

Section 4: Financial Management

A. AUTHORIZATION OF FUNDS

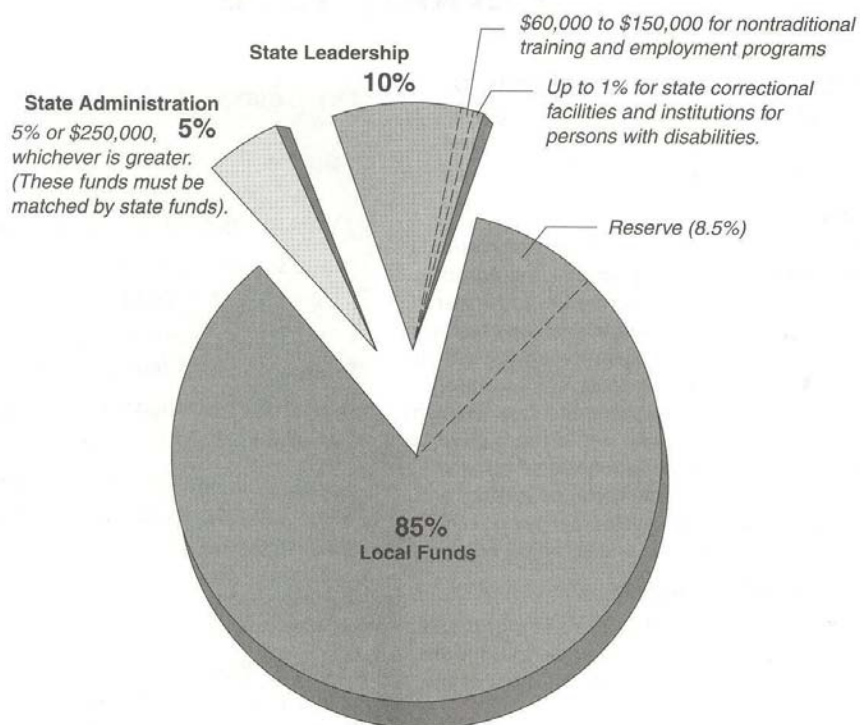
Federal Authorizations

Congress appropriates Perkins funds through the U.S. Department of Education, Office of Vocational and Adult Education (OVAE). Perkins funds are awarded to States based upon formulas prescribed by the Perkins IV legislation. The postsecondary formula is based upon the number of Perkins concentrators (students with a declared major in a CTE program and has completed 12 hours of academic/technical coursework or completed a program of study less than 12 hours in length) who received Federal Pell Grant or Bureau of Indian Affairs assistance.¹

State Allotment Process

In Arkansas, the receiving state agency is the Arkansas Department of Workforce Education and the allocation is usually in the \$14 million range. Of the total, 15% is reserved for use by the State for administration and leadership activities and 85% is set aside for distribution to local institutions. The State's allocation is shown in Figure 1.

Figure 1: Perkins III State Allocations



¹ Perkins IV, Title 1, Part C, Section 132.

ADWE has a staff that administers funding for secondary schools. Through a Memorandum of Understanding (MOU), ADWE authorizes the Arkansas Department of Higher Education (ADHE) to provide oversight of basic grants at two-year colleges and four-year universities (less than baccalaureate level programs only), and two technical institutes.

OVAE generally announces funding levels in mid-April which allows the local allocations process to begin. Even though funding levels are predetermined by formula, institutions must develop programs that meet specified federal and state requirements, and submit an Annual Plan application to Perkins state staff for review and approval. Local coordinators are responsible for implementation of approved programs and state staff will monitor progress and provide technical assistance and support as needed.

Local Awards Process

The 85% reserved for distribution to local institutions is further split between secondary (75%) and postsecondary (25%).

Upon OVAE notification of state funding levels, ADWE determines the exact dollar amount available for postsecondary institutions. Once that postsecondary amount is determined, ADWE requests that state staff provide the number of Pell/BIA students for each institution. State staff obtains this information from the Perkins Data Submission provided by the institutions the previous August. This means that Pell/BIA count for academic year 2005-06 which was reported in September 2005 will be the basis for funding for Perkins Program Year 2007-08.

ADHE staff provides this information to ADWE staff who then calculates the formula for distribution among postsecondary institutions. ADWE then advises ADHE of the specific allotment for each individual institution. Perkins state staff then relays this information to the Perkins coordinator.

If an institution's basic grant is less than \$50,000, the institution must join a consortium in order to receive Perkins funds. (See Section 2-Planning and Organization for consortium requirements.)

B. REIMBURSEMENT OF EXPENDITURES

Basic grant funds will be distributed on a reimbursement basis. At the end of each month, the institution will submit a request for reimbursement of actual expenses incurred during the previous month. This request will be submitted to ADHE who will review, approve and forward to ADWE for payment. Reimbursement request form can be found online at www.adhe.perkins.com.

C. OBLIGATIONS ACCOMPANYING ACCEPTANCE OF PERKINS FUNDS

The approved Annual Plan serves as a contract between ADWE and the institution receiving the federal funds. All assurances of adherence to federal and state laws and regulations must be upheld in actions by the institution. The funds must be used as stated in the approved or amended application. All required evaluations of the impact

of the use of the funds on students must be performed and appropriately documented. Timely reports and documentation are a condition of accepting the award. Failure to meet these obligations, can result in a payback of all or some portion of the federal funds granted

Contractual obligations of all grantees to be documented include:

- Correct level of funding through verification of **CTE enrollment and Pell/BIA** data. (institutional and ADHE student records systems).
- Demonstration that **special populations** are identified and served (level of emphasis in Local Plan and Annual Plan).
- Confirmation through **procurement** documents or inventory logs that approved services have been purchased at approved levels (audit trails).
- Level of impact of project services on students as indicated by **quality of data** used to substantiate progress towards negotiated performance levels (accuracy of data used to measure performance).
- **Fiscal accountability** as documented by required procurement records and a strictly adhered to procurement and approval process (audit trail and approval process at state and institutional levels).

D. ANNUAL PLAN BUDGET

Special Considerations in Developing the Annual Plan Budget

Certain rules and restrictions apply to Perkins funding which must be considered when selecting activities and obligating funds.

Funds availability: Funds are available no earlier than July 1 of the program year and must be spent or returned by June 30. Funds cannot be obligated until the Annual Plan has been substantially approved by state staff (includes salary expenses incurred pending approval of Annual Plan).

5% administration rule: Institutions are permitted to reserve no more than 5% of its annual allocation for administration of the grant. Institutions may choose to fund the administration of the grant out of institutional funds and devote all or some portion of the administrative reserve to programs. If administrative money is used to fund the coordinator's salary, personnel activity reports must be maintained to indicate the amount of time spent on Perkins related activities.

First quarter rule: Because only 25% of the total federal funds are available to the state during the first quarter, local institutions cannot be reimbursed for more than 25% of its grant during the first quarter. The institution may spend more than 25% but will have to submit a request for reimbursement for amounts exceeding 25% after the first quarter. There are no restrictions on level of expenditures in the remaining nine months of the program year. Early expenditure of funds is encouraged for maximum student impact.

10% amendment rule: An amendment is required when any single budget category exceeds by 10% the most recently approved amount. Approval must be granted in writing before proceeding.

Three-year rule: Because Perkins strives for program improvement rather than program maintenance, activities may not be funded for more than three years. A period exceeding three years is considered program maintenance rather than improvement.

Supplement vs. supplant: The purpose of Perkins funding is to enhance, not replace state funds. Perkins funds may not be used to fund activities that were funded by the institution in the previous fiscal year, for activities required by federal, state or local law. This includes unfunded state mandates or general ongoing operations of a local education agency/institution of higher education. Exceptions must be evaluated on a case-by-case basis and may be granted when the institution can demonstrate that the activity would be impossible to continue without federal funds. Exceptions will be rare.

Carryover: Institutions are not permitted to carry forward unspent funds from one fiscal year to the next. Unspent funds must be returned to the State of Arkansas at the end of the program year. The draft is submitted to State Staff with the End of Year Disposition of Funds Report. The draft is copied for file and forwarded to ADWE.

Obligation of funds: Funds are considered obligated as follows:²

- Equipment and supplies—purchase order date
- Work of employees—when work is completed
- Contracted services—date agreement signed
- Rental—when used
- Travel—when taken

Co-mingling of funds: Funds may not be co-mingled so that they lose their identity. Expenditures must be traceable to the source of funding, however programs can be co-funded to maximize the available funds. If Perkins funds are used collaboratively with other funds, the level of effort provided by Perkins must be recognizable and must support only those activities that would be approved if the activity were solely funded by Perkins.

Equipment purchases: Equipment must be purchased and installed by November 15 in order to be paid for with Perkins funds. Advance planning may be necessary to meet this deadline if total equipment purchases exceed the 25% first quarter rule.

Consortia issues: While there may be adjustments required when funding levels are confirmed, consortia must start planning earlier than stand-alone institutions in order to meet program deadlines. Because dollars do not flow through a consortium to

² EDGAR, Part 75.707

individual institutions based upon Pell/BIA count and because a consortium should have common goals, it should be possible to do much of the preparatory work prior to knowing exact dollar amounts.

Required and permissive uses of funds: Categories of required and permissive uses are detailed in Section 3-Annual Plan. While developing the Annual Plan, emphasis should be placed on required uses until an institution has met all of its performance level targets. That doesn't mean that activities that are permissive in nature cannot be funded; only that required uses should be considered first.

Accountability: When writing expected measurable outcome statements, confirm that the required measurement process is in place to collect and analyze associated data.

DESCRIPTION OF ANNUAL PLAN BUDGET CATEGORIES

The Perkins Annual Budget has four primary categories. Institutions must establish accounts consistent with these categories so that Perkins funds can be properly identified and required reports submitted. Expenses should be coded to each category according to federal program guidelines and the guidelines of the individual institution.

Annual Plan Budget Categories

- Program Administration (limited to 5% of grant)
- Employee Salaries and Benefits
 - Regular Employee Salaries
 - Employee Benefits
 - Extra Help Temporary
- Equipment and Supplies
 - Capital and Inventoriable Purchases
 - Supplies (non-inventoriable)
 - Instructional materials
 - Other (must be described)
- Purchased Services and Professional Development
 - Professional and Technical Contracted Services
 - Travel and Conferences
 - Other (must be described)

Employee Salaries and Benefits

Salaries and benefits for personnel performing direct services for an activity. A Personnel Activity Record timesheet must be maintained for each employee paid from this category. A sample PAR is in Appendix F-Personnel Activity Record

- Employee Salaries and Benefits
 - Regular Employee Salaries
 - Employee Benefits
 - Extra Help

Equipment and Supplies

Includes capital expenditures with a unit cost of \$2500 or greater and with a use expectancy of more than one year. Capital items plus all computers must be inventoried. It also includes consumable items and those are limited to items which are required to conduct the approved activity over and above regular operational costs and must be used in the classroom for direct instruction. Unless software is purchased as part of an equipment package, all software should be coded to this category.

- Equipment and Supplies
 - Capital and Inventoriable Purchases
 - Supplies (non-inventoriable)
 - Instructional Materials
 - Other (must be described)

Purchased Services and Professional Development

Expenditures for services obtained from consultants or others not employed by the institution. Consultant travel should be coded to the professional services subcategory rather than the travel subcategory. PARs are not normally required for this position. Equipment rentals are included in this category.

- Purchased Services and Professional Development
 - Professional and Technical Services
 - Travel and Conferences
 - Other (must be described)

E. AMENDING THE BUDGET

Amendments to the approved Annual Plan are required when there is a 10% variance in any budget category or when there is substantial change in the scope of the approved activity. Amendments must be submitted and approved by State Staff prior to obligating funds. Amendments should be submitted online so that comments between State Staff and the local coordinator can be consolidated in one place for audit purposes. This will eliminate the confusion and duplicated work that results when the local coordinator first submits by email or phone a proposed amendment for State Staff comment and then submits the official amendment request.

F. FINANCIAL ACCOUNTABILITY TIMELINE

The annual Perkins cycle has several important financial reporting milestones that are important to the effective and efficient use of program monies. The following timeline spans activities required for PY 2006-07.

2006

- July 1** **Fiscal Period Begins; Funds Can Be Obligated**
- First day funds can be spent (if program has been approved)
- November 15** **Equipment Purchase/Installation Deadline**
- Equipment must be installed to qualify for Perkins funding

2007

- February 15** **Amendment Deadline**
- Last day to make amendments. New activities or adjustments that exceed amendment threshold must be submitted by this date since funds cannot be obligated without approval.
- June 30** **Fiscal Year Closes**
- All funds must be spent or returned. Funds can no longer be encumbered through September 30.
- August 15** **End of Year Disposition of Funds Report**
- End of year financial report and return of unspent funds

G. FINANCIAL GOVERNANCE AUTHORITIES

Funds are generally allowable for administrative costs, personnel services, operating expenses, stipends, consultants, and instructional materials. Funds are generally disallowable for direct assistance to students including tuition, books or fees, entertainment or food, awards and memorabilia, furniture and facilities, or general advertising.

For further guidance on allowable and disallowable expenses, the following authorities should be consulted.

- The Carl D. Perkins Vocational and Applied Technology Act of 1998
- EDGAR (Education Department General Administrative Regulations) – governs anything not expressly covered in the Perkins Act
- OMB Circulars (Office of Management and Budget)
- A-102—Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments
- A-110—Uniform Administrative Requirements for Grants and Cooperative Agreements with Institutions of Higher Education, Hospitals and other Non-Profit Organizations
- A-128—Audits of State and Local Governments
- A-133—Audits of Higher Education and Other Non-Profit Institutions
- A-87—Cost Principles for State and Local Governments

- A-21—Cost Principles for Educational Institutions
- A-122—Cost Principles for Non-Profit Organizations
- Arkansas State Plan for Vocational and Technical Education
- Arkansas Department of Higher Education