Personnel Activity Reports (PARS)
- ◆ Time/effort for 100% employees not working under the conditions listed through the semi-annual certification
- ◆ Time/effort for split-funded employees not working in the programs proportionate to the way their salaries are allocated

Time and Effort

- ◆ 34 C.F.R. §80.20 (a)(5)

Source documentation: accounting records must be supported by such source documentation as **cancelled checks, paid bills, payrolls, time and attendance records, contract and sub-grant award documents, etc.**

Semi-annual Certification

- ◆ Employees who work solely on one Federal program must prepare a semi-annual certification that:
- ◆ Is prepared and signed (after-the-fact) at least semi-annually
- ◆ Is signed by the employee, or the supervisor having first-hand knowledge of the work performed by the employee; and
- ◆ Acknowledges that the employee worked solely on the Federal program for the period covered by the certification.

OMB Circular A-87, Attachment B, 8.h.(3)

SAMPLE SEMI-ANNUAL CERTIFICATION

- ◆ Employees who work on one federal program:
- ◆ This is to certify that I, Maria Lamb, worked 100% of my time on Georgetown Country School District's Title I Part A program duties for the period of October 1, 2010-March 31, 2011.

Maria E. Lamb

Employee Signature

April 5, 2011

Date

SAMPLE SEMI-ANNUAL CERTIFICATION

I verify by my signature that the following employees, that I directly supervise, spent 100% of their time on the designated program during the six-month time period from July 1, 2010 through December 31, 2010.

Employee: Valerie Ashton-Thomas
100% Even Start

Employee: Tina McKnight
100% Title I, Part A

Employee: Cvieta Jovanovich
100% Title I, Part C

Supervisor Name: Maria E. Lamb
Supervisor Title: Director, Federal Programs

Maria E. Lamb

Supervisor Signature

January 14, 2010

Date

Multiple Cost Objectives

- ◆ Where employees work on multiple cost objectives (programs), a distribution of their salaries or wages will be supported by PARs
 - ◆ ■ Employees working on more than one Federal program
 - ◆ ■ Employees working on a Federal program and a non-Federal program

OMB Circular A-87, Attachment B, 8.h.(4)

Personal Activity Reports (PARS)

PARs must meet the following standards:

- ◆ Reflect an after-the-fact distribution of the actual activity of the employee
- ◆ Must account for the total activity for which the employee is compensated
- ◆ Must be prepared **at least monthly** and must **coincide w/ one or more pay periods**; and
- ◆ **Must be signed by the employee**

OMB Circular A-87, Attachment B, paragraph 8. h. (5)

PARS- Pay Period 18: Aug. 5-16, 2011

Monday	Tuesday	Wednesday	Thursday	Friday
8-5 Title I Monitoring of Fauquier County Schools-8 hrs	8-6 Title III Began development of SEA handbook-3 hrs Title I app review-5 hrs	8-7 Title III Monitoring of Prince William and Spotsylvania County School Districts-8 hrs	8-8 Title I application review-8 hrs	8-9 Title I app review-4 hrs 1-5 Title III app review -4 hrs
8-12 Title I app review-2 hrs	8-13 Title I app review-4 hrs	8-14 Attended Title I State Conference-8 hrs	8-15 Attended Title I State Conference-8 hrs	8-16 Annual Leave

Consolidating LEA Admin. Funds

- ◆ An LEA, with approval from its SEA, may consolidate and use for the administration of one or more ESEA programs not more than the percentage, established in each program, of the total available for the LEA under those programs.

ESEA section 9203

Consolidating LEA Admin. Funds

34 CFR §80.20 (a)(3) Internal control:

- ◆ **effective control and accountability must be maintained for all grant and sub-grant cash, real and personal property, and other assets. Grantees and sub-grantees must adequately safeguard all such property and must assure it is used solely for authorized purposes.**
- ◆ **Examples: Monitoring findings for LEA and SEAs not maintaining control over equipment with a purchase price of less than \$5,000.**

Consolidating LEA Admin. Funds

- 34 C.F.R §80.20 (a): a State must expend and account for grant funds in accordance w/ State laws and procedures for expending and accounting for its own funds.
- ◆ Audit Finding: An LEA spent Title I funds on food & beverages...State's policy is that funds could only be used for a working lunch during an all day meeting or nutritional snacks for extended day student programs. State policy also required an agenda that clearly identified the activity in which participants are engaged.

Consolidating LEA Admin. Funds

- ◆ EDGAR §80.20 (a)(5) Source documentation: accounting records must be supported by such source documentation as cancelled checks, paid bills, payrolls, time and attendance records, contract and subgrant award documents, etc.
- ◆ Purchase Cards (P-cards): used to purchase food, beverages and gifts...no P-card receipts, cash register receipts, invoices nor justifications (The purchase of the food, beverages and gifts were unallowable according to the SEA's policies, plus the costs were inadequately documented.)

Know Your State Policies and Procedures

- ◆ The United States Department of Education (ED) allocates funds to its grantees (typically the SEA or sometimes another type of entity).
- ◆ The SEA allocates the funds to its sub-grantees
- ◆ The legal responsibility for oversight of these Federal funds falls under the SEA's role.

Subrecipient Monitoring

- ◆ EDGAR at 34 CFR §80.40

Monitoring and reporting program performance requires Grantees to manage the day-to-day operations of grant and sub-grant supported activities. Grantees must monitor grant and sub-grant supported activities to assure compliance with applicable Federal requirements and that performance goals are being achieved. Grantee monitoring must cover each program, function or activity.

Subrecipient Monitoring

- ◆ This EDGAR regulation requires SEAs to oversee Federal funds used in the respective program, but the regulation provides flexibility in how this requirement is satisfied. The regulation does not outline how SEAs are to monitor their LEAs.

Subrecipient Monitoring Includes, but not limited to:

- ◆ Program compliance
- ◆ Improper Payments (e.g. P-card use)
- ◆ Equipment for Title I programs in the public and private schools
 - Acquisition
 - Maintenance
 - Disposition



MSDE Enhanced Monitoring

- ◆ Expenses/Encumbrances
 - ◆ Parent Involvement-District Level
 - ◆ Parent Involvement-School Level
 - ◆ School Allocations
 - ◆ Others as the need arises

Subrecipient Monitoring Includes, but not limited to:

- ◆ Fiscal compliance (auditors are asking for specialized monitoring in this area)
- ◆ Reliance on the issues identified through the Single Audit Process are not enough
- ◆ Monitoring schedules (desk v. onsite reviews and risk analysis v. cyclical reviews)

Subrecipient Monitoring

Includes, but not limited to:

- ◆ Corrective actions to program monitoring and audit issues
- ◆ ARRA funds (Reporting, CFDA number, and Central Contractor Registry)

Equipment

- ◆ OMB Circular A-87 defines Equipment as: an article of personal property having a useful life of more than one year and acquisition cost which equals or exceeds the lesser of the capitalization level set by the State or \$5,000.

Equipment

- ◆ Property records must be maintained that include:
- ◆ A description of the property
- ◆ A serial # or other id #
- ◆ The source of property
- ◆ Who holds title
- ◆ Acquisition date & cost of the property
- ◆ Location, use & condition of property
- ◆ Any disposition data (including date of disposal and sale price)

34 C.F.R. §80.32 (d)(1)

Equipment

- ◆ A physical inventory of the property must be taken and the results reconciled w/ the property records at least once every 2 years.
- ◆ A control system must be developed to ensure adequate safeguards to prevent loss, damage or theft of the property. Any loss, damage, or theft shall be investigated.
- ◆ Adequate maintenance procedures must be developed to keep the property in good condition.

34 C.F.R. §80.32 (d)

Debarment and Suspension

Sec. 80.35 Sub-awards to debarred and suspended parties.

- ◆ Grantees and sub-grantees must not make any award or permit any award (sub-grant or contract) at any tier to any party which is debarred or suspended or is otherwise excluded from or ineligible for participation in Federal assistance programs under Executive Order 12549, "Debarment and Suspension."

LEA Audit Findings

- ◆ District did not have documentation to support contracts with vendors who are not suspended or debarred parties.
- ◆ This District is required to ensure vendors with procurement contracts exceeding \$25,000 are not suspended or debarred before entering into contracts with the vendor.
- ◆ The auditors found that vendors that entered into contracts with the District that were paid with Federal dollars, were not verified beforehand to not be suspended or debarred.
- ◆ No adequate system in place, until recently, to ensure that procurement contracts entered into with vendors are not suspended or debarred parties by the federal government.

Good Practices

- ◆ SEAs and LEAs implement a system to verify the vendors they will be entering into contracts with, paid with Federal dollars, are not suspended or debarred by the Federal government at the time of the contract.
- ◆ That verification checks be performed either by:
 - collecting a certification from the entity;
 - adding a clause or condition to the covered transaction with the entity; or
 - checking the Excluded Parties List System (EPLS) at <http://epls.arnet.gov>.
- ◆ SEAs and LEAs should maintain documentation of when the verification was performed.

Handy References

- ◆ OMB Circular A-87:

http://www.whitehouse.gov/omb/circulars_a087_2004#atb

- ◆ Title I Fiscal Issues Non-Regulatory Guidance

<http://www.ed.gov/programs/titleiparta/fiscalguid.doc>

- ◆ Education Department General Administrative Regulations (EDGAR):

http://www.access.gpo.gov/nara/cfr/waisidx_04/34cfr80_04.html