



Federal Grants Overview

GDOE Federal Programs

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Background

- Applaud Federal Programs Initiative to provide outreach and training to those people involved in federal grants. Why are we having this training?
- How you handle federal grants should be no better than how you handle local appropriations
- One seamless system at GDOE for local and federal funding
- Not two systems with one for federally funded projects that gets more attention and scrutiny



- We saw this when we conducted an audit of textbooks OPA 08-09
- Federally funded textbooks had better inventories, better control, a person who was in charge and held accountable; a good process in place, unlike locally funded textbook appropriation
- No one was in charge of locally funded textbooks
- No one was held accountable



Types of Grants

- In FY 2009 GDOE expended \$51M in federal grants from 6 federal agencies involving over 22 plus grants
 - USDOE 76% or \$33M; Consolidated grant \$18.4M & the special education grant \$12.7M
 - USDOA Agriculture 18% or \$8M for the school lunch program;
 - USDHHS 5% or \$2.3M for Head Start
 - USDOJ Compact Impact \$7.2M to pay for the annual debt service of the 4 new schools (Okkodo, Astumbo, Adacao & Ligan)



- Excluding Compact Impact funds GDOE federal expenditures dropped to \$44M in FY 2009
- High in FY 2006 with \$54M in expenditures with USDOE contributing \$42.5M
- So where did the drop occur?
- GDOE expended \$33.3M, a drop of \$9.2M
 - Decline in Consolidated Grant of \$6M from \$24.5M to \$18.4M
 - Decline in Special Education of \$2M from \$14.6M to \$12.7M



ARRA Grants

- The GDOE through the Governor's office applied for ARRA grant of \$75.6M known as the State Fiscal Stabilization Fund
- In Phase I, lion's share goes to GDOE or \$50.7M; UOG \$17M; GCC \$9.5M
- Other ARRA grants of \$1M were awarded in FY 2009, but no expenditures



Management of Grants

- So how should one prepare to manage, supervise, oversee, account, report and audit federal grants?
- Similarly for ARRA grants?
- Depending on your level of involvement, there are various documents you should have in your possession, or know where to access, and be knowledgeable of



- **Grant Award Notification or Agreement.**
This is the approved plan of action by the federal entity
- **Grant Proposal.** Major detail plan outlining what it do with the grant funds.
- **Basic rules and regulations.** Rules of engagement



Basic Rules & Regulations

- Rules of engagement
- OMB Circular A-87 Cost Principles for State, Local and Indian Tribe Governments
- Standards for Internal Control in the Federal Government
- OMB Circular A-133 Audits of States, Local Governments and Non-Profit Organizations
- OMB Circular A-133 Compliance Supplement
- Other—ARRA specific guidance



- These documents are the foundation documents for every federal grant program that GDOE staff should be familiar with
- How many of you are familiar with these documents and circulars?
- These documents grant proposal and notification of award available on GDOE's website www.gdoe.net
- Basic rules and regulations available on OPA website www.guamopa.org



- **Grant Proposal**, as GDOE has over 22 grants there are as many different and varied grant proposals
- Consolidated Grant Proposal Revised Jan. 22, 2010 is 416 pages; largest grant \$23.9M
- Title VI, Part B, Rural Education Initiative Sept. 2009 is 131 pages



- Grant proposal is a very comprehensive and detail plan; a lot of hard work and effort went into the development and submission of the proposal
- Roadmap of where and how to go on the journey of educating Guam students
- Execution of the plan requires “All employees involved with student achievement are held accountable.” pg. 82



DI Accountability Structure

- All employees involved with student achievement
- Teachers accountable for ensuring students are taught
- Identification of problems & recommended solutions process called principals Data Analysis Conference held weekly
- Schools accountable for program quarterly data
- School principals accountable for observing instruction, facilitating problem solving process, and providing support to teachers based on need



- Depending on your role in the implementation of federal programs, you should become familiar with the grant proposal as approved, understand the requirements, understand your role and who is your main point of contact
- Training: Management of Federal Grants by Graduate School



- **Grant Award Notification.** Spells out terms and conditions. Outlines how much, and for what period of time
- Usually follows Grant Proposal submission



ARRA Grant

- State Fiscal Stabilization Fund, Application Phase I December 2009 (Amendments Jan. & Feb. 2010)
- Signed by the Governor on behalf of GDOE, Governor ultimately responsible for ARRA grants awarded to Guam
- This grant proposal was not handled by Federal Programs Division but by other parties within GDOE in coordination with Governor's office
- However GDOE is responsible for executing the grant and all reporting requirements



ARRA Grant

awarded \$50,747,665 Phase I

- Funding Period 3/22/10 to 9/30/2011
- Capital Improvement Projects (various school renovations & repairs) \$30,960,792
- Technology/FMS Infrastructure (Gateway to Success-Phase I) \$ 9,933,024
- Third Party Fiduciary \$ 6,000,00
- FMIS (Software, Hardware Installation, Training & Implementation) \$ 2,992,147
- Professional Consultant Services \$ 861,702



- Technology Plan, Phase 1, \$9,933,024 “Gateway to Success 2008”
- Infrastructure—ensure connectivity to classrooms available and reliable \$3.2M
- Professional Development—training and professional development for GDOE teachers \$1.4M
- Hardware—Virtualized desktop computers in secondary classrooms; mobile labs for elementary schools; 297 electronic whiteboards for secondary schools \$4.1M



- Know what is in your grant proposal(s)
- Know the requirements
- Follow your grant proposal(s)
- Follow your grant agreement(s)



Basic Rules & Regulations

- Rules of engagement
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- OMB Circular A-87 Cost Principles (principles for determining allowable costs)
- Guiding principle
- *A cost is reasonable, if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost...*
- The prudent person rule, what would a prudent person do?



- Cost generally would be recognized as ordinary and necessary for the operation of the unit or the performance of the federal program
- The cost conforms to
 - Sound business practices
 - Arm's length bargaining
 - Laws and regulations and
 - Terms and conditions of the federal award



- Definitions: “A” to “T”
- Advertising and public relations
- Entertainment
- Equipment
- Training costs
- Travel
- Handy reference manual
- Indirect cost rate proposal



Standards for Internal Control

- Federal officials continually seeking ways to better achieve agencies' missions and program results
- Ways to improve accountability
- How? Implement appropriate internal control
- Programs change and agencies strive to improve operational processes & new technologies
- Management must continually assess and evaluate its internal control to assure that control activities are effective and updated when necessary



- Internal control is a major part of managing an organization
- Internal control = management controls
- Helps government program managers achieve desired results through effective stewardship of public resources



Definition of Internal Control

- An integral component of an organization's management that provides reasonable assurance that the following objectives are being achieved:
 - Effectiveness and efficiency of operations
 - Reliability of financial reporting, and
 - Compliance with applicable laws & regulations



Internal Control

- A continuous built-in component of operations
- Effected by people
- Provides reasonable assurance, not absolute assurance



5 Standards of Internal Control

- Control Environment
- Risk Assessment
- Control Activities
- Information and Communications
- Monitoring



Control Environment

- Positive control environment is foundation for all other standards
- Management and employees should establish and maintain an environment throughout the organization that sets a positive and supportive attitude toward internal control and conscientious management
- Tone at the top (Organization's ethical tone)
- Providing guidance for proper behavior, removing temptations for unethical behavior, and providing discipline when appropriate



- Management's philosophy and operating style
- Attitude and philosophy toward information systems, accounting, personnel functions, monitoring, and audits and evaluations
- Organizational structure for planning, directing, and controlling operations
- Delegation of authority and responsibility for operating activities, reporting relationships, and authorization protocols
- Human Capital policies and practices—hiring, orientating, training, evaluating, counseling etc



Single Audit

- The Single Audit is the key tool for accountability of federal awards and for ARRA federal awards.
- Auditors consider GDOE's internal control over financial reporting in designing audit procedures
- Auditors determine compliance requirements to each major program and internal control over compliance in accordance with OMB Circular A-133
- There are up to 14 areas auditors may review, depending on the grant Compliance Supplement



- 1. Activities allowed or unallowed
- 2. Allowable costs/cost principles
- 3. Cash management
- 4. Davis-Bacon Act
- 5. Eligibility
- 6. Equipment & real property management
- 7. Matching, level of effort, earmarking
- 8. Period of availability of federal funds



- 9. Procurement and suspension and debarment
- 10. Program income
- 11. Reporting
- 12. Subrecipient monitoring
- 13. Special tests and provisions
- 14. Real property acquisition and relocation assistance



Improvements

- GDOE has reduced the number of audit findings and questioned costs
- FY 2005, 21 audit findings, 7 of which are material weaknesses and \$1.5M in questioned costs
- FY 2009, 10 audit findings, 2 material weaknesses, federal question costs of only \$4,862
But local question costs of \$1,592,004
- Material weaknesses in the matching, level of effort, earmarking; and equipment and real property management



- Equipment and real property management criteria:
 - Equipment records shall be maintained
 - Physical inventory of equipment shall be taken at least once every 2 years
 - Reconciled the physical inventory to the equipment records
- Asset maintenance schedules be prepared, updated, and monitored
 - Activity per asset maintenance schedule be reconciled to asset maintenance history register



- Procurement of federal funds has improved while local funds procurement has not
- Why?



- Property records of assets purchased with federal funds should contain description (including serial number or other identification number) source, who holds title, acquisition date and cost, % of federal participation in cost, location, condition, and disposition data
- Condition although physical inventories are occurring as required, the necessary reconciliation have not been performed, resulting in incomplete property records



- GDOE has developed a Comprehensive Corrective Action Plan (CCAP) to address deficiencies with its equipment management system; however
- USDOE “GDOE has failed to demonstrate that it has fully implemented adequate procedures for managing equipment purchased with program grant funds” letter dated Dec. 12, 2009



- Recommendation: Asst. Secretary
 - Intervention of a third-party fiduciary and technical assistance provider to help address the equipment management needs of GDOE
 - Consistent application of a uniform definition of term “fixed assets”
 - Enforcement of established equipment management procedures at the school and division level
 - Performance of required reconciliations
 - Generation of comprehensive fixed asset reports



- Auditee Corrective Action Plan
- SOPs are in place. Solution is to establish and enforce SOPs
- Monitoring by Supply Management Administrator to include timeframes, timely reports, and asset validations
- GDOE will utilize technology to reach end-users by providing an electronic SOP, mandatory online training, and monthly bulletin submissions from Supply Management Administrator



- The fixed asset group will work with procurement and accounting to ensure that they are tracking all purchases and receipts of fixed assets
- Quarterly reconciliation will be put in place to ensure tagging and capturing of fixed asset information
- These procedures should be fully in place and operational before end of FY 2010. Once in place, monitoring systems to be established to ensure procedures are being followed



- Can the new Supply Management Administrator handle this in addition to his procurement responsibilities?
- GPA hired an accountant to devote exclusively to their fixed assets inventory and project is still on going



ARRA Guidance

- OMB Memorandum June 2009, Implementing Guidance for Reports on Use of Funds Pursuant to ARRA (reporting requirements OPA gave presentation)
- Guidance on the State Fiscal Stabilization Fund Program for the Insular Areas
- OMB Updated Guidance on ARRA issued March 22, 2010
 - Continuous corrections period, recipients can correct reported data for immediate preceding reporting quarter after that reporting quarter has ended



- Buy American Clause



- OPA contact person for ARRA:
Audit Supervisor Lourdes R. Perez
- Questions?