



# FDOE Fiscal/Grants Update

FASFEPA/ECTAC Fall Forum

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Slide 1



# Green Book Updates

## 2016 Edition of the Green Book

- A 2016 update will be issued in November or December.
- Most changes are minor:
  - Changed CARDS to FLAGS (FLA Grants System)
  - Changed the expenditure threshold for single audits of state-funded programs from \$500,000 to \$750,000 to reflect statutory change.
  - Added clarification of when revised General Assurances must be submitted and possible actions that may be taken if there is non-compliance with the General Assurances.

## Review of Risk Posed by Applicants

The pass-through entity (FDOE) must have a framework for evaluating risks before any applicant receives funding. The framework should evaluate:

- Financial Stability
- Quality of Management System
- History of Performance
- Audit Reports
- Applicant's Ability to Effectively Implement Program

# Risk Analysis Tool – DOE Form 610

## School Districts, State Colleges, State Universities, and Florida State Agencies

- Organizational charts and agency's Board approved policies and procedures.
- Changes in senior management and/or changed internal systems
- Results of any direct Federal monitoring
- Written policies and procedures must be submitted.
- Single audit results

## 2016 Edition of the Green Book

- Most significant change is a modification to the Risk Analysis procedure.
  - Adds a DOE which will be used to amend information or documentation previously submitted
  - Adds a DOE 610-C which is to be submitted annually confirming that there is no change in the previously submitted 610.
- Submission will like be due in late January



# Amendments and Administrative Costs

# When Does a Subrecipient Need to Submit a Formal Amendment (DOE 150/151) for Prior Approval?

There is no specification of a 10% change in budget lines requiring an amendment. Need for an amendment is based on the types of changes rather than the amount of the change. See Section B of the Green Book.



# Prior Approval of Amendment Required

- Changes in:
  - Scope, goals, or objectives
  - Project evaluation scope
  - Deliverables or work tasks
  - Key personnel
  - Contracted services
  - Disengagement of the project director (position responsible for managing/overseeing the project award)
- Also, extensions in timelines for obligating/liquidating or early termination (written request)

# Relationship Between Indirect and Administrative Costs

- Indirect costs are considered a part of administrative costs.
- IF there is a cap on administrative costs (and for many education programs there is a cap), AND that cap is lower than the indirect cost rate, the indirect rate must be lowered to equal or be less than the administrative costs cap.
- Example: Entity has an indirect rate of 8%. Administrative costs cap for program is 5%. Indirect rate cannot exceed 5% for the specific program.

## How is the Indirect Rate Determined?

- Approved by the cognizant agency.
- DOE is the cognizant agency for all LEAs.
- Two types of rates – restricted and unrestricted. Most education grant funds are required to use restricted rates.
- IF an entity has a restricted indirect cost rate approved by an entity other than DOE, that is the rate that will be used.
- IF there is not an approved restricted rate, the rate will be 8% of the modified total direct cost (MTDC).



# USED Office of State Support Fiscal Monitoring

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# Grant Administration and Fiscal Management Evaluation

- Accounting Systems and Fiscal Controls
- Cash Management and Payment Systems
- Period of Availability and Carryover
- Audit Requirements
- Subrecipient Monitoring
- Internal Controls (Control Environment and Control Activities)
- Risk Assessment
- Records and Information Management

# Grant Administration and Fiscal Management Evaluation

- Equipment Management
- Personnel
- Procurement
- Indirect Costs
- Transparency Reporting
- Reservations and Consolidation
- Allocations
- Use of Funds

# Grant Administration and Fiscal Management Evaluation

- Maintenance of Effort
- Supplement Not Supplants
- Equitable Services
- Comparability

# Grant Administration and Fiscal Management Evaluation - RESULTS

- Commendation – Risk Assessment
- Recommendations:
  - Accounting Systems and Fiscal Controls – written description of FLAIR
  - Cash Management and Payment Systems - Adopt business rule for monitoring LEA cash management
  - Audit Requirements –Expand written procedures to add details related to tracking, evaluating, and following-up on repeat subgrantee audit findings
  - Internal Controls – Add to the existing internal controls documentation, more extensive descriptions of control environment



# Grant Administration and Fiscal Management Evaluation - RESULTS

- Recommendations (cont.)
  - Equipment Management – Encouraging subgrantees that use program funds to purchase technology items to develop policies and procedures regarding incidental/personal use
  - Procurement – Develop a consolidated procurement manual
  - Cross-cutting: Periodically evaluate documentation of policies and procedures to identify areas where enhancements could be made to memorialize the full scope and dynamics of covered processes, improve the operations of its internal controls, ensure continuity of operations during times of transition or emergency, and facilitate external review

# Grant Administration and Fiscal Management Evaluation - RESULTS

- Action Required
  - Supplement, Not Supplant – provide a timeline for completing review of one LEA
  - Comparability – provide a corrective action plan that addresses:
    - Guidance to LEAs on how to correctly select comparison groups (specifically related to charter schools)
    - Update procedures for reviewing LEA data to verify that LEAs address findings in non-comparable schools as soon as possible within the year in which a violation is identified



# ESSA – Title I, Supplement, Not Supplant

## Supplement – Not Supplant

- Federal funds must be used to supplement and in no case supplant other state, local, and sometime federal resources
- Key question to ask: “What would have happened in the absence of the federal funds?”

## Presumptions of Supplanting

Presume supplanting occurred if federal funds used to provide services that:

1. Were required to be made available under other federal, state, or local laws;
2. Provided with non-federal funds in prior year;
3. Were provided to participating children, if those same services provided with non-federal funds to non-participating children

## Rebuttal of Presumption

- Presumption may be overcome by **documentation** confirming that, in the absence of the Federal funds, the district would not have maintained these personnel or services with State or local funds. Document:
  - The reduced amount or lack of State and local funds available to pay for this position AND
  - The district's decision to eliminate the position in the absence of Federal funding, along with the reason(s) for that decision.

## Proposed ESSA Regulations

- To demonstrate compliance...a local educational agency shall demonstrate that the methodology used to allocate State and local funds to each school receiving assistance under [Title I, Part A] ensures that such school receives all of the State and local funds it would otherwise receive if it were not receiving assistance under [Title I, Part A]
- No LEA may be required to identify any particular cost or service as supplemental...
- Statute prohibits the Secretary of Education from prescribing the specific methodology that an LEA may use to allocate State and local funds to its Title I schools.

## Proposed ESSA Regulations

- LEAs must annually:
- Publish their methodology for allocating state and local funds in a format and language parents and the public can understand, and
- Demonstrate, at such time and in such form as the SEA may reasonably require, that the methodology it uses gives each Title I school all of the state and local funds it would otherwise receive if it were not a Title I school.



## Proposed ESSA Regulations

Four options for demonstrating compliance:

1. Distributing “almost all” state and local funds based on the characteristics of students (a per pupil formula where students with educational disadvantage (poverty, English learner, student with disability) generate more money for their schools.

Questions: What is “almost all” and what about weights not based on educational disadvantage such as preschool, gifted and talented, CTE, etc.

## Proposed ESSA Regulations

2. Distributing state and local funds based on the average costs of personnel and non-personnel resources using a consistent “resource formula” where each Title I school receives at least the average districtwide salary for each category of school personnel multiplied by the number of school personnel in each category plus the average districtwide expenditure for non-personnel resources multiplied by the number of students in the school.

- Questions: What is “almost all?” What does “consistent formula mean? What if the allocated

FTE position cannot be filled? Are benefits

## Proposed ESSA Regulations

Questions: What is “almost all?” What does “consistent formula mean? What if the allocated FTE position cannot be filled? Are benefits included? Are pay-for performance or other performance based compensation approaches included? Are long-term substitutes included? How to account for staff working in multiple schools? How to account for staff paid for a the central level who work in school buildings? What is a non-personnel resource?

## Proposed ESSA Regulations

3. Distributing state and local funds in a way chosen by the LEA based on a SEA-established compliance test that is applied consistently districtwide, is as rigorous as Options 1 & 2, and has been approved through a federal peer review process. SEAs are not required to establish a test, and if they do, LEAs are not required to use it.

## Proposed ESSA Regulations

4. Distributing state and local funds using another methodology that results in each Title I school receiving, per pupil, at least 95% of the average per-pupil funding received by non-Title I schools. Spending can vary up to 5% of average spending in non-Title I schools. LEA can exclude any school with less than 100 students and an LEA can demonstrate compliance if it demonstrates that one or more non-Title I schools gets extra money to serve a high proportion of students with disabilities, English learners, or students from low income families...

## Proposed ESSA Regulations

Questions: What costs will be included/excluded in per-pupil calculations? What does high proportion mean? What if more high-cost special education students are in non-Title I schools?

## Proposed ESSA Regulations

- Flexibilities That Apply to All Options
- Can demonstrate compliance on a districtwide or grade-span basis.
- Not required to demonstrate compliance if it has a single school, or in any grade span with a single school.
- Can exclude supplemental state or local funds spent for programs that meet the intents and purposes of Title I, Part A.
- Under certain circumstances can exclude funds spent for “districtwide activities”

## Proposed ESSA Regulations

- By December 10, 2017 each LEA must
  - Demonstrate to its SEA that it has a methodology for meeting requirements that it will use no later than 2018-19 or
  - Submit a plan to its SEA for how it will fully implement a methodology for meeting requirements no later than the 2019-20 school year.
- Before 2018-19 or 2019-20 LEAs can demonstrate compliance using one of the new options or NCLB rules.





# Audit Finding

## Rank and Serve

### Finding:

157 schools with poverty rates ranging from 59.5 to 98.9 percent received less per pupil funding than a school with 58.9 percent poverty level. The under allocated budget to these schools ranged from \$6,199 to \$413,193 per school creating the questioned costs of almost \$23 million.

## Rank and Serve Finding – Raises Questions

- What is an LEA-wide administrative costs?
- What types of costs should be recorded at the school level?
- What should a district do when school budgets are changed?
- What are the long-term ramifications and how can districts guard against this type of finding?



# Thank You!

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