

## Section 8 Financial Management

### FEDERAL AUTHORIZATIONS

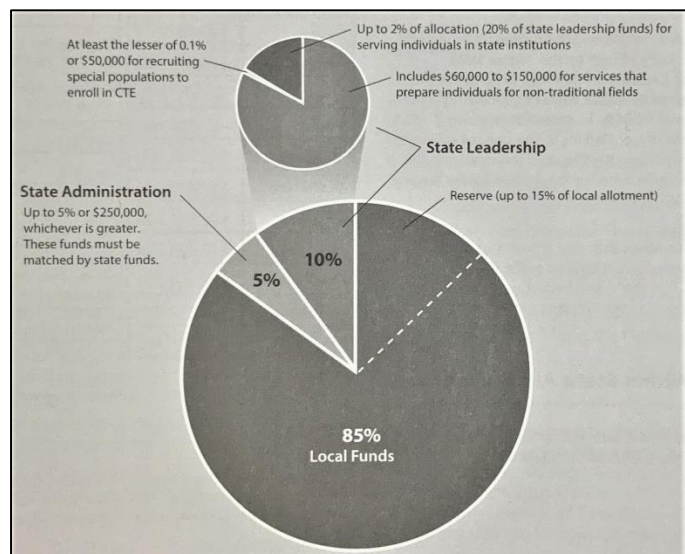
Congress appropriates Perkins funds through the U.S. Department of Education, Office of Career Technical and Adult Education (OCTAE). Perkins funds are awarded to States based upon formulas prescribed by the Perkins V legislation. The postsecondary formula is based upon the number of Perkins concentrators (students with a declared major in a CTE program who have completed a required threshold of hours) that received Pell Grant or Bureau of Indian Affairs assistance.

### STATE ALLOTMENT PROCESS

In Arkansas, the receiving state agency is the Arkansas Department of Education, Division of Career and Technical Education (DCTE) and the allocation is usually in the \$13 million range. Of the total, 15% is reserved for use by the State for administration and leadership activities and 85% is set aside as basic grants for distribution to local institutions. Of the 85% available for the basic grants grants, DCTE/ADHE may withhold up to 15% for reserve fund activities. A breakdown of the State's allocation is shown here. (Perkins. Sec 111)

DCTE has a staff that administers funding for secondary schools. Through a Memorandum of Understanding (MOU), DCTE authorizes the Arkansas Division of Higher Education (ADHE) to provide oversight of basic grants at colleges and universities for programs that are less than baccalaureate level programs.

OCTAE generally announces funding levels in mid-April which is the first step in the local allocation process. Even though funding levels are predetermined by formula, institutions must develop programs that meet specified federal and state requirements, and submit an annual application (Annual Plan) to Perkins state staff for review and approval. This annual application must be based on the focus areas of need identified in the four-year Local Application. Local coordinators are responsible for implementation of approved activities and state staff monitors progress and provides 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%). This split is authorized in the Perkins State Plan. Upon OCTAE notification of state funding levels, DCTE/ADHE determine whether amounts will be withheld for reserve fund competitive grants and the final dollar amount available for postsecondary institutions. Once the postsecondary amount is determined, ADHE calculates the funding formula based on the number of Concentrators receiving Pell/ BIA assistance for each institution. Perkins state staff posts this information in the portal

and notifies coordinators. Official notification of the award is made by letter to the president/chancellor upon receipt of the Award Letter from OCTAE. This is generally after July 1.

### **RESERVE FUND**

From the 85% of the state allocation that is distributed to secondary and postsecondary recipients, the State may choose to withhold up to 15% and award grants to high schools and colleges for specific purposes. (Perkins Sec 112) Use of those funds is limited to activities described in Section 135: career development; professional development; preparation for high skill, high wage or in demand occupations; integration of academic and technical instruction; student achievement; and evaluation of CTE programs.

Grants are available to colleges that meet at least one of the following descriptions:

- Located in a rural area (college located in a county with less than 5% of total state population)
- Serves a high percentage of CTE concentrators or CTE participants serves (more than 50% of students are enrolled in CTE programs)
- Serve a high number of CTE concentrators or CTE participants (serves more than 500 CTE students)
- Has demonstrated disparities or gaps in performance among subgroups and special population (at least 10 gaps in performance can be identified when looking at performance at the CIP level)

Grants awarded must:

- Foster innovation through the identification and promotion of promising and proven career and technical education programs, practices, and strategies, which may include programs, practices, and strategies that prepare individuals for nontraditional fields; or
- Promote the development, implementation, and adoption of programs of study or career pathways aligned with State-identified high-skill, high-wage, or in-demand occupations or industries.

A request for proposals will be released to Perkins coordinators with grant requirements, schedule and selection criteria. ADHE reserves the right to specify the nature of projects that will be considered for funding. Submissions are blind-reviewed based on the rubric contained in the grant announcement. Once recipients are notified, an MOU is prepared to authorize expenditure reimbursement. Reimbursement for reserve funds is different than basic grant funds and is submitted through a manual process until the Reserve Fund module of the Perkins Portal is completed.

### **AVAILABILITY OF FUNDS AND FIRST QUARTER RULE**

Funds are available for obligation on July 1 assuming that the applicant has submitted its Annual Plan which has been substantially approved. Funds expended prior to substantial approval will not be reimbursed.

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 obligate or expend funds in excess of 25% but may only be reimbursed up to 25% prior to October 1. There are no restrictions on level of expenditures in the remaining nine months of the program year.

### **ASSURANCE AND APPROVAL OF ANNUAL PLAN**

The approved annual plan serves as a contract between DCTE and the institution receiving the federal funds. To receive funds, the recipient must assure adherence to all federal and state laws and regulations. This assurance is incorporated into the Annual Plan which requests that the submitting

local coordinator attest that appropriate college personnel are aware of the requirements and agree to the terms.

## **BUDGET CATEGORIES**

The annual plan budget has eight budget categories and the institution must request reimbursement according to them, regardless of how the college may classify expenses.

### **Administration**

- The recipient may elect to recover administration costs through either a direct or an indirect method.
  - If indirect, the full 5% is reimbursable. The recipient must have an indirect cost rate letter from the U.S. Department of Health and Human Services or the Arkansas Division of Higher Education.
  - If direct, the amount is limited to 5% of grant funds actually expended, not 5% of the grant awarded.
- Use of admin funds is limited to functions necessary to execute the grant and does not include program improvement activities. (Perkins. Sec 3)
- The administrative activity in the annual plan must state which method is being used. Indirect requires only the statement: "Indirect cost rate letter on file with ADHE." Direct requests must be described in the annual plan and documented for reimbursement. If salaries are to be paid with admin funds, the Admin activity must state this and be documented with a PAR (personnel activity record, also referred to as time and effort) in order for salaries to be reimbursed. "Expenses related to administering the grant" is not sufficient.

### **Salaries and Benefits**

- Includes salary/benefits compensation for regular or extra help employees that perform direct services for an activity.
- A Personnel Activity Record (PAR) timesheet must be maintained for each employee paid from this category. (EDGAR 200.430)
- The expense should be coded to this category if the employee receives a W-2 for tax purposes.

### **Equipment**

- This budget category is used only for assets that must be tracked to avoid loss. All other items should be coded to Supplies. When purchases are coded to this category, the Perkins Portal will maintain a record of such assets eliminating the need for the coordinator to maintain a separate list.
- EDGAR 200.33 defines Equipment as tangible property having a life expectancy of more than one year and a per-unit cost which equals or exceeds the lesser of the capitalization level established by the not-federal agency or \$5,000.
- For Perkins purposes, capital items, digital devices and other "attractive assets" must be tracked regardless of cost.

### **Supplies**

- All tangible items not included in Equipment are considered Supplies with no requirement for tracking.
- EDGAR 200.94 defines Supplies as any tangible property not considered Equipment. While "computing devices" are considered supplies in EDGAR, Arkansas requires they be considered equipment and tracked.

- Supplies include consumable 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.
- Supplies that become the property of the student is not an allowable use of Perkins funds. Classroom sets of materials or instructional support materials is permitted. There are some exceptions for special populations and those should be discussed with ADHE staff before purchase.
- Software is considered supplies and should be coded to this category. It does not have to be tagged and tracked.

### **Professional Development/Travel**

- This category includes travel and conferences for professional development.
- Travel expenses are obligated at the time of travel; use caution for travel that is near the beginning or end of a fiscal year.
- Professional development may be either on or off campus.
- Extreme care should be given when food is purchased as allowability has become much more restrictive. (EDGAR 4<sup>th</sup> Edition, guidance letter, page 301) (See also EDGAR 200.432 and 200.474)

### **Contracted Services**

- Expenses are coded to this category if the payee receives a 1099-MISC for tax purposes. PARs are not required for this position.
- Expenditures for services obtained from consultants or others not employed by the institution are recorded in this section even when services are contracted for professional development. If a contract is signed, the expense should be coded to this category.

### **Industry Certifications**

- This category is limited to purchases of industry certifications. It does not include travel, equipment or other items that might contribute to the student achieving the certification.
- Industry certifications can be purchased for students and faculty. Student certification results must be reported in the Perkins II-Supplemental Credentials file that is used to calculate 2P1-Credential Attainment results

### **Other**

- Expenses in this category should be rare and fully described.

## **REIMBURSEMENTS**

Basic grant funds will be distributed on a reimbursement basis for actual expenses incurred. The request will be submitted to state staff at ADHE who will review, approve and forward to DCTE for payment. Requests for reimbursements are submitted through the Perkins Portal. Supporting documentation for each expenditure must be scanned and uploaded into the portal. Supporting documentation for most items includes the purchase order, the invoice and a copy of the check that paid the invoice. The documentation for 1) what was ordered (PO); 2) what was billed (invoice); and 3) what was paid (check) must be clear.

Requests must be received by the 10th of the month for payment in that month. Requests received after the 10<sup>th</sup> will be processed the following month.

EDGAR 200.302 requires that budgets be reconciled with a comparison of actual expenses to the projected amounts in the Annual Plan budget. ADHE requests that this be done on a quarterly basis so

that funds can be reallocated if needed. The final reconciliation and request for reimbursement is required no later than July 31.

The Perkins coordinator and the Perkins fiscal coordinator are the only persons with portal privileges to enter reimbursements requests and the Perkins coordinator is the only person with privileges to actually submit the request. The Perkins coordinator is responsible for assuring the accuracy of fiscal information and the assignment of expenses to appropriate activities and budget categories.

### AMENDMENTS

Amendments to the approved Annual Plan are required when there is a 10% variance in any overall budget category (not individual activities) 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 are made in the Perkins Portal. The deadline to submit amendments is May 1 following the quarterly budget reconciliation in April.

### END OF YEAR FINANCIAL REPORT

The End of Year Financial Report is automatically calculated by the Portal. State staff will review to assure that budget categories are not exceeded by 10% of the approved amount and will forward the necessary documents to the Division of Career and Technical Education for final approval. If funds are to be returned, ADHE will notify the coordinator. Return of funds are payable to State of Arkansas.

### COMPLIANCE, MONITORING AND TECHNICAL ASSISTANCE

Monitoring is conducted for the purposes of compliance monitoring and technical assistance. State staff may request that institutional staff other than the coordinator be available during the compliance review. The type review is determined by the level of risk associated with the grant.

Following the compliance review, state staff will provide a written report to the coordinator and the president/chancellor of the institution. In the event of findings, state staff will monitor until the finding is resolved. Details of the finding and required corrective action will be described in the letter sent to the college. The resolution process may consist of the following: a) submission of documentation via email, b) follow-up site visit to ensure resolution, c) delay of reimbursement until finding is resolved.

- **Compliance Review:** Compliance monitoring will review effective use of administrative funds; quality and progress to date of funded activities; fiscal management including inventory and expenditure records; and data and accountability. Records from the current and most recent year may be reviewed. These visits may be on campus or conducted by webinar.
- **Supplemental Monitoring:** More in-depth compliance reviews are conducted with recipients that are at higher risk of non-compliance. A point system is used to determine most at-risk recipients and on-campus visits are scheduled accordingly. At-risk designation can result from coordinator tenure, size of the grant, unused funds, or excessive amendments. Supplemental reviews will be conducted on-site.
- **Technical Assistance:** Compliance reviews affords an opportunity for technical assistance. Technical assistance is provided as needed or requested.

## EXPENDITURE ELIGIBILITY TEST

Every Perkins expense must meet certain eligibility requirements. (EDGAR 200.403, 200.404, 200.405)

- **Is it allowable?** Below is a summary of questions to ask while determining if a cost is allowable.
  - Is the proposed cost consistent with federal cost principles?
  - Is the proposed cost allowable under the relevant program?
  - Is the proposed cost consistent with an approved program plan and budget?
  - Is the proposed cost consistent with EDGAR and Uniform Grant Guidance?
  - Is the proposed cost consistent with the underlying needs of the program? (Was data used to determine the need? Do funds target an area of weakness?)
  - Is the proposed cost necessary, reasonable, allocable and legal under state and local law?
- **Is it reasonable and necessary?** The expense must be necessary for the successful performance of the grant, must follow sound business practices, and be of fair market price. Would a prudent person judge the expense to be necessary and reasonable?
- **Is it allocable?** Expense is relative to the value received (proration of an expenditure to CTE use; Perkins portion of a tutoring activity must be limited to percent of CTE students served). It is the burden of the recipient to document CTE usage.
- **Is it legal?** The expense must comply with federal, state, and local laws.
- **Is it obligated in the correct program year?** The expense must be obligated within the grant period—July 1-June 30. Funds may not be obligated until an annual plan has been fully approved or deemed to be in “substantially approvable form.”

Different type expenses have different obligation dates. (EDGAR 76.707) Common obligation dates include:

- Equipment and supplies—purchase order date
- Work of employees—when work is completed
- Contracted services—date agreement signed
- Rental—when used
- Travel—when taken
- **Are the expenses associated with an activity identified in the Local Application?** Only expenses related to activities that were approved based on the Comprehensive Needs Assessment and Local Application may be approved for reimbursement.
- **Is it documented?** All Perkins expenditures must be documented at all steps from approval through actual payment. Particular attention is required for salary expenses which require time distribution records or PARs (Personnel Activity Report), particularly when the employee works on multiple cost objectives. Source documentation can include checks, invoices, contracts, payroll entries and may be in electronic form.

## SUPPLEMENT VS. SUPPLANT

The purpose of Perkins funding is to enhance, not replace state funds (Perkins Sec 111). It is presumed that supplanting has occurred when:

- Perkins funds are used to provide services that the recipient is required to make available under another federal, state, or local law; or
- Perkins funds are used to provide services that the recipient provided with non-Perkins funds in the prior year; or
- The recipient provides services for non-CTE students with non-federal funds, and provides the same services to CTE students using Perkins funds.

Exceptions must be evaluated on a case-by-case basis and may be granted when the institutions can demonstrate that the activity would be impossible to continue without federal funds. Exceptions will be rare.

### SELECTED RULES AND GUIDANCE

- **5% Administration Rule**  
Institutions are permitted to reserve up to 5% of its annual allocation for administration of the grant but may only be reimbursed for 5% of grant funds actually spent unless an indirect cost rate has been established. 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. (Perkins Sec 135)
- **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 via an activity amendment before expending funds. (EDGAR 200.308)
- **Carryover of Unspent Funds**  
Institutions are not permitted to carry forward unspent funds from one fiscal year to the next. Unspent funds will be placed in the distribution formula for the following fiscal year.
- **Co-mingling of Funds**  
Funds may not be co-mingled to the extent 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 was solely funded by Perkins.
- **State Administered Program**  
Because Perkins is a state administered program, the State may elect to have more stringent requirements on the expenditure of funds than might be allowed by the Act or EDGAR.

### REQUIRED WRITTEN POLICIES

Effective in 2015, EDGAR requires that recipients of any and all federal funds maintain a number of written policies which are outlined and cited below. These policies are not limited to Perkins but apply to all federal grants. These policies must be available during compliance reviews to avoid a finding.

- 1) Cash Management Procedure - § 200302(b)(6) & § 200305
- 2) Allowability Procedures - § 200302(b)(7)
- 3) Conflicts of Interest Policy - § 200318(c)
- 4) Procurement Procedures - § 200319(c) (one-year transition period provided)
- 5) Equipment Management Procedures - § 200313(d)
- 6) Method for Conducting Technical Evaluations of Proposals and Selecting Recipients - § 200320(d)(3)
- 7) Compensation and Fringe Benefits Policies – § 200430(a), § 200431(a), § 200464
- 8) Travel Policy - § 200474(b)
- 9) Certification requirements

In addition to those specified in EDGAR, ADHE requires the college to maintain written policies related to the collection and reporting of special populations, technical skills assessments, and apprenticeships. Requirements are available in the Reference section of [www.adheperkins.com](http://www.adheperkins.com).