

Ohio Department of Education
Compliance Requirement Overview
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Overview

Each Federal grant program is governed by a set of laws and regulations, which establishes program parameters. As part of each Single Audit conducted under the authority of OMB Circular A-133, an independent auditor reviews a standard set of criteria to determine that program functions are completed within the laws and regulations of each program.

Listed below are standard compliance requirements used in many programs flowed by the Ohio Department of Education. The list is not all-inclusive; therefore, it is critical that a district examines all appropriate documentation for a program to determine what compliance issues are prevalent for a program. Notwithstanding the requirements listed in OMB Circular A-133, the Ohio Department of Education disclaims responsibility for audit findings incurred by districts for compliance requirements not listed below.

Compliance Requirements

Activities Allowed and Unallowed

The specific requirements for activities allowed or unallowed are unique to each Federal program and are found in the laws, regulations, and the provisions of contract or grant agreements pertaining to the program.

This section is generally used to describe activities for which program funds can be used. Examples could include teacher salaries, supplies, fringe benefits, etc.

Allowable Costs

This section is used to define what allowable costs are generally permitted for grants under the provisions of OMB Circular A-87 cost principles. Generally, the following criteria apply to Federal allowable costs:

- Costs must be reasonable and necessary for the performance and administration of Federal awards.
- Costs must be allocable to the Federal awards under the provisions of the cost principles or CASB Standards, as applicable. A cost is allocable to a particular cost objective (e.g., a specific function, program, project, department, or the like) if the goods or services involved are charged or assigned to such cost objective in accordance with relative benefits received.

- Costs must be given consistent treatment through application of those generally accepted accounting principles appropriate to the circumstances. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances was allocated to the Federal award as an indirect cost.
- Costs must conform to any limitations or exclusions set forth in the circulars, Federal laws, State or local laws, sponsored agreements or other governing regulations as to types or amounts of cost items.
- Costs must be net of all applicable credits that result from transactions that reduce or offset direct or indirect costs. Examples of such transactions include purchase discounts, rebates or allowances, recoveries or indemnities on losses, insurance refunds or rebates, and adjustments for overpayments or erroneous charges.
- Costs must be documented in accordance with A-102 Common Rule for State, local and Indian Tribal governmental units.

Additionally, indirect cost requirements are reviewed under this standard. The Ohio Department of Education, under authority granted by the Secretary of the US Department of Education, approves restricted indirect cost rates for programs administered by the state department. The Office of Grants Management is the section within the Department charged with the review and approval of these indirect cost allocation plans.

It is important to note that indirect costs are not additional funds for a program, but rather come out of the approved project budget submitted by a school district. Additionally, indirect costs are only allowable for Human Resource Division and Treasurer Office activities.

Cash Management

Because the Federal government did not want state and local entities to earn interest on Federal funds, which would have otherwise been earned by them, the Cash Management Improvement Act was placed in operation to prevent such interest earnings. As such, the Ohio Department of Education has established the project cash request system for Federal grants to ensure that the state department submits complete and accurate cash transactions reports to the Federal awarding agency or pass-through entity. Additionally, the state department is required to monitor cash drawdowns by their subrecipients to assure that subrecipients conform substantially to the same standards of timing and amount as apply to the pass-through entity.

Interest earned on advances by local government grantees and subgrantees is required to be submitted promptly, but at least quarterly, to the Federal agency. Up to \$100 per year may be kept for administrative expenses. Cite: 34CFR 80.21(i)

Eligibility

The specific requirements for eligibility are unique to each Federal program and are found in the laws, regulations, and the provisions of contract or grant agreements pertaining to the program. Generally, the requirement relates to those who are permitted to be served by grant funded activities. Additionally, the requirement determines whether calculated amounts of funding for individuals are in conformance with program requirements, if necessary.

Equipment and Real Property Management

Local governments shall follow the A-102 Common Rule for equipment acquired under Federal awards received from state sources. Basically, the A-102 Common Rule requires that equipment be used in the program which acquired it or, when appropriate, other Federal programs. Equipment records shall be maintained, a physical inventory of equipment shall be taken at least once every two years and reconciled to the equipment records, an appropriate control system shall be used to safeguard equipment and equipment shall be adequately maintained. When equipment with a current per unit fair market value in excess of \$5000, is no longer needed for a Federal program, it may be retained or sold with the state agency having a right to a proportionate (percent of participation in the cost of the original project) amount of the current fair market value. Proper sales procedures shall be used that provide for competition to the extent practicable and result in the highest possible return.

Matching, Level of Effort and Earmarking

This requirement is really three separate requirements combined together for ease of review. Each project may or may not have these requirements; thus, it is necessary to review program requirements to determine whether any or all of these provisions apply. The requirements are defined as follows:

- (1) Matching or cost sharing includes requirements to provide contributions (usually non-Federal) of a specified amount or percentage to match Federal awards. Matching may be in the form of allowable costs incurred or in-kind contributions (including third-party in-kind contributions).
- (2) Level of effort includes requirements for (a) a specified level of service to be provided from period to period, (b) a specified level of expenditures from non-Federal or Federal sources for specified activities to be maintained from period to period, and (c) Federal funds to supplement and not supplant non-Federal funding of services.
- (3) Earmarking includes requirements that specify the minimum and/or maximum amount or percentage of the program's funding that must/may be used for

specified activities, including funds provided to subrecipients. Earmarking may also be specified in relation to the types of participants covered.

Period of Availability

Each grant has a period for which funds can be obligated and spent. When an award letter is received from the Ohio Department of Education, it is important to read what the approved project period is and the time frames for which obligations may be incurred and liquidated. See also the discussion concerning period of availability present in this packet.

Grants are required to have all obligations liquidated not later than 60 days after the end of the approved project period. This activity coincides with the submission of the Final Expenditure Report to the Office of Grants Management.

This area has been heavily scrutinized by oversight agencies in the past several years. As of February 27, 2002, the Office of Grants Management has recovered over \$150,000 in questioned costs for activities conducted outside the approved project timeframes. Additionally, it is important to note that the state department has period of availability requirements to follow. Therefore, the failure to remit the project cash requests and/or final expenditure reports by the deadline will, generally, not allow payments to be made for any reason.

Procurement and Suspension and Debarment

This section is a combination of two issues. Procurement is the purchasing process used by a government entity to acquire goods or services for their use. States, and governmental subrecipients of States, shall use the same State policies and procedures used for procurements from non-Federal funds. They also shall ensure that every purchase order or other contract includes any clauses required by Federal statutes and executive orders and their implementing regulations.

Suspension and Debarment refers to the regulations, which permit an entity to receive a Federal award. Local entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred. Covered transactions include procurement contracts for goods or services equal to or in excess of \$100,000 and all nonprocurement transactions (e.g., subawards to subrecipients). Contractors receiving individual awards for \$100,000 or more and all subrecipients must certify to the local government that the organization and its principals are not suspended or debarred. The non-Federal entities may rely upon the certification unless it knows that the certification is erroneous.

Reporting

Local recipient agencies are required to submit various reports to the Ohio Department of Education to support the activities undertaken for the approved project. Each award may

have different reporting requirements, so it is necessary to review the approval letter and approved application to determine the specific requirements for reporting.

Generally, a required report for each project is the Final Expenditure report submitted to the Office of Grants Management. The report, which is compared to the last approved project budget, details the project expenditures by object and function. The report is required to be submitted to Grants Management not later than 60 days following the end of the project period.

Special Tests and Provisions

The specific requirements for Special Tests and Provisions are unique to each Federal program and are found in the laws, regulations, and the provisions of contract or grant agreements pertaining to the program. Ideas such as comparability, school wide programs and participation of private school children are issues normally considered within the special tests and provisions grouping. Consult your approved application and award letter to determine which requirements apply to your specific program.