

January 31, 2013

INTERNAL FISCAL CONTROLS IN ACCOUNTING PROCEDURES

Please share this information with your finance and Title III personnel.

Information from a recent federal onsite monitor indicates that Title III School Administrative Units (SAUs) may not be properly addressing internal fiscal controls.

The Education Department General Administrative Regulations (EDGAR) 34 CFR 80.20(b) state that:

(3) *Internal control.* Effective control and accountability must be maintained for all grant and subgrant cash, real and personal property, and other assets.

(6) *Source documentation.* Accounting records must be supported by such source documentation as cancelled checks, paid bills, payrolls, time and attendance records, contract and subgrant award documents, etc.

Please note that all costs charged to Title III must follow the SAU's internal control procedures. Office of Management and Budget (OMB) Circular A-87 (2CFR 225) requires that in order for costs to be allowable under Federal awards, they must be reasonable, necessary, and allocable.

What specific requirements must School Administrative Units (SAUs) follow with Title III funds?

SAUs must assure that Title III funds are used to:

1. Meet the annual measurable achievement objectives (AMAOs);
2. Make adequate yearly progress for English learners;
3. Annually measure the English proficiency of English learners, so that English learners served by the programs develop proficiency in English while meeting state academic content and student academic achievement standards; and
4. Promote parental and community participation in programs for English learners.

What are the required activities of the Title III grant?

SAUs receiving Title III funds, either directly or through a Title III consortium **must** spend Title III funds on the two required activities:

- 1) Increasing English proficiency and student academic achievement of children who are limited English proficient (LEP) (Title III Sec. 3102); and
- 2) Providing high-quality professional development to classroom teachers, principals, and administrators involved in their education. (Title III Sec. 3115).

What professional development activities must SAUs receiving Title III subgrants provide for teachers, administrators, and others involved in language instruction educational programs?

SAUs are required to provide high quality professional development to classroom teachers (including teachers in classroom settings that are not the setting of language instruction educational programs), principals, administrators, and other school or community-based organizational personnel that is:

- Designed to improve the instruction and assessment of English learners;
- Designed to enhance the ability of such teachers to understand and use curricula, assessment measures, and instruction strategies for English learners;
- Based on scientifically-based research demonstrating the effectiveness of the professional development in increasing student's English proficiency, or substantially increasing the subject matter knowledge, teaching knowledge, and teaching skills of teachers; and
- Of sufficient intensity and duration to have a positive and lasting impact on the teachers' performance in the classroom (excluding activities such as one-day or short-term workshops and conferences unless the activity is a component of an established comprehensive professional development program for an individual teacher).

What assurance must Title III SAUs provide on using funds to supplement, not supplant?

SAUs must assure that Title III funds are used to supplement activities that are the responsibility of the state and local education agency and not supplant. Further guidance on the role of Title III as supplementary is available at <http://www.maine.gov/education/esl/titleIII/index.html>

Specifically, providing an English language acquisition instructional program is the responsibility of the SAU. Requirements for an English language acquisition instructional program are outlined in the **Program Resource Guide - [Serving Maine's English Learners](#)** available at <http://www.maine.gov/education/esl/index.shtml> . SAUs with an existing English language acquisition instructional program are eligible for Title III.

FISCAL REQUIREMENTS

Allowable and Unallowable Costs. (34 CFR 80.22 and OMB Circular A-87)

Subgrantees assume responsibility for ensuring that federal program funds have been expended and accounted for consistent with applicable OMB cost principles, agency program regulations, and the terms of subgrant agreements to determine the reasonableness, allowability, and allocability of costs.

OMB Circular No. A-87 "Cost Principles for State and Local Governments" establishes principles and standards for determining costs applicable to grants, contracts, and other agreements with state and local governments and Indian Tribal governments. Costs are allowable for federal reimbursement only to the extent of benefits received by federal programs, and costs must meet the basic guidelines of allowability, reasonableness, and allocability.

Allowability. To be allowable under a federal award, costs must meet the following general criteria:

- Be necessary and reasonable for proper and efficient performance and administration of federal awards and be allocable thereto under these principles.
- Be authorized or not prohibited under state or local laws or regulations.
- Conform to any limitations or exclusions set forth in these principles, federal laws or other governing limitations as to types or amounts of cost items.
- Be consistent with policies, regulations, and procedures that apply uniformly to both federal awards and other activities of the subgrantee.
- Be accorded consistent treatment. Consequently, a cost may not be assigned to a federal award as direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to a federal award as an indirect cost.
- Be determined in accordance with generally accepted accounting principles appropriate to the circumstances.
- Not be included as a cost or used to meet cost sharing or matching requirements of any other federal activity in either the current or a prior period.
- Be net of all applicable credits.
- Be adequately documented.

Reasonableness. 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. In determining reasonableness of a given cost, consideration shall be given to:

- Whether the cost is of a type generally recognized as ordinary and necessary for the operation of the governmental unit or the performance of the federal award.
- The restraints or requirements imposed by such factors as sound business practices, arm's length bargaining, federal, state and other laws and regulations, and terms and conditions of the federal awards.
- Market prices for comparable goods or services.
- Whether the individuals concerned acted with prudence in the circumstances considering their responsibilities to the subgrantee, its employees, the public at large and the federal government.
- Significant deviations from the established practices of the subgrantee that may unjustifiably increase the federal awards cost.

Unallowable Costs. Subgrantees are responsible for ensuring that unallowable expenditures are not charged to a federal program. The following represents unallowable costs identified in OMB Circular No. A-87.

- Advertising costs associated with disposal of surplus materials
- Alcoholic beverages
- Bad debts (Any losses arising from uncollectible accounts and other claims, and related costs.)
- Contingencies (Contributions to a contingency reserve or any similar provision for unforeseen events.) An exception is that school foodservice funds may be placed into contingency accounts for use in future major purchases or capital improvements.
- Contributions, donations, and volunteer services
- Defense and prosecution costs of criminal and civil proceedings and claims
- Entertainment (Costs of amusements, diversion, social activities, and any costs relating thereto, such as tickets to shows or sports events, meals, beverages, lodging, rentals, transportation, and gratuities.)
- Fines and penalties (Costs resulting from violations of, or failure to comply with federal, state or local laws and regulations.)
- Fund raising and investment management costs (except costs associated with investment covering pension, self-insurance are allowable)
- Interest (Interest on borrowed capital or use of subgrantee's own funds, however representing.)
- Legislative expenses (Salaries and other expenses of the State legislature or similar local governmental bodies such as county supervisors, city councils, school boards, etc., whether incurred for purposes of legislation or executive direction, are unallowable.)
- Lobbying (Costs of influencing activities associated with obtaining grants, contracts, cooperative agreements, or loans and membership in organizations substantially engaged in lobbying.)
- Promotional items and memorabilia
- Real property or construction (Unless specifically permitted by the authorizing statute.)
- Religious worship, instruction, or proselytization (Includes equipment or supplies; construction, remodeling, repair, operation, or maintenance of religious facility; activity of a school or department of divinity.)
- Under recovery of costs under federal agreements (Any excess costs over the federal contribution under one grant agreement is unallowable under other grant agreements.)