

21st CCLC: Allowable Use of Federal Funds

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October 2015

Allowability

- All cost Must Be in accordance with the terms of your grant!!!

Federal OMB Cost Principles: Basic Guidelines

- All Costs Must Be:
 - **Necessary, Reasonable and Allocable**
 - Conform with federal law & grant terms
 - Consistent with state and local policies
 - Consistently treated
 - In accordance with GAAP
 - Not included as match
 - Net of applicable credits
 - Adequately documented

Necessary & Reasonable

- Necessary and Reasonable

- Must be necessary for the performance or administration of the grant
 - Do I really need this?
 - Is this the minimum amount I need to spend to meet my need?
- Must follow sound business practices:
 - Arms length bargaining (hint: procurement processes)
 - Follow federal, state and local laws
- Fair market prices
- Act with prudence under the circumstances
 - Do I have the capacity to use what I am purchasing?
 - If I were asked to defend this purchase, would I be comfortable?
- No significant deviation from established prices
- Did I pay a fair rate? Can I prove it?

Allocable

- Allocable
 - Can only charge in proportion to the value received by the program
 - Example: LEA purchases a computer to use 50% in the 21stCCLC program and 50% in State program – can only charge half the cost to 21stCCLC.

Applicable Credits

- Refers to negative expenditures that operate or offset or reduce direct or F&A cost items.
 - Examples: purchase discounts, rebates or allowances, recoveries or indemnities on losses, and adjustments of overpayments or erroneous charges.
 - Also “educational discounts”

Select Items of Cost (examples)

2 CFR Part 200, Subpart E

Replaces old OMB Circulars



Selected Items of Cost (cont.)

- **Alcohol**
 - Not allowable
- **Construction**
 - Generally not allowable unless specifically permitted in Statute or Grant
- **Real Property**
 - Generally not allowable unless specifically permitted in Statute of Grant
- **Salaries and Wages**
 - Allowable with proper documentation
- **Travel**
 - Allowable with restrictions. Watch State Law.

21 CCLC Allowable Uses



Purpose of the Program

- To establish or expand community learning centers that provide students with:
 - Academic enrichment opportunities along with activities designed to complement the students' regular academic program
 - Must also offer families of eligible students literacy and related educational development

Using 21st CCLC Funds

- Tutoring
- Community service opportunities
- Mentoring
- Character Education Programs
- Homework help
- Drug & violence prevention
- Academic enrichment
- Music, technology, arts, sports
- Counseling
- Cultural activities

Local Use of Funds

- Recreational activities
- Tutoring services and mentoring programs
 - Chess clubs (foster critical thinking skills, persistence)
 - Poetry contests and slams (encourage reading, writing and speaking)
- Mathematics and science education activities
 - Woodworking programs (encourage planning, measurement, estimation)
 - Cooking programs (foster application of math and science skills)
- Arts and music education activities
 - Theatre programs (encourage reading, speaking, teamwork)

Local Uses (cont.)

- Programs for Limited English Proficient students that emphasize language skills and academic achievement
- Expanded library service hours
- Programs that promote parental involvement and family literacy
 - Book clubs (encourage reading and writing for pleasure)
- Telecommunications and technology education programs
 - Computer clubs or newspaper publishing (promote writing, editing and knowledge of, and comfort with, technology)

Principles of Effectiveness

- Programs or activities must be based on:
 - Needs assessment of objective data
 - An established set of performance measures aimed at ensuring high quality academic enrichment opportunities; and
 - Scientifically based research that provides evidence that the program or activity will help students meet the state and local academic achievement standards (as appropriate)

Charge a Fee?

YES, however:

- Must offer a sliding scale of fees and scholarships for those who cannot afford the program
- Income collected from fees must be used to fund program activities specified in the grant application

21stCCLC Fiscal Rules: Supplement Not Supplant

- 21stCCLC funds can be used to supplement, but in no case supplant, Federal, State, local funds or other non-federal funds.

Auditors are required to presume supplanting when 21st CCLC funds are spent when:

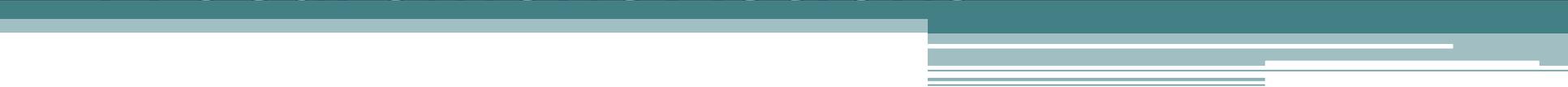
1. Cost is required to be made available under other federal, state, or local laws; or
2. The cost was provided with non-federal funds in prior year.

Presumption Rebutted!

- If demonstrated would not have provided services if the federal funds were not available; and that you have NO non-federal resources available this year!
- This must be clearly documented!



Procurement Actions



Contract Administration

- As a practical matter:
 - Must have written contracts (purchase order ok) and Invoice that MATCH!
 - Contract should include clearly defined deliverables
 - Description of services to be performed or goods to be delivered
 - Description of dates when services will be performed or goods delivered
 - Description of locations where services will be performed or goods delivered
 - Description of number of students/teachers/etc. to be served (if applicable)

Open Competition

- All procurement transactions must be conducted in a manner to provide open and free competition.
 - Look out for organizational conflicts of interest and noncompetitive practices among contractors that may restrict competition.
 - Awards must be made to the bidder or offeror whose bid is responsive and most advantageous to the recipient, price, quality and other factors considered.

Open Competition (cont.)

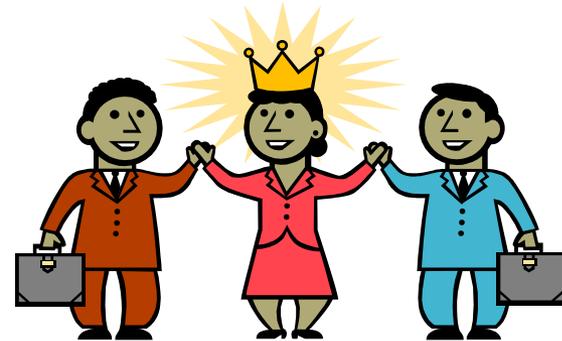
- Situations that restrict competition:
 - Unreasonable requirements on vendors to qualify to do business
 - Pre-qualified lists should not limit competition
 - Requiring unnecessary experience or excessive bonding
 - Noncompetitive pricing practices
 - Noncompetitive awards to consultants on retainer
 - Organizational conflicts of interest
 - Specifying a brand name
 - In-state or local preferences

Vendor Selection Process

- Must have written selection procedures
- Procedures must ensure all solicitations:
 - Include a clear and accurate description of technical requirements
 - Identify all requirements vendor must fulfill
 - Identify evaluation factors

Vendor Selection Process

- The type of procurement instrument used is determined by recipient but must be
 - Appropriate for the particular procurement; and
 - Promote the best interest of the program.
- Methods of procurement:
 - Micro purchases
 - Small purchase procedures
 - Competitive sealed bids
 - Competitive proposals
 - Noncompetitive proposals



Noncompetitive Proposal (cont.)

- As a practical matter, noncompetitive contract raises “red flags”
 - Ensure persuasive and adequate documentation to facilitate audit



Vendor Selection Process (cont.)

34 CFR 85.425 and 85.430

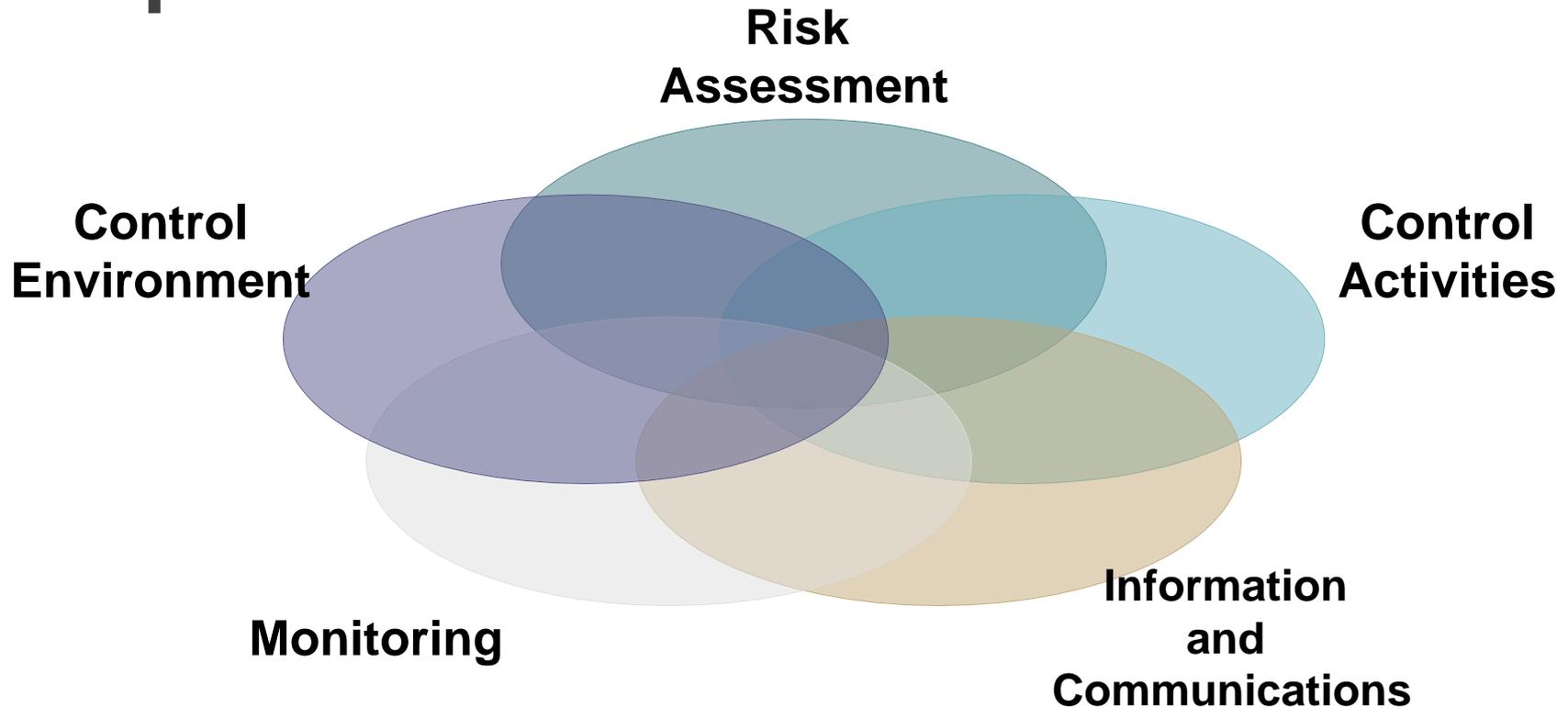
- Cannot contract with vendor who has been suspended or debarred
 - Must check the website for all procurement actions over \$25,000
 - <http://www.sam.gov/>



Internal Controls



Components of Internal Controls



Internal Controls - Control Environment

Goal: Sets the tone for the organization – allows management and employees to maintain a positive and supporting attitude toward compliance.

- Maintaining a level of competence that allows personnel to accomplish their assigned duties
- Clearly defined organizational structure
- Proper amounts of supervision
- Maintaining a good relationship with oversight agencies (like USED and OIG for example!)

Internal Controls - Risk Assessment

Every Agency Has Problems and Risks!!

○ Ask yourself:

- What could go wrong?
- What assets do we need to protect?
- How could someone steal or disrupt operations?
- What information do we rely on?

○ Examples of Risk:

- Changes in operating environment
- New personnel or lack of personnel
- New or updated information systems or technology
- Rapid growth
- New programs, activities or grants

Internal Controls - Control Activities

Goal: Help ensure that management's directives are carried out.

- Examples:

- Segregating Key Responsibilities Among Different People
- Restricting Access to Systems and Records
 - Authorizations / Passwords
- Implementing Clear Written Policies in Key Areas
- Performance Reviews
- Maintaining Physical Control Over Valuable Assets
 - Maintenance of Security

Internal Controls - Information and Communications

Goal: Ensure personnel receive relevant, reliable and timely information that enables them to carry out their responsibilities.

- Develop procedures for identifying pertinent information and distributing it in a form and timeframe that permits people to perform their duties efficiently.
- All personnel must receive a clear message from top down that control responsibilities must be taken seriously.
- Personnel must understand how they relate to one another in the system.

Internal Controls - Monitoring

Goal: Assess the quality of internal controls over time and ensure any findings are promptly resolved.

- Ongoing program and fiscal monitoring
- Regular oversight by supervisors
- Record reconciliation
- Formal program reviews / audits
- OMB Circular A-133 audits
- Include policies and procedures for correcting any findings in a timely manner.

Cash Management



The Reimbursement Process

- Payment Process
 - Obligation
 - Liquidation
 - Payment
 - Reimbursement



Remember: Just because a cost is reimbursed does not automatically mean that cost is allowable! You must make certain all costs are allowable before you seek reimbursement – otherwise you risk the chance of the cost being unallowable.

When a cost is determined to be unallowable you must pay it back with non-federal funds!

Reimbursement v. Cash Advance

- Cash Management Improvement Act (CMIA)
 - Three days between drawdown and payment
 - Interest starts to accrue
 - Over \$500 returned to Treasury.

Obligation of Funds (cont.)

Type of Obligation	When Obligation Occurs
Acquisition of Property	Date of written contract / PO
Personal Services by Employee	When services are performed
Personal Services by Contractor	Date of written contract / PO
Public Utility Services	When services are received
Travel	When travel is taken
Rental of Property	When property is used.

Inventory Management



Inventory Management

- Must have adequate controls in place to account for location, custody and security of equipment
 - Property records
 - Description, serial number or other ID, title info, acquisition date, cost, percent of federal participation, location, use and condition, and ultimate disposition
 - Physical inventory (at least every 2 years)
 - Control system to prevent loss, damage, theft
 - All incident must be investigated

Inventory Management (cont.)

- Conditional title vests in the grantee
- Must protect against unauthorized use, but items may use for other projects as long the use does not interfere
 - Preference to other ED programs
 - 2nd preference to other federal programs
 - 3rd preference to nonfederal programs
- Must ensure adequate maintenance.

Inventory Management (cont.)

- When property no longer needed, must follow disposition rules:
 - Transfer to another federal program
 - Over \$5,000 – pay federal share and notify ED in writing.
 - Under \$5,000 – no accountability.

~ Watch State law requirements ~

For additional information, reference 2 CFR Part 200, Subpart D

Supplies

- Supplies = Everything Else
- EDGAR does not set out any specific tracking requirements
- But, as a practical matter, ED expects subgrantees to track all property purchased with federal funds in order to prove there has been an allocable benefit to the federal program

Proper Documentation

A decorative graphic consisting of several horizontal lines of varying lengths and colors (teal, light blue, white) extending across the width of the slide, positioned below the title.

Properly Documented

- All Costs Must Be Adequately Documented!!
 - Amount of funds under grant
 - How the funds are used
 - Total cost of the project
 - Share of costs provided by other sources
 - Records that show compliance
 - Records that show performance
 - Other records to facilitate an effective audit



21st CCLC Resources

- ED's Website:

<http://www.ed.gov/programs/21stcclc/index.html>

- 21stCCLC Statute:

<http://www.ed.gov/policy/elsec/leg/esea02/pg55.html>

- 21stCCLC Guidance:

<http://www.ed.gov/programs/21stcclc/guidance2003.doc>

- 2 CFR Part 200:

<http://www2.ed.gov/policy/fund/reg/edgarReg/edgar.html>

QUESTIONS?



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