Vermont Department of Education

Federal Fiscal Team Newsletter – June 2004 Edition

Information about changing audit & fiscal issues related to grants
Please provide copies to appropriate staff.

To: Superintendents, Business Managers, Program Managers, Directors
CC: Auditors, State Auditor of Accounts

Monitoring requirement - The monitoring of sub-recipients of federal grants is a requirement of any state agency that sub-grants federal funds to another organization. Many agencies in Vermont have been cited recently for not adequately addressing this requirement. This department has instituted an on-site fiscal monitoring schedule of visits to meet this requirement. Ref OMB Circular A-133§400d

Preparation for an on-site monitoring visit – Over the next several months, sub-recipients will be contacted to set up a mutually agreeable date for a monitoring visit. The contact will indicate which grants are being reviewed and the types of documents that must be available at the time of the review. The documents will include sub-ledgers, invoices, transfers, payroll documentation, purchase orders, contracts and any other document that will be necessary to support a cost charged to the grant. Costs charged to a grant will be checked to ensure that they 1) are allowable according to the appropriate cost principles 2) meet the purpose of the grant, and 3) are reasonable.

Accounting for Time and Effort – One of the largest categories of grant expenditures is an employee's time (salaries and benefits). It is critical to make sure expenditures for salaries are documented properly and that they are based on after-the-fact actual time worked and not on estimated or budgeted time. Guidance on the requirements to support expenditures for salaries and wages can be found in OMB Circular A-87 Attachment B 8(h) "Support of Salaries and Wages.

Federal guidance – It is critical for all sub-grantees to have a working knowledge of the federal regulations/circulars applicable to their type of organization. OMB circulars can be found on the internet at:

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

Please be sure to read the circulars applicable for your type of organization. The department's audit unit has developed training modules on Cost Principles for State, Local and Tribal Governments and Cost Principles for Non-profit Organizations which are available to your staff on the department's website. http://www.state.vt.us/educ/new/html/pgm_business.html.

Timing of Grant Expenditures – Grant expenditures must be incurred during the period of the grant. Recent audits received and on-site monitoring trips have found obligations for expenditures incurred after the end of the grant period. The definition of when an obligation is incurred can be found in 34 CFR 75.707 and 34 CFR 76.707

Payment of grant obligations – Several documents reviewed during on –site visits listed payments for grant related expenditures which were made more than three months after the close of the grant period. Federal guidelines state that all obligations must be paid within 90 days after the close of the grant period. 34CFR§80.23b

Supporting documentation – Detailed documentation of expenses is a critical element of accounting for any charges made to a grant. During a recent monitoring visit a payment was reviewed which was made to a conference center based on an invoice with a date, number of attendees and total dollar amount for the conference. The documentation did not indicate what the charges were for (room rental, projection equipment or meals), did not include a copy of the conference content or agenda, and did not identify who attended the conference. There was no way to determine whether the costs were allowable, whether the conference met the purpose of the grant, or whether or not the individuals attending were associated with the program. Maintaining detailed documentation of grant expenditures at the time the expenditure will save significant time later when the documents are being reviewed Ref. 34CFR§80.20

The listing of revenue codes which identifies the funding source for grant payments has been updated on the department website. It can be found at:

http://www.state.vt.us/educ/new/html/pgm_business/revenue_codes.html

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