

# Financial Pitfalls to Avoid

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# Financial Pitfalls to Avoid

## Federal Perspective

# Familiarity with Relevant Laws and Regulations

- Perkins IV Law
  - Perkins IV Questions and Answers (non-regulatory guidance)
- Education Department General Administrative Regulations (EDGAR)
- Office of Management and Budget “Omni Circular”
  - Will take effect for the Perkins IV grant made available to states on July 1, 2015
  - Consolidating OMB Circulars such as A-87 and A-21

# Maintaining the Integrity of the Perkins Grant Section 112 Set-asides

- **State Administration—Section 112 (a)(3)**
  - Not more than 5% of the grant or \$250,000, whichever is greater
- State Administration Match—Section 112 (b)
- **State Leadership—Section 112 (a)(2)**
  - Not more than 10% of the grant
    - State institutions—not more than 1% of the grant
    - Non traditional—not less than \$60,000 and not more than \$150,000
    - No funds may be expended on administrative activities

# Maintaining the Integrity of the Perkins Grant Section 112 Set-asides—cont.

- **Local Uses of Funds—Section 112 (a)(1)**
  - Not less than 85% of the grant
  - State determines secondary/postsecondary split with these funds
  - 5% administrative cap (includes indirect costs)
    - 10% reserve—Section 112 (c)
      - Not more than 10% of local uses of funds
      - Eligible institutions must meet 1 of 3 criteria in section 112 (c) to be eligible for funding

# Perkins Grant—Allowable or Not Allowable Costs

## Things to consider when making the determination

- Costs are allocable to the grant
  - Proposed expenditure reasonably ties into programmatic activities spelled out in sections 112 (a)(3) (Perkins State Administration), section 124 (State Leadership Funds), and section 135 (Local Uses of Funds)
- Costs are necessary and reasonable
- Supplanting is not occurring
- Adequate documentation of costs is available for review by relevant oversight officials

# Maintenance of Effort— Section 311 (b) of Perkins IV

- State funding sources for career and technical education
- Calculated on either an aggregate or per student basis
- Line items to exclude from the calculation—Section 311 (b)(1)(B)
  - Capital expenditures
  - Special one-time project costs
  - Costs of pilot programs
  - Tuition and fees—EDGAR 76.534
- Decrease in Federal support provision—Section 311 (b)(1)(C)
  - Applicable if a state experiences a reduction in Perkins grant funding from one year to the next
  - Allows a state to reduce level of effort expenditure “floor” by the same percentage as the drop in federal funding

# State Match and Costs

## State Administration Match—Section 112 (b) of Perkins IV

- Requirement to match from state funding sources the same amount made available for administration activities from Perkins funds

## State Administration Costs—Section 323 of Perkins IV

- Maintenance of effort requirement for administration funds
  - Maintain funding floor for state (non-federal) administration costs from one year to the next
- Exception to the Rule—Section 323 (b) of Perkins IV
  - If a state reduces the amount of funds made available for federal administration from one year to the next, the funding floor can be reduced by the same percentage.
  - The dollar-for-dollar match must still be maintained

# Carryover Funds—Section 133 (b) of Perkins IV

- Perkins grant—27 months to obligate funds
- Grant funds allocated to secondary and postsecondary sub-recipients of Perkins funds at the beginning of this grant: July 1
- General rule
  - Sub-recipients have until June 30 of the subsequent year to obligate their Perkins sub-award for a particular year
  - Unobligated funds must be returned to the state agency to be redistributed in the second year of the Perkins grant
  - States have two choices when reallocating these carryover funds
    - Combine the carryover funds with the next year’s sub-allocations
    - Run a separate allocation to sub-recipients with the carryover funds

# Supplanting—Section 311 (a) of Perkins IV

- Presumptions of Supplanting—OMB Circular A-133/Ed Cross-cutting Section
  - State Education Agency (SEA) or Local Education Agency (LEA) used federal funds to provide services that the SEA or LEA was required to make available under other federal, state, or local laws
  - The SEA or LEA used federal funds to provide services that the SEA or LEA provided with nonfederal funds in the prior year
- Rebutting Presumptions of Supplanting
  - If SEA or LEA can demonstrate that it would not have provided the services in question with nonfederal funds had the federal funds not been available

# Financial Pitfalls to Avoid

## State Perspective

# Comply With Your Own Approved Application

- Review quarterly
  - Either follow your own application or amend it
  - Amend both programmatic aspects of your application and your approved budgets
  - Equipment, **computing devices** (OMNI §200.94 & §200.20), supplies, etc.
- Your invoices, receiving documents, inventory or supplies listings need to agree with your approved application's fiscal completion report

# Local/State Guidelines That Are More Restrictive Than the Federal

- Procurement, Inventory, Reporting Due Dates...
  - States—your locals are always late so you issue due dates that are shorter than the federal requirement to insure that you get your reports in on time; be careful
  - In most cases, if your state, community college district, or high school district rules are more restrictive than the federal requirements you must follow the more restrictive requirements or risk an audit finding

# Document, Document, Document...

- A valid cost can become a “questioned cost” if you cannot:
  - Document how you allocated a shared cost
  - Document how you allocated salary costs (T&E — Time & Effort Costs)
  - Find a laptop, a projector, etc. that you lent out
  - Document a printing job for which you paid
  - Etc.
- If it’s not a CTE cost it is a “questioned cost”

# Document, Document, Document...

- I Recommend You Keep Your Documentation for 5 Years
  - (Not the Federal (OMNI §200.333) 3 years)

# Document, Document, Document...

- A Sad Statement But All Too Often True

If you have had problems with your district or college not doing that great a job in documenting your expenditure it may pay to keep your own set of limited scanned documents or even something as simple as a paper copy of your supporting documents in a three-ring binder

# Learn From the Mistakes of Others

- Review your district, college, or agency audits to see what kind of findings the auditors focused on — Perkins is typically not a major program for audit purposes, but never say “never”
- Go online to the Office of Inspector General (OIG) website and see the types of findings they are handing out. It gives you a feel for those new, but “easy to find” findings that auditors love to focus on next year
- Professional Development Opportunities — Use Them
  - NACTEI Conference, Brustein & Manasevit Forums, Educational Federal Finance Administrators (AEFFA) Conference, trainings offered online or in person by your Federal Office of Career, Technical, and Adult Education (OCTAE)

# Want To Know What the Auditor Will Look At?

- OMNI Appendix XI to Part 200 — Compliance Supplement
  - <http://www.whitehouse.gov/omb/circulars/>
  - Download the CTE compliance guidelines and the Department of Education Crosscutting document

# What's Coming?

- If using Perkins funds, I expect to see this kind of language required in your travel and conference requests in the future
  - Travel requests: “***Participation is necessary to the federal award***” and why
  - Conferences: “***Participation is necessary for successful performance under the federal award***” and “***The conference costs are reasonable***”

# What's Coming?

- OMNI § 200.415(a) Required Certification

“By signing this report, I certify to the best of my knowledge and belief that the report is true, complete and accurate and the expenditures, disbursements and cash receipts are for the purposes and objectives set forth in the terms and conditions of the federal award. I am aware that any false, fictitious, or fraudulent information or the omission of any material fact, may subject me to criminal civil or administrative penalties for fraud, false statements, false claims, or otherwise.”

# Questions?

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