



EDGAR Changes in FY25

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2024 Annual Fiscal Workshop





Agenda

- Financial Management
- Timely Spending
- Allowability and Cost Principles
- Time and Effort
- Property Standards
- Record Keeping
- Audit Requirements



Financial Management



Summary of Proposed Financial Management Changes

- Documented internal controls
- Rules applicable to construction vs. non-construction
- Additional program income requirements
- Clarifications on budget revision timelines and prior approval



Financial Management – 200.302 (b)

LEAs must have:

- Identification in accounts
- Financial reporting
- Accounting records (financial obligations)
- Internal controls
- Budget control
- ***Written procedures*** for federal payment
- ***Written procedures*** for determining allowability





Internal Controls – 200.303

LEAS must:

- Establish, **document**, and maintain internal controls
- Comply with requirements (including U.S. Constitution)
- Evaluate and monitor compliance
- Take prompt action to correct noncompliance
- Take **cybersecurity and other measures as appropriate to safeguard information** including personally identifiable information (PII)



Program Income – 200.307

- Encouraged to earn income to defray program costs where appropriate
- Must be used for the original purpose of the Federal award
 - May only be used for costs incurred during the period of performance or allowable closeout costs
 - Must be expended prior to requesting additional Federal funds



Timely Spending



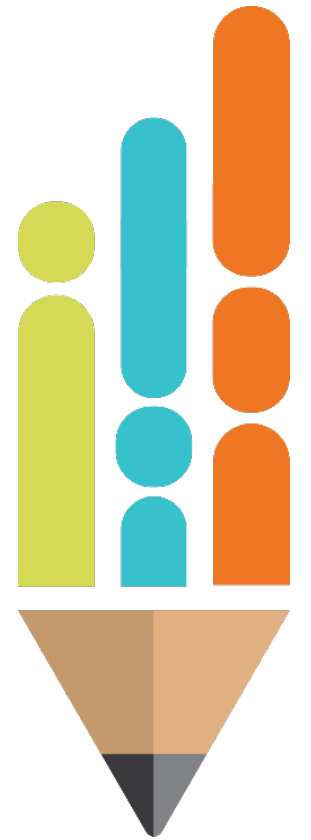
Summary of Proposed Timely Spending Changes

- Revisions to definition of period of performance and financial obligations
- New allowable costs for closeout
- Some liquidation timeline flexibility



Period of Performance – 200.1

- Period of performance means the time during which the **recipient and subrecipient must perform and complete the work authorized under the Federal award.**
 - It is the time interval between the start and the planned end date of a Federal award, which may include one or more funded portions, or budget periods.
 - The period of performance does not commit the Federal agency to fund the award beyond the currently approved budget period.



When do costs obligate? 34 CFR 76.707

Type of Cost	Date of Obligation
Acquisition of real or personal property	Date which the State or subgrantee makes a binding written commitment to acquire the property
Personal services by an employee	Date when the services are performed
Personal services by a contractor	Date which the State or subgrantee makes a binding written commitment to obtain the services
Performance of work other than personal services	Date which the State or subgrantee makes a binding written commitment to obtain the work
Travel	Date when the travel is taken

Pre-Award Costs – 200.458

- Pre-award costs are those incurred **before the start date** of the Federal award directly pursuant to the negotiation and in anticipation of the Federal award where such costs are necessary for efficient and timely performance of the scope of work.
- Allowable only to the extent that they would have been allowed if incurred after the **start** date of the Federal award and only with the **prior** written approval of the Federal agency.



Closeout & Liquidation – 200.344

- SEA must liquidate within 120 days of obligation date
 - Complete scope of work
 - Finish accounting
 - Finalize draw-downs
- LEA has 90 days to liquidate **(or an earlier date as agreed upon by the pass-through entity and subrecipient)**.
 - When justified, the Federal agency or pass-through entity may approve extensions for recipient or subrecipient



Carryover (Tydings Amendment) – GEPA Sec. 421(b); 34 CFR 76.709; 76.710

- LEAs are provided the initial award period of 15-months (July 1 – Sept 30), with a one-year carryover period under the “Tydings Amendment.”
- Exceptions: Program Restrictions
 - Title I, Part A: 15 percent;
 - Perkins: (no local carryover); and
 - competitive subgrants (21st CCLC)



Allowability and Cost Principles

Summary of Proposed Allowability Changes

- Adds administrative closeout costs
- Adds prizes as a specific item of cost
- Allows for dependent care to be provided under conference costs
- Emphasizes need for written travel policies
- Must document participant support costs in policies and procedures
- Clarifications to prohibition telecommunications and video surveillance costs
- Changes to indirect costs and increased de minimus rate
- Removed some prior approval requirements



Basic Factors of Allowability - 200.403

- To be allowable, a cost must:
 - Be necessary, reasonable and allocable
 - Comply with the cost principles and Federal award
 - Be consistent with policies and procedures applying uniformly to Federal and non-Federal activities and costs
 - Be consistently treated as either direct or indirect costs
 - Be determined in accordance with GAAP
 - Not be included or used to meet cost sharing / match requirements
 - Be adequately documented
- **Administrative closeout costs may be incurred until due date of the final reports. Must be liquidated prior to due date and charged to final budget period. All other costs must be incurred during approved budget period.**



Necessary – 200.404

- A cost is “generally recognized as ordinary and necessary for the recipient’s or subrecipient’s operation or the proper and efficient performance of the Federal award.”
- **Ask:**
 - Is the cost included in your plan/grant application?
 - Is it aligned with the goals of the program/grant?
 - Does your agency have the capacity to use what you are purchasing?
 - Is the staff knowledgeable regarding the program?





Reasonable – 200.404

- “A cost is reasonable if it does not exceed an amount that a prudent person would incur under the circumstances prevailing when the decision was made to incur the cost.”
- **Ask:**
 - Prudent person standard
 - If it was on the front page of the newspaper, could you defend it?
 - Reasonableness is focused on the cost
 - Robust procurement system supports competition and reasonableness



Allocable – 200.405

- A cost is allocable to a Federal award if the cost is assignable to that Federal award in accordance with the relative benefits received.
 - **Ask:**
 - Was it incurred specifically for the award?
 - If it benefits both award and other work, can the cost be distributed in proportions that may be approximated using reasonable methods?
 - Is it necessary to the overall operation of the entity and assignable to the award in accordance with this subpart?





Direct Costs – 200.413

- Direct Costs: those costs that can be identified specifically with a particular final cost objective, such as a federal award, or other internally or externally funded activity, or that can be directly assigned to such activities relatively easily with a high degree of accuracy.
 - Typically incurred specifically to benefit an award (**including, for example, supplies needed to achieve the award’s objectives and the proportion of staff salary expended in relation to that specific award**)





Indirect Costs – 200.414

- For costs that cannot be directly charged, grantees have an indirect cost rate
- Salaries of administrative and clerical staff should be treated as “indirect” unless all of following are met:
 - Such services are integral to the activity
 - Individuals can be specifically identified with the activity
 - Costs not also recovered as indirect
 - **Removed “such costs are explicitly included in budget or have prior written approval of federal awarding agency”**
- **De minimus rate (for when recipients and subrecipients do not have a negotiated indirect cost rate increased from 10% to 15% for modified total direct costs (MTDC))**





Travel 200.475

- Travel costs may be charged on actual, per diem, or mileage basis
- Travel charges must be consistent with **entity's established written policies**
- Allows costs for “above and beyond regular dependent care” if consistent with established written policy for all travel
- Grantee must retain documentation that participation of individuals are necessary for the project





Fines, Penalties, Damages – 200.441

- Costs resulting from recipient or subrecipient violations of, or alleged violations of, or failure to comply with federal, State, local, tribal, or foreign laws and regulations are **unallowable**, except when incurred as a result of compliance with specific provisions of the federal award, or with the prior written approval of the federal agency.



Prohibition on Telecommunications and Video Surveillance – 200.216, 200.471

- Prohibition on using federal funds for “covered telecommunications equipment” as described in Section 889 of Public Law 115-232
- A recipient or subrecipient may use covered telecommunications equipment or services for their own purposes (not program activities) provided they are not procured with Federal funds.
- **The prohibition on covered telecommunications equipment or services applies to funds generated as program income, indirect cost recoveries, or to satisfy cost share requirements.**
- **The recipient or subrecipient is not required to certify that funds were not expended on covered telecommunications equipment or services beyond the certification provided upon signing the award.**



Prior Written Approval Still Required

- § 200.306 Cost sharing;
- § 200.307 Program income;
- § 200.308 Revision of budget and program plans;
- § 200.333 Fixed amount subawards;
- § 200.430 Compensation - personal services;
- § 200.431 Compensation - fringe benefits;
- § 200.441 Fines, penalties, damages and other settlements;
- § 200.442 Fund raising and investment management costs;
- § 200.445 Goods or services for personal use;
- § 200.447 Insurance and indemnification;
- § 200.455 Organization costs;
- § 200.439 Equipment;
- § 200.458 Pre-award costs;
- § 200.462 Rearrangement and reconversion costs;
- § 200.475 Travel costs.



Time and Effort



Who must keep time and effort records?

- Any employee paid in whole or in part with federal funds
 - Includes: Full time and part time employees, Federal stipends that are considered salary expenses, Substitute teachers (if employees), etc.
200.430(g)(1) & (4)
- Any employee whose salary is used to meet a match/cost share requirement
- Note: time and effort requirements do not apply to contractors!



Documentation Standards – 200.430(g)

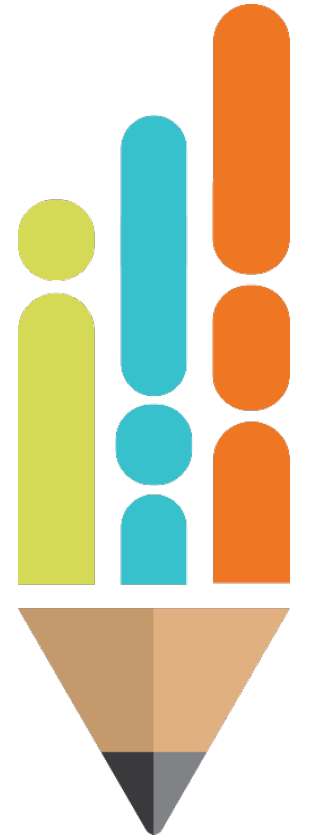
- Documentation must...
 - Be supported by a system of internal controls which provides reasonable assurance charges are accurate, allowable and allocable;
 - Be incorporated into official records;
 - Reasonably reflect total activity for which employee is compensated;
 - Encompass all activities (federal and non-federal);
 - Comply with established accounting policies and practices; and
 - Support distribution among specific activities or cost objectives.



Property Standards

Summary of Proposed Changes to Property Standards

- Equipment threshold increased
- Clarifications to inventory procedures
- Increased responsibilities for PTEs
- New equipment retention flexibility
- Disposition thresholds increased
- New definition for unused supplies



Equipment – 200.313



Equipment: tangible, non-expendable, personal property having a useful life of more than one year and an acquisition cost of **\$10,000** or more per unit

Supplies: All tangible personal property other than equipment

Computing Devices: If less than **\$10,000** per unit, defined as supplies

Equipment Use – 200.313(c)

- Equipment must be used in the program or project for which it was acquired as long as needed, whether or not the project or program continues to be supported by the Federal award
- Equipment must be available for shared use, provided such use will not interfere with the purpose for which it was originally acquired, and it follows this order of preference:
 - First by other programs from same agency
 - Then open to other Federal programs
 - Non-Federal programs, **provided such use will not interfere with the purpose for which it was originally acquired**



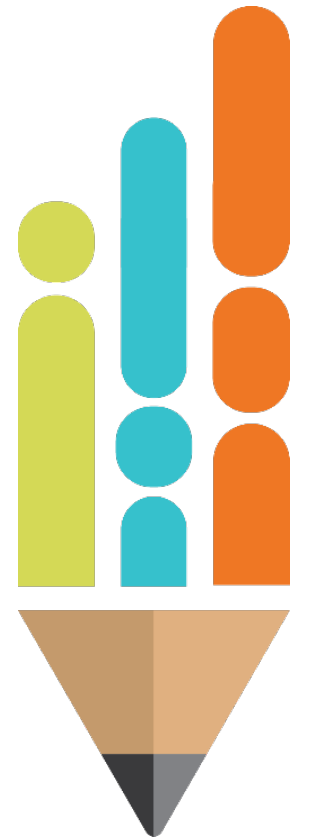
Inventory Procedures – 200.313(d)

- **Regardless of whether equipment is acquired in part or its entirety under the Federal award, the recipient or subrecipient must manage equipment (including replacing equipment) utilizing procedures that meet the following requirements:**



Inventory Procedures (con't.) – 200.313(d)

- (1) Property records
 - Description, serial number or other ID, source of funding, title, acquisition date and cost, percent of Federal **contribution**, location, use and condition, and disposition date including sale price. **Recipient is responsible for maintaining and updating property records when there is a change in status of the property.**
- (2) Physical inventory at least every two years (or more often, if required by State or your own policies)
- (3) Control system to prevent property loss, damage, theft
 - All incidents must be investigated **and reported to the Federal agency or pass-through entity**
- (4) Regular maintenance procedures in place
- (5) If authorized or required to sell property, proper sales procedures to ensure highest possible return



Disposition – Equipment (non-states)

200.313(e)

- When property is no longer needed in any current or previously Federally-funded supported activity, must request disposition instruction from the Federal agency **or pass-through entity**. Disposition will be made as follows, in accordance with Federal agency **or pass-through entity** disposition instructions:
 - Fair market value > **\$10,000 (per unit)** = pay Federal share back to federal agency or pass-through entity
 - Fair market value of < **\$10,000 (per unit)** = no money owed back to feds



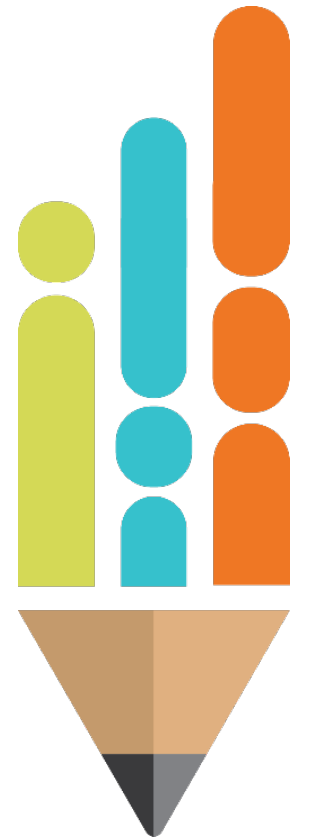
Disposition – Equipment (non-states)

200.313 (con't.)

- May retain up to \$1,000 or 10%, whichever is less, to cover expenses associated with the selling and handling of the equipment.
- **200.313(f): Equipment retention. When included in the terms and conditions of the Federal award, the Federal agency may permit the recipient to retain equipment with no further obligation to the Federal Government unless prohibited by Federal statute or regulation.**

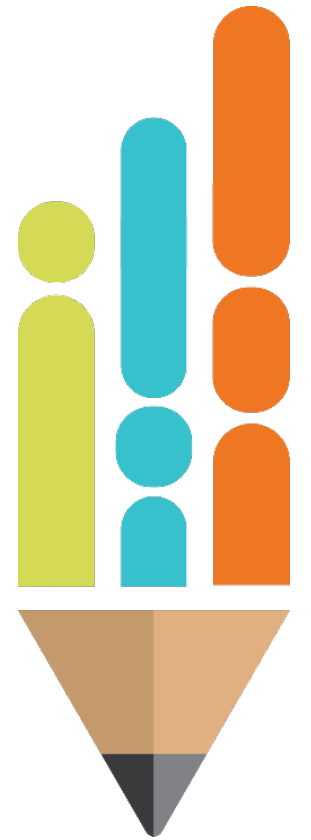
Disposition of Supplies – 200.314

- If there is a residual inventory of unused supplies **at the end of the period of performance** exceeding **\$10,000** in total aggregate value, and the supplies are not needed for any other Federal award, the State or LEA may retain or sell the supplies
 - **Unused supplies means supplies that are in new condition, not having been used or opened before. The aggregate value of unused supplies consists of all supply types, not just like-item supplies**



Disposition of Supplies – 200.314 (con't.)

- **The federal agency or pass-through entity is entitled to compensation in an amount calculated by multiplying the percentage of the federal agency's or pass-through entity's contribution towards the cost of the original purchase(s) by the current market value or proceeds from the sale.**
- If the supplies are sold, the Federal agency PTE may permit the recipient or subrecipient to retain \$500 or 10% (whichever is less) from the Federal share of the proceeds to cover expenses associated with the selling and handling of the supplies.



Record Keeping



Summary of Proposed Record Keeping Changes

- Greater emphasis on written policies and procedures, especially for electronic records
- Additional required policies and procedures





Record Retention Requirements – 200.334

- 200.334: The recipient or subrecipient must retain all Federal award records for three years from the date of submission of the final financial report.
- Best practice is to retain records for five years because of statute of limitations.



Access to Records- 200.337

- The Federal agency, Inspectors General, the Comptroller General of the United States, or any of their authorized representatives, must have the right of access to any records of the subrecipient or recipient pertinent to the Federal award to perform audits, execute site visits, or for any other official use.
 - Removes PTE from this list
- This right also includes timely and reasonable access to the recipient's and subrecipient's personnel for the purpose of interview and discussion related to such documents or the Federal award in general.





Required Written Policies

- Conflicts of Interest Policy – 200.318(c)
- Accounting Policies – 200.306(h)(2)(i); 200.400; 200.430(i)
- Time and Effort Policies – 200.430(a)
- Fringe Benefits Policies – 200.431
- Employee Health and Welfare Policies – 200.437
- Travel Reimbursement Policy – 200.475(a)



Required Written Procedures

- Real property sales procedures – 200.311(c)(2)
- Time & Effort Procedures – ED Cost Allocation Guide
- Written Allowability Procedures – 200.302(b)(7); 200.403(c)
- Written Cash Management Procedures – 200.302(b)(6) and 200.305
- Written Procurement Procedures – 200.318(a), 200.319(d), and 200.320
- Procedures for Managing Equipment – 200.313(d)
- Participant support cost classification, 2 CFR 200.456
- Record conversion quality control, 2 CFR 200.336
- Opportunities to object, hearings and appeals, 2 CFR 200.342





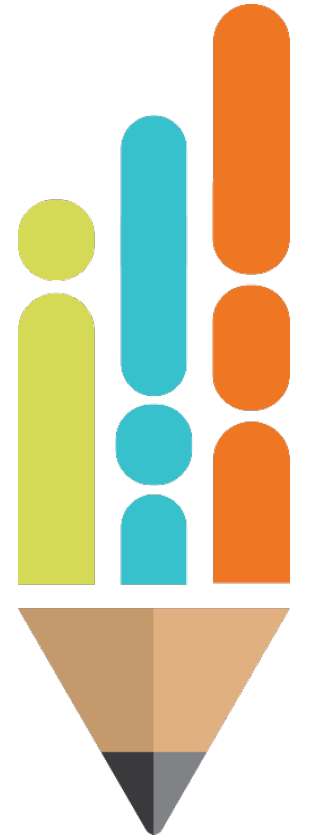
Suggested Written Policies and Procedures

- Record Retention
- Audit Resolution
- For the pass-through entity: Subrecipient monitoring (listed in OMB Compliance Supplement)
- Program Specific Requirements



Audit Requirements – 200.501

- Single audit required when an entity spends **\$1,000,000 or more** during fiscal year
 - Major Programs (200.518)
 - Auditors must report material weaknesses in internal controls or questioned costs greater than \$25,000 (200.516)
 - Consider cooperative audit resolution – (200.1, 200.513)
 - PTE must issue management decisions within six months of audit report (200.521)



Fraud, Waste or Abuse

Citizens and agencies are encouraged to report fraud, waste, or abuse in State and Local government.

NOTICE: This agency is a recipient of taxpayer funding. If you observe an agency director or employee engaging in any activity which you consider to be illegal, improper or wasteful, please call the state Comptroller's toll-free Hotline:

1-800-232-5454

Notifications can also be submitted electronically at:

<http://www.comptroller.tn.gov/hotline>