

A Guide to Internal Controls

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Agenda

- Overview
- Policies and Procedures
- Internal Controls
- Financial Management
- Budgets and Budget Amendments
- Cash Management
- Reimbursement Requests
- Time and Effort
- Travel
- Equipment and Inventory
- Procurement and Contracts
- Resources



Overview

Overview

- Recipients and subrecipients must ensure that all grant funds are properly managed.
 - Written policies and procedures
 - Aligned with applicable local, state, and federal laws, rules, and regulations
 - Documented internal controls
 - Funds, property, and assets are safeguarded against waste, loss, unauthorized use, or misappropriation
 - Financial management
 - Revenues and expenditures are properly recorded and accounted for to permit the preparation of accurate and reliable financial reports

Policies and Procedures

Policies and Procedures

What's the Difference?

- A **policy** is a guiding principle used to set direction in an organization.
 - Changes infrequently
 - Is broad and general
 - Generally adopted to help implement laws, rules, and regulations
- A **procedure** is a series of steps to be followed as a consistent and repetitive approach to implement a policy and/or accomplish an end result.
 - May regularly change and improve
 - States specifically who, what, when, and how
 - Offers a detailed description of activities

Policies and Procedures

- Recipients and subrecipients must have documented policies and procedures that address the following:
 - Internal Controls (per 2 C.F.R. § 200.303(a), T.C.A § 9-18-102)
 - Financial Management (per 2 C.F.R. § 200.302(b)(6-7))
 - Allowability of Costs (per 2 C.F.R. § 200.302(b)(7))
 - Budgets and Revisions (per 2 C.F.R. § 200.308)
 - Cash Management (per 2 C.F.R. § 200.302(b)(6), 2 C.F.R. § 200.305)
 - Compensation-personnel (per 2 C.F.R. § 200.430(g)(5))
 - Compensation-fringe benefits (per 2 C.F.R. § 200.431(b)(1))

Policies and Procedures (continued)

- Travel (per 2 C.F.R. § 200.475)
 - Equipment Management (per 2 C.F.R. § 200.313)
 - Procurement and Contracts (per 2 C.F.R. § 200.317, 2 C.F.R. §§ 200.403-405)
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- During fiscal monitoring, the subrecipient must prove that they have and are following these policies and procedures.

Internal Controls

Internal Controls

- The recipient and subrecipient must do the following:
 - Establish, document, and maintain effective internal control over the Federal award.
 - Comply with the U.S. Constitution, Federal statutes, regulations, and the terms and conditions of the Federal award.
 - Perform a risk assessment.
 - Evaluate and monitor compliance.
 - Take prompt action when instances of noncompliance are identified.
 - Take reasonable cybersecurity and other measures to safeguard information, including protecting personally identifiable information (PII).
 - 2 C.F.R. § 200.303

Internal Controls

- The ePlan local education agency (LEA) Fiscal Representative and the ePlan LEA Authorized Representative both have important roles in internal controls through their review and approval of application budgets, revisions, and reimbursement requests.
- LEA financial management processes should incorporate segregation of duties amongst staff.
- Limit access to the accounting system.
- For terminated employees, remove access to the accounting system and ePlan no later than the employee's last day of work.

Financial Management

Financial Management

- The recipient's and subrecipient's financial management systems, including records documenting compliance with federal statutes, regulations, and the terms and conditions of the federal award, must be sufficient to:
 - permit the preparation of reports required by the terms and conditions; and,
 - permit the tracking of expenditures adequate to establish that funds have been used in accordance with federal statutes, regulations, and the terms and conditions of the Federal award.
 - 2 C.F.R. § 200.302(a)



Financial Management

- The financial management system of each subrecipient must provide for:
 - identification, in its accounts, of all Federal awards received and expended and the Federal programs under which they were received;
 - accurate, current, and complete disclosure of the financial results of each Federal award or program; and
 - comparison of expenditures with budget amounts for each Federal award.
 - 2 C.F.R. § 200.302(b)



Financial Management

- The LEA must ensure:
 - expenditures are made in accordance with the terms and conditions of the federal award and approved project budgets.
 - financial reports are filed and claims for reimbursements are made in accordance with procedures prescribed by the Tennessee Department of Education (TDOE).
 - Final expenditure reports (FERs) are due no later than October 1. Program managers may request FERs earlier.
 - Make regular reimbursement requests according to written policies and procedures. TDOE advises subrecipients to make requests at least monthly.



Budgets and Budget Amendments



Budgets and Budget Amendments

- The subrecipient must have written procedures to demonstrate the sequence of steps in which they complete budget revisions.
 - 2 C.F.R. § 200.308
- Grant budgets and budget revisions are submitted via ePlan and shall be approved by the state prior to the subrecipients' obligation of funds.
- Subrecipients must follow the most restrictive of local, state, and federal policies and procedures for approval of budgets and revisions at the local level.

Budgets and Budget Amendments

- During monitoring, the department will ask for current budget reports from your accounting system and compare these to the most recently approved budgets in ePlan.
- Budgets in your accounting system should match the most recently approved budgets in ePlan, with exceptions for recently approved revisions for which amendments may be pending approval at the local level.

Cash Management

Cash Management

- Procedures for cash management must address the following:
 - Reimbursements are based on disbursements, not on obligations
 - Frequency of reimbursement requests
 - Process for maintaining source documents
 - In the event of advance payments of federal funds:
 - Interest is calculated and remitted if in excess of \$500/year
 - Minimize the time elapsing between drawdown and disbursement
 - 2 C.F.R. § 200.302(b)(6), 2 C.F.R. § 200.305(b)

Cash Management

- Establish a regular schedule for requesting funds.
 - Best practice is to make requests at least monthly.
 - Consider aligning the timing of requests with payroll.
- Consider a resolution to transfer funds from General Purpose Schools Fund to Federal Projects Fund to assist with cash management.
- Example resolution is in ePlan, TDOE Resources>Fiscal–District Technical Assistance.
 - Funds remain as an assigned fund balance in the Federal Projects Fund and may be repaid at any time upon resolution passed by the Board of Education and local legislative body.

Reimbursement Requests

Reimbursement Requests

- Monitoring

- In accordance with 2 C.F.R. § 200.332(d), all pass-through entities must: “Monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved.”
- Monitoring includes reviewing the subrecipient’s supporting documentation for reimbursement request(s).
- Subrecipients are required to maintain supporting documentation for reimbursement requests.
 - Requisitions, purchase orders, contracts, shipping receipts, invoices, payroll ledgers, proof of payment, etc.

Reimbursement Requests

- Costs must meet the following general criteria to be allowable under Federal awards:
 - Be necessary and reasonable for the performance of the Federal award and be allocable under these principles.
 - Be adequately documented.
 - Incurred during the period of performance and approved budget period.



Time and Effort

Compensation

- Compensation for personal services includes all remuneration, paid currently or accrued, for services of employees rendered during the period of performance under the Federal award, including but not necessarily limited to wages and salaries.
- Compensation may include fringe benefits.
- Budget estimates alone do not qualify as support for charges to Federal awards but may be used for interim accounting purposes.
- The subrecipient's system of internal controls must include processes to review after-the-fact interim charges made to a Federal award based on budget estimates.

Minimum Standard for Documentation

- Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must:
 - be supported by a system of internal controls, which provides reasonable assurance that charges are accurate, allowable, and properly allocated;
 - be incorporated into official records of the subrecipient;
 - Reasonably reflect total activity for which the employee is compensated, not exceeding 100% of compensated activities;
 - encompass all activities (federal and non-federal);
 - comply with all established accounting policies and procedures; and
 - support distribution among specific activities or cost objectives.
 - 2 C.F.R. § 200.430(g)(1)

Cost Objective Definition

- A program, function, activity, award, organizational subdivision, contract, or work unit for which cost data are desired and for which provision is made to accumulate and measure the cost of processes, products, jobs, and capital projects.
 - 2 C.F.R. § 200.1 Cost Objective



Time and Effort

- All employees paid in full or in part with federal funds must keep time and effort documentation to demonstrate the amount of time spent on grant activities.
 - 2 C.F.R. § 200.430(g)
- Employees who are paid from state and local funds, but whose salaries are used for cost sharing or matching must also keep time and effort documentation.
 - 2 C.F.R. § 200.430(g)(4)

Time and Effort

- Examples of time and effort documentation
 - Semi-Annual Certification: Employee with 100 percent of time on one Federal award or cost objective
 - Personnel Activity Report (PAR): Employee with time on more than one Federal award or cost objective
 - Time Sheet
- Payroll may be based on budget estimates.
- Payroll charges based on budget estimates must be reconciled after the fact to actual work performed.

Time and Effort Documentation – Single Cost Objective

- Employee with 100 percent of work on a single cost objective must have time and effort documentation that is:
 - Completed at least every six months.
 - July 1- December 31; signature dated after December 31
 - January 1- June 30; signature dated after June 30
 - Signed by the employee or the supervisor with direct knowledge of work being performed.
 - An after-the-fact distribution of the actual activity.
 - Reflective of the total activity for which the employee is compensated.

Time and Effort Documentation – Multiple Cost Objectives

- Employee with work on multiple cost objectives or awards must have time and effort documentation that is:
 - completed monthly and coincides with pay periods;
 - supported by records (calendars, written records of activity for each day/week);
 - signed by the employee;
 - an after-the-fact distribution of actual activity, not a budget estimate; and
 - reflective of 100 percent of the employee's activity.

Discussion

- A teacher works 50 percent of the day as a Title I consulting teacher and 50 percent of the day as an IDEA special education teacher. Does this teacher need to keep time and effort documentation? If so, what type?
 - Yes, a personnel activity report (PAR) or equivalent documentation because it is two cost objectives.
- A teacher who teaches in a special education classroom all day is paid 100 percent by state and local funds. Does this teacher need to keep time and effort documentation? If so, what type and why?
 - Yes, a semi-annual certification or equivalent documentation because the salary is used in meeting special education maintenance of effort requirements (cost sharing).



Travel

Travel

- Travel costs are the expenses for employees who are in travel status on official business of the non-Federal entity.
 - Transportation, lodging, meals, and related items
- Such costs may be charged on an actual cost basis, a per diem or mileage basis in lieu of actual costs incurred, or a combination of the two.
- The method used must be applied to the entire trip and not to selected days of the trip.
- Charges to federal awards must be consistent with those normally allowed in like circumstances for non-federally funded activities.

Travel

- The subrecipient must have written travel policies for travel costs to be allowable.
- A typical travel policy addresses:
 - the types of travel, including single-day travel, overnight travel, out-of-state travel;
 - what expenses may be reimbursed; and
 - what type of documentation is needed for reimbursement.
- Ensure travel policies, procedures, and forms indicate consistent reimbursement rates.
 - Transportation, lodging, meals, and related items

Travel

- Charges must be in accordance with written travel reimbursement policies.
- Must have written pre-approval from program director.
- Subrecipient must retain documentation to justify that:
 - participation of the individual is necessary for the federal award; and
 - the costs are reasonable and consistent with established written policy.
- Reimbursement from grant award must be after the travel occurs.

Equipment Management

Equipment Management

- Equipment definition
 - Tangible non-expendable personal property
 - Per-unit acquisition cost which meets or exceeds the lesser of the capitalization level established by the subrecipient for financial statement purposes, or \$10,000
 - Useful life of more than one year
 - Local policies and procedures can be more restrictive
- Special threshold for Perkins equipment
 - \$500 per-unit acquisition cost
- Supplies
 - All tangible personal property that does not fall under the category of equipment
 - No specific federal requirements for managing supplies

Equipment Management

- The subrecipients must manage equipment acquired, whether partially or fully, with federal funds using written procedures that include the following requirements:
 - Property records
 - Physical inventory
 - Control system to prevent loss, damage or theft
 - Maintenance procedures
 - Proper sales procedures

Property Records

- Property records must include the following:
 - Description of the property
 - Serial number or other identification number
 - Source of funding for the property (including the Federal Award Identifying Number, FAIN)
 - Titleholder (subrecipient)
 - Acquisition date
 - Cost of the property
 - Percentage of federal participation in the cost of the equipment
 - Location
 - Use of equipment
 - Condition of equipment
 - Disposition data, including date of disposal and sales price, as applicable



Physical Inventory

- A physical inventory of property must be done at least once every two years.
 - Timing must follow the most restrictive of local, state, or federal requirements.
 - The department requires an annual inventory for LEAPS and 21st CCLC grants. Inventory results must be reconciled with property records.
- Update property records when there is a change in the status of the property.
- Why conduct a physical inventory of property/equipment?
 - Local, state, and federal requirements
 - Maintain effective control over assets
 - Ensure items are used for intended purpose and are not missing
 - Good steward of taxpayer dollars

Procurement and Contracts

Procurement and Contracts

- Subrecipients must maintain and use documented procedures for procurement transactions.
 - Must be consistent with state and local regulations.
- Subrecipients must maintain oversight to ensure that contractors perform in accordance with the terms of their contracts or purchase orders.
- Subrecipients must maintain written standards of conduct covering conflicts of interest in procurement and contract selection.
- Subrecipients must avoid the acquisition of unnecessary or duplicative items.

Procurement and Contracts

- Purchases must be necessary, reasonable, and allocable.
 - Secure written pre-approval from the program director.
- Contracts must only be awarded to responsible contractors.
 - Consideration given to contractor's integrity, compliance with public policy, record of past performance, and financial and technical resources.
- Contractor must not be debarred or suspended.
 - All contracts over \$25,000 will ensure this is met by either:
 - checking SAM at sam.gov;
 - collecting a certification from that contractor; or
 - adding a clause or condition to the contract.



Procurement and Contracts

- Informal procurement (small purchases)
 - Micro-purchases
 - Transaction value does not exceed the simplified acquisition threshold
 - Expedites completion of transaction
 - Minimizes administrative burdens
 - Reduce costs
 - Simplified acquisitions
 - Purchases costing more than the micro-purchase threshold but less than the bid threshold
 - Subrecipient establishes threshold based on internal controls, evaluation of risk, and documented policies and procedures
 - At least three quotes required

Procurement and Contracts

- Formal procurement (competitive) – purchases exceed simplified acquisition threshold
 - Sealed bids
 - Publicly solicited through an invitation
 - Firm fixed-price contract is awarded
 - Preferred for construction services
 - Proposals
 - Used when conditions are not appropriate for using sealed bids
 - Require public notice
 - Subrecipient must document all evaluation factors
 - Used for qualification-based procurement
 - Strategic sourcing arrangements
 - State and local intergovernmental agreements
 - Cooperative purchasing
 - Piggybacking

Procurement and Contracts

- Noncompetitive procurement with federal funds
 - May only be used if one of the following circumstances apply:
 - Transaction does not exceed the micro-purchase threshold
 - Transaction can only be fulfilled by a single source
 - Public emergency that will not permit a delay caused by competitive procurement
 - Request in writing to use non-competitive procurement is approved by the Federal agency or pass-through entity
 - After soliciting several sources, competition is determined inadequate

Procurement and Contracts

- Subrecipients must follow the most restrictive of applicable federal, state, and local regulations.
- Subrecipients must maintain records sufficient to detail the history of each procurement transaction.
- Subrecipients must make available upon request from TDOE or the federal agency all pre-procurement documents:
 - Advertisements
 - Requests for proposals
 - Invitations to bid
 - Independent cost estimates
 - Technical specifications of proposed procurements
 - Bid reviews and selection justifications

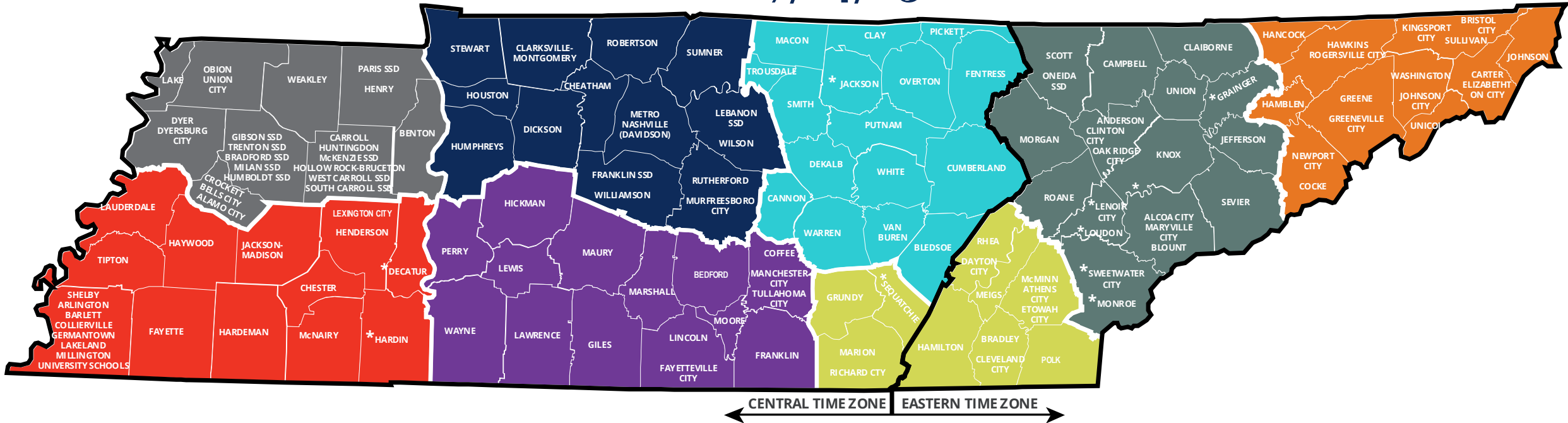
Procurement and Contracts

- Subrecipients must maintain adequate documentation.
 - Purchase Transactions
 - Requisitions, purchase orders, invoices, delivery receipts, payment information
 - Contracts
 - Required provisions (C.F.R. 200 Appendix II)
 - Davis-Bacon Act wage information (construction)
 - Signature/Approval Requirements
 - Requisitions
 - Purchase orders
 - Contracts
 - Delivery receipts and invoices

Resources

Regional Finance Consultant District Map

As of 7/14/25



Northwest	Southwest	Mid Cumberland	Upper Cumberland	South Central	Southeast	East TN	First TN
Cindy Smith	Meribeth Carpenter	Rob Mynhier	Joshua Dehnz	Bryan Clark	Taffe Bishop	Shelby Ownbey	Jill Lewis
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*District assigned to a finance consultant in a different CORE region.

Regional Finance Consultant District Assignment

As of 7/14/2025

Northwest	Southwest	Mid Cumberland	Upper Cumberland	South Central	Southeast	East TN	First TN
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Districts: Alamo City Bells City Benton County Bradford SSD Carroll County Crockett County Dyer County Dyersburg City Gibson County SSD Henry County Hollow Rock-Bruceton SSD Humboldt SSD Huntingdon SSD Lake County McKenzie SSD Milan SSD Obion County Paris SSD South Carroll SSD Trenton SSD Union City Weakley County West Carroll SSD	Districts: Achievement Schools Arlington SSD Bartlett SSD Chester County Collierville SSD Fayette County Germantown SSD Hardeman County Haywood County Henderson County Jackson-Madison County Lakeland SSD Lauderdale County Lexington City McNairy County Millington Shelby County Tipton County University Schools WTSD	Districts: Cheatham County Charter Schools Commission Dickson County Dept. of Children Services Dept. of Corrections Franklin SSD Houston County Humphreys County Lebanon SSD Metro-Nashville Montgomery County Murfreesboro City Robertson County Rutherford County Stewart County Sumner County TN School for Blind Williamson County Wilson County *Jackson County	Districts: Alvin York Institute Bledsoe County Cannon County Clay County Cumberland County DeKalb County Fentress County Macon County Overton County Pickett County Putnam County Smith County Trousdale County Van Buren County Warren County White County *Sequatchie County	Districts: Bedford County Coffee County Fayetteville City Franklin County Giles County Hickman County Lawrence County Lewis County Lincoln County Manchester City Marshall County Maury County Moore County Perry County Tullahoma City Wayne County *Decatur County *Hardin County	Districts: Athens City Bradley County Cleveland City Dayton City Etowah City Grundy County Hamilton County Marion County McMinn County Meigs County Polk County Rhea County Richard City *Lenoir City *Loudon County *Monroe County *Sweetwater City	Districts: Alcoa City Anderson County Blount County Campbell County Claiborne County Clinton City Jefferson County Knox County Maryville City Morgan County Oak Ridge Oneida SSD Roane County Scott County Sevier County TSDK Union County	Districts: Bristol City Carter County Cocke County Elizabethton City Greene County Greeneville City Hamblen County Hancock County Hawkins County Johnson City Johnson County Kingsport City Newport City Rogersville City Sullivan County Unicoi County Washington County *Grainger County

*Districts assigned to a finance consultant in a different CORE region.

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Resources

- **Tennessee Department of Education** [Education \(tn.gov\)](https://www.tn.gov/education)
- **Tennessee State Board of Education** [Rules, Policies and Guidance \(tn.gov\)](https://www.tn.gov/education/rules-policies)
- **ePlan TDOE Resources** eplan.tn.gov/
 - [Property Record Template](#)
 - [Reimbursement Requests Overview](#)
 - [TN LEA Internal Controls Risk Assessment Template](#)
 - [TN LEA UGG Policies and Procedures](#)
- **Tennessee Comptroller of the Treasury** [Comptroller of the Treasury - Comptroller.TN.gov](https://comptroller.tn.gov/); [Manuals \(tn.gov\)](#)
- **Tennessee General Assembly** [Legislation - TN General Assembly](#)
- **County Technical Assistance Service (CTAS) Record Retention** <https://www.ctas.tennessee.edu/eli/departments-education-records>
- **Electronic Code of Federal Regulations** [eCFR :: Home](#)
- **Tennessee Code Annotated** [Tennessee Code Unannotated – Free Public Access | Main Page \(lexis.com\)](#)

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:

comptroller.tn.gov/hotline

2025
FEDERAL
PROGRAMS
INSTITUTE

MEMPHIS ★
TO
BRISTOL ★

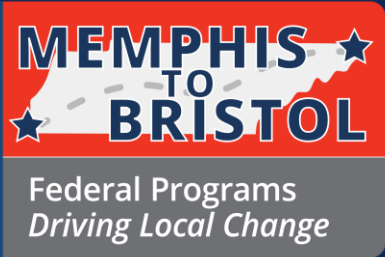
Federal Programs
Driving Local Change

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3:20-4:30 p.m. ET 2:20-3:30 p.m. CT	Beyond Compliance: Best Instructional Practices that Boost ESL Programming Raven Cleveland
	Driving Neglected and Delinquent Program Success Erin Christian & Leslie Watson
	From Involvement to Engagement: Transforming Family Engagement Practices Charise McDaniel



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