

Texas Conference on Ending Homelessness, Corpus Christi
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The Impact of the New EDGAR on McKinney-Vento

**Key Revisions to the *Compliance Handbook for McKinney-Vento Subgrantees and FAQs*
(All page references are to the 3rd Edition of the Handbook)**

General

1. Uniform guidance in **2 CFR Part 200** applies to federal grants awarded on or after December 26, 2014, for all entities receiving federal funds:
 - a. **Uniform administrative requirements** – based primarily on the previous OMB Circular A-102 codified for Education in 34 CFR Part 80
 - b. **Cost Principles** – combined the 3 previous different sets of cost principles into one set applicable to all types of grantees
 - c. **Audit Requirements** – replaces OMB Circular A-133 and applies to all types of grantees
2. Emphasizes **internal controls** to strengthen oversight over federal funds to **reduce risks of waste, fraud, and abuse** – auditors and monitors will look for significant **written policies and procedures** that provide for effective internal controls and will ensure grantees are monitoring employees for compliance with the written policies and procedures. There was already a section in the *Handbook* about internal controls in the **Introduction** but it was expanded to correspond to guidance in 2 CFR Part 200. Review !!!!! (pages 15-18)
3. All references in the *Compliance Handbook* that previously referenced 34 CFR Parts 74 and 80 were changed to the corresponding reference in 2 CFR Part 200
4. USDE adopted the guidance in **2 CFR Part 200** in its entirety with 2 minor exceptions in 2 CFR Part 3474 → regulations; other parts of EDGAR that still apply are identified in *Handbook* on pages 39-42
5. Previous OMB Grants Management circulars apply to grants awarded prior to December 26, 2014 – in **Appendices** (p. 246) – auditors are auditing for compliance with these circulars for grants that were **awarded prior to December 26, 2014**

Part I – Uniform Administrative Requirements

- **Memberships in Organizations whose Primary Purpose is Lobbying** – not allowable (previously *Memberships in Organizations Substantially Engaged in Lobbying*); any portion of membership dues used for lobbying cannot be charged to federal grant; all memberships must be in name of organization, not in name of individual (p. 60)
- **Monitoring and Reporting Program Performance** – expanded to include:
 - TEA Monitoring (**new**) (p. 71)
 - Risk Assessment (by TEA) (**new**) (p. 72)
 - Special Conditions (that may be imposed by TEA) (p. 73)

Part II – Fiscal Requirements

1. *Period of Availability of Funds* is now **Period of Performance** (p. 86)
2. *Expending Grant Funds, Eligible Costs* is now **Determining Allowability of Costs**
 - a. **New** - Grantees must have *written* procedures for determining the *allowability* of costs charged to federal grants – this section expanded significantly – starts on page 90 in *Handbook*
 - b. All costs must be documented as *reasonable, necessary, allocable, and allowable* (not a new requirement, but **new that you have documentation that you followed written procedures to determine this; how did you determine each of these criteria were met for each cost incurred**)
 - c. **Federal cost principles** now in *2 CFR Part 200, Subpart E*
 - d. TEA's *Guidelines Related to Specific Costs* is now **Budgeting Costs Guidance Handbook** on TEA's website
3. **Time and Effort**
 - a. Federal cost principles now in *2 CFR Part 200, Subpart E* no longer include the requirements for employees working 100% of the time on a single cost objective (including a single grant program) to complete the *semi-annual certification* or for employees who work part of the time on a grant to complete *time and effort*. Now requires a “*system of internal controls*.”
 - b. However, TEA is recommending you continue with semi-annual certification and time and effort provided you were doing it correctly. Unknown how different independent auditors will interpret.
 - c. Section in *Handbook* is now called **Payroll Costs and Documentation for Grant-Funded Personnel** – starts on page 106
 - d. Now includes subsections on
 - **Allowable and Reasonable Compensation** – reasonable if consistent with that paid for similar work (not new) (p. 106)
 - **New - Professional Activities Outside the Grantee Organization** - must have *written policies and practices* concerning the permissible extent employees may provide professional services *outside* the organization (during non-contracted hours) and receive compensation from the organization receiving the services (p. 106)
 - **Major Change - Documentation for Salaries and Wages (major change in regulations but not in practice)** – semi-annual certification and personnel activity reports (PARS) were removed from the regulations. Now requires “records that accurately reflect the work performed by employees” and a “*system of internal controls* which provides reasonable assurance that the charges are accurate, allowable, and properly allocated.” TEA recommends continue semi-annual certification and time and effort if you were doing it correctly. *Handbook* and FAQs now use the word “should” instead of “must.” (starts on p. 107)

4. Procurement (Purchasing) (starts on p. 125)

- a. **New** - Must have *written* procedures for purchasing
- b. **New** - Regulations previously required a “contract administration system.” Now requires “**oversight and procedures**” to ensure contractors perform in accordance with the terms, conditions, and specifications of their contracts. (p. 127)
- c. **Written standards of conduct** that prohibits conflict of interest in purchasing transactions (not new) (p. 127 and p. 304 in Appendices)
- d. **Written procedures for selecting contractors** (not new) (pp. 128-129)
 - i. Incorporate a clear and accurate description of the technical requirements for the material, produce, or service to be procured
 - ii. Identify all requirements which the proposers must fulfill and all other factors to be used in evaluating bids or proposals
- e. **Methods of Procurement:** Previously 4 methods; now 5 methods (pp. 129-130)

Micro-purchase – supplies or services \$3,000 or less (**new**)

For supplies or services \$3,000 or less; may be awarded without soliciting competitive quotations *if* the grantee considers the price to be reasonable and *if* the grantee distributes micro-purchases equitably among qualified suppliers to the extent practicable.

Small purchase procedures (informal bids) – purchases between \$3,001 and \$49,999

Federal threshold is \$150,000. However, school districts must competitively bid for purchases \$50,000 or greater (not new). **Price or rate quotations (documented in writing) must be obtained from an adequate number of qualified sources** for all purchases in this range (**new**). ESCs and open-enrollment charter schools *not* operated by an LEA may use the federal threshold of \$150,000. If the ESC or charter school has established a threshold lower than \$150,000, then the lower threshold must be used.

The remaining 3 methods are in the *Handbook* (p. 130) (sealed bids, competitive proposals, and noncompetitive proposals, i.e., sole source) – no changes except emphasizes “**sole source**” purchases **should be very rare and must be carefully documented**

- f. **Cost or Price Analysis** for each purchase with federal funds > \$150,000 (not new but threshold was previously \$100,000) – page 134 of *Handbook*
- g. **Contract Provisions** (not new) – must retain copyright for TEA if state or federal grant funds are provided through TEA – page 135 of *Handbook*
- h. **Payment After Services are Performed** – not new (p. 135)
- i. **Consultants** – **significantly expanded in regulations** - grantees must consider several factors prior to contracting with a consultant – pages 136-137 in *Handbook*

5. Equipment:

- a. New section in *Handbook* on **Insurance and Maintenance of Equipment** – no changes in regulation (pp. 138-139)
- b. **Use of Equipment** section expanded (p. 139)
- c. **Disposition of Equipment** – TEA (ESC 10 in the case of McKinney-Vento) must still approve disposition of equipment (pp. 140-141)

6. Supplies (starts on p. 141)

- **New** - Definition of supplies now includes *computing devices* that cost less than \$5,000 or the capitalization level, whichever is less
- **New** - *Computing devices*, including highly desirable mobile devices such as laptops, smartphones, and tablets, should be tagged and tracked as part of the control system required in the federal regulations to ensure adequate safeguards to prevent loss, damage, or theft of *all* property

7. Expenditure Reporting

New Certification Statement - The fiscal reports requesting payment include a certification signed/certified by an official who is authorized to legally bind the district that he or she is aware that any false, fictitious, or fraudulent information, or the omission of any material fact, may subject him or her to criminal, civil or administrative penalties for fraud, false statements, or false claims or otherwise. (p. 144)

8. Cash Management and Interest Earned

- a. **Significant change to cash management policy and when interest starts accruing**
- b. **New** - Regulations require *written* cash management procedures and *internal controls* to minimize the time elapsing between the time the grant payments are received, and the time they are disbursed (p. 145)
- c. **Major change** - Once a payment is received by the district, the funds must be paid out **on the day the payment is received** in order to avoid accrual of interest (previously had 3 days to pay out funds) (pp. 145 and 147)
- d. **Change** - Can retain up to \$500 annually on interest earned for administrative expenses (p. 147)

9. Single Audit

- Former OMB Circular A-133 – now 2 *CFR Part 200, Subpart F – Audit Requirements*
- Threshold was raised from \$500,000 to \$750,000 for fiscal years beginning July 1 or September 1, 2015 – entities that expend \$750,000 total or more in federal funds must have Single Audit in addition to regular annual audit (pp. 155-156)

10. Records

- Added information that was in FAQs about **Texas State Library and Archives Commission** (TSLAC) that requires a *Records Management Policy*, designation of a *Records Management Officer* to oversee the policy, and compliance with a *Records Retention Schedule*. (p. 159)
- Added section in *Handbook* on **Electronic Records** – similar to what was in FAQs (p. 163); see FAQs Section H for more detail about electronic record keeping.

11. Identification of High-Risk Grantees and Special Conditions for High-Risk Grantees (starts on p. 166)

- New - Annual Risk Assessment** - TEA (or other awarding agency) is *required* to conduct an annual risk assessment – TEA assigns a risk level every year and it can change from year to year (p. 166)
- New - Special Conditions** - TEA (or other awarding agency) is *required* to *consider* imposing special conditions based on the results of the assessment of risk (pp. 166-167)
- High-Risk Grantee** – TEA (or other awarding agency) also has authority to identify grantee as high-risk and impose special conditions (not new)

Part III – McKinney-Vento Program Requirements

1. Homeless Liaison

- For liaisons working 100% of time on MV, six-month certification (or similar) is recommended (p. 184)
- For liaisons working part of time on MV, time and effort (or similar) is recommended (p. 185)
- Remember MV is NOT an Ed-Flex program (p. 184)
- Cell phone stipends** are NOT allowable – TEA changed policy last year; this was in 2nd Edition of *Handbook* and in FAQs (bottom of p. 185)
- New - Use allowance for equipment or buildings** (previously purchased with state or local funds) is **no longer allowable** – must use depreciation to allocate costs if used by your district (p. 187, Using Existing Equipment Purchased with State/Local Funds)

2. Serving Homeless Students with Title I Funds

- **Salary of the Liaison** - Effective with beginning of 2014-2015 school year - Salary of the liaison may be paid in part or in full with Title I, Part A even if the liaison is not performing other Title I duties; may also be funded from the Title I *set-aside* but does not satisfy the requirement to provide comparable services to homeless children who attend non-Title I schools (no change from 2nd Edition of *Handbook* – just a reminder, p. 213)
- **Excess Costs of Transporting Homeless Students** - since the beginning of the **2014-2015 school year**, LEAs may use Title I, Part A funds to pay for the *excess costs of transporting homeless students to and from the school of origin*; may also be funded from the Title I *set-aside* but does not satisfy the requirement to provide comparable services to homeless

children who attend non-Title I schools (no change from 2nd Edition of Handbook – just a reminder, p. 214)

Appendices

1. ***Time and Effort Record Keeping Requirements*** is now ***Recommended Procedures for Documenting Personnel Expenses*** (uses the words “should” and “recommended” rather than “must” and “required”) (starts on p. 289; the scenarios that start on p. 295 are very helpful)
2. ***Fiscal Compliance Checklist*** was revised to include “recommended” language for six-month certification (or similar documentation) and time and effort (or similar documentation); also updated cash management section
3. ***Supporting Documentation Associated with Subcontracts, Corporate Credit Cards, and Travel - Documentation Associated with Travel*** (p. 286)
 - a. **Written Travel Policies** - Must have written travel policies that are applied consistently (not new)
 - b. Still reimbursement based on **actual cost of meals** not to exceed federal rate for locale or local policy, whichever is less – (travel allowances not allowable - no change)
 - c. **New** - Documentation (such as *Travel Voucher*) must include **justification as to why it is necessary to accomplish the objectives for this particular person to participate in this particular travel event** (also recommended it be on *Request to Travel* form)
4. ***Federal Standards for Procurement*** - Revised to incorporate the new regulations and requirement to *maintain oversight* to ensure contractors are performing (starts on p. 304)
5. Updated ***Compliance Requirements Reviewed During an Audit*** to correspond to the 2015 Compliance Supplement (starts on p. 309) (includes written code of conduct/conflicts of interest; reviewing proposed procurements, awards to responsible contractors, etc.)

Major Changes/Revisions to FAQs as a Result of the New EDGAR (October 2015 Version of FAQs)

1. Updated all links to documents on TEA’s website; changed all references to TEA’s former *Guidelines Related to Specific Costs*, to TEA’s revised version to reflect the new EDGAR; that document is now called “*Budgeting Costs Guidance Handbook*”
2. A.1.5. pertaining to federal cost principles – updated to reflect the cost principles now in 2 CFR Part 200, Subpart E that apply to federal grants awarded on or after December 26, 2014
3. The answers in section **A.2. Payroll Expenses** and in **A.3 Documenting Personnel Expenses** were revised to use the words “should” and “recommended” instead of “must” and “required” as it pertains to the semi-annual certification and time and effort.
4. A.5.1. pertaining to using grant funds to pay for leasing building space owned by the district – revised the second paragraph to coincide with the new regulations which delete the “building use allowance;” the LEA may now receive compensation by computing *depreciation* only

5. A.6.21. pertaining to coding technology supplies and equipment – updated to incorporate TEA’s guidance pertaining to tracking and inventorying highly desirable items such as smartphones, tablets, and laptops; also updated to incorporate TEA’s guidance regarding a policy pertaining to personal use of technology
6. A.8.2. pertaining to charging a federal grant for the use of equipment purchased with state or local funds – “use allowances” are no longer allowed; only depreciation is allowed
7. A.9.2. and A.9.3. pertaining to documentation prior to travel occurring and after travel occurring – added the new requirement that travel documentation must include **justification for why it is necessary for this particular individual to participate in this particular travel event to accomplish the objectives of the grant program**
8. A.13.15. pertaining to field trips – updated to correspond to TEA’s revised guidance on allowable field trips – at least 75% of the time spent at a location must be for **documented educational purposes** and meet other conditions
9. A.13.17. pertaining to organization memberships – updated section on **Memberships in Organizations Whose Primary Purpose is Lobbying**
10. D.7. pertaining to signing a contract with a consultant prior to the start date of the grant – updated to coincide with guidance being provided by TEA regarding a “letter of intent”
11. H.1 and H.2. pertaining to administrative requirements and OMB Circulars – updated to coincide with regulations that apply to grants awarded prior to December 26, 2014, and grants that were awarded on or after December 26, 2014.