

# Testing of Title I, Part A Expenditures Federal Fiscal Monitoring Division Texas Education Agency

**Objective:** To determine whether the subrecipient obligated, expended, received, and utilized funds in accordance with applicable federal statutes and regulations and grant requirements to demonstrate compliance with applicable requirements.

**Methodology:** Examine financial records including detailed general ledgers, payroll records, expenditure reports, and policies and procedures to assess the organization's internal controls, budgetary processes, and the use of program funds.

| <b>Testing of Internal Controls:<br/>Review of Financial Management System, Policies and Procedures</b> |
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| ➤ <b>Request for Current Policies and Procedures</b>  |
| ❖ Cash Management Procedures -§200.302(b)(6) & 200.305  |
| ❖ Allowability Procedures -§200.302(b)(7)   |
| ❖ Procurement Procedures -§200.319(c)   |
| ❖ Method for Conducting Technical Evaluations of Proposals and Selecting Recipients - §200.320(d)(3)    |
| ❖ Travel Policy -§200.474(b)  |

| <b>Request for Financial Records</b>  |
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| ➤ An electronic copy of the chart of accounts that lists all general ledger account codes. (Must be Compliant with FASRG)             |
| ➤ An electronic copy of the detailed general ledger for the period selected for review.   |
| ➤ An electronic copy of the payroll journal for the period selected for review.   |
| ➤ A schedule of your organization's pay periods and the corresponding pay dates.  |
| ➤ A document that reconciles any variances between the payroll costs recorded in the payroll journal and the detailed general ledger. |

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| ➤ Documentation used to prepare the expenditure reports for the drawdown request(s).  |
| ➤ A document that reconciles any variances between the total expenditures recorded in the detailed general ledger requested and the total expenditures reported to TEA. |
| ➤ Identify specific account codes, including local option codes used for recording appropriations and/or expenditures of grant funds, reserved for specific activities. |
| ➤ Documentation used to prepare the budget submitted on the grant application.  |

| <b>Testing of Payroll Transactions:<br/>Follow-up Request for Documentation to Test Payroll Expenditures</b>  |
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| <ul style="list-style-type: none"> <li>• Job descriptions</li> <li>• Applicable portion of the District Improvement and/or Campus Improvement Plan</li> <li>• Payroll Authorization records</li> <li>• Certification records</li> <li>• Extra duty/Substitute pay records</li> <li>• Time and effort documentation</li> </ul> |

| <b>Attributes Tested for Selected Payroll Transactions</b>  |
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| ✓ Was the position approved in the budget by TEA in the grant application?  |
| ✓ Was the job description signed, dated, and did it describe activities that are allowed in the grant? Was it updated to reflect current job duties?  |
| ✓ Was the position supported by laws, rules, regulations, and the grant application? Is the program/activity/strategy that is being funded described in the district/campus improvement plan?                     |
| ✓ Was the payroll cost incurred within the allowable grant period? (Review document library in eGrants for approved pre-award costs, if applicable.)  |
| ✓ Did the teacher/paraprofessional meet the applicable certification requirements?  |
| ✓ Did the payroll authorization form, employment contract, salary authorization, personnel action form, or other record identify all of the sources of funding from which the employee was authorized to be paid? |
| ✓ Did the payroll records match the approved source(s) of funding?  |

***Time and Effort:***

- ✓ Did the employee maintain time and effort documentation (periodic certification/personnel activity report) based on single/multiple cost objectives?
- ✓ Did the Time Allocation agree to the Cost Allocation?
- ✓ Was the time and effort document signed and dated by the employee or supervisor having first-hand knowledge of work performed?
- ✓ Was the time and effort document signed after the work was performed?

***Substitute Time and Effort***

- ✓ Was a Management Certification on file (at TEA) for the Substitute System Time and Effort System?
- ✓ Was a predetermined schedule submitted for the semi-annual certification?
- ✓ Was the Periodic Certification (Semi-Annual) signed and dated by both employee and supervisor?
- ✓ Did the Time Allocation agree to the Cost Allocation?

***Extra Duty Pay:***

- ✓ Was a signed and dated timesheet for extra duty or substitute pay provided, where applicable?
- ✓ Was a signed and dated supplemental contract (or agreement) provided that stipulates allowable program (Title I Part A) work activities performed by the teacher for tutoring or extra duty pay?

**Testing of Non-Payroll Transactions:**

**Follow-Up Request for Documentation to Test Non- Payroll Expenditures**

- Applicable portion of the District Improvement and/or Campus Improvement Plan
- Purchase orders/reimbursement authorizations
- Invoices/receipts
- Procurement documentation
- Documentation to support purchase(s) made through Cooperative
- Suspension and Department records
- Contracts, Agreements

- Travel Documents
- Training Documents

### Attributes Tested for Non- Payroll Transactions

- ✓ Was the expenditure reasonable and necessary to further the statutory purpose or did it pertain to a required or authorized activity?
- ✓ Was the cost of the goods or services chargeable or assignable to the grant in accordance with the relative benefits received?
- ✓ Is the program/activity/strategy funded described in the district/campus improvement plan?
- ✓ Did the expenditure meet supplement not supplant requirements?
- ✓ Was the cost incurred and the goods/services received, after the start, and before the end of the grant period? (Review the document library on eGrants for pre-award costs approved.)?
- ✓ Did the accounting record include an original and complete internal accounting document (i.e., executed contract, purchase order, payment authorization form, expense reimbursement form, travel reimbursement form, etc.)?
- ✓ Did the accounting record include an original and complete third-party document (i.e., utility billing statement, itemized receipt/invoice, etc.)?
- ✓ Was an approved purchase order issued prior to the invoice date?
- ✓ Did the accounting record indicate that the transaction was approved by an authorized individual(s)?

***Procurement Methods:***

- ✓ If the purchase was made using micro-purchase procedures, was it a onetime purchase below \$3,500?
- ✓ If the purchase was made using small purchase procedures, did the organization obtain at least 2 or more price or rate quotations from qualified sources?
- ✓ Did the purchase adhere to applicable state and/or federal competitive bidding requirements? (Only applicable to purchases over \$50,000 or a series of purchases that collectively exceed \$50,000 over a 12-month period).
- ✓ If the purchase was made using noncompetitive (sole source) procurement procedures, did the organization properly identify the vendor as a sole source and maintain adequate documentation of its determination?

- ✓ Did the accounting record include documentation demonstrating the organization verified the vendor was not suspended or debarred?
- ✓ If goods/services were purchased through a cooperative, did the organization provide an agreement with the cooperative?
- ✓ If goods/services were purchased through a cooperative, did the organization provide documentation to support the cooperative's compliance with EDGAR's procurement requirements?

| <b>Summary of Observations and Findings</b>   |   |                               |
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| <b>Description</b>  | <b>Standard or Criteria</b>   | <b>Observation or Finding</b> |
| 1. <b>Financial Management.</b> The organization's financial management system must identify all federal awards received and expended and the federal programs under which they were received, and provide accurate, current, and complete disclosure of the financial results of each federal award or program in accordance with applicable reporting requirements.   | 2 CFR<br>200.302(b)(1)(2),<br>200.327-328, and<br>FASRG   |                               |
| 2. <b>Accounting Records and Source Documentation.</b> The organization's financial management system must maintain accounting records that identify adequately the source and application of funds for federally-funded activities. These records must contain information pertaining to federal awards, authorizations, obligations, unobligated balances, assets, expenditures, and income and interest, and be supported by source documentation.                     | 2 CFR 200.302(b)(3),<br>200.403(g),<br>200.430(i)<br><br>34 CFR 76.702,<br>76.730-731, and<br>FASRG |                               |
| 3. <b>Internal Controls.</b> The organization must establish and maintain effective internal control over the federal award that provides reasonable assurance that the non-federal entity is managing the award in compliance with federal statutes, regulations, and the terms and conditions of the federal award. The organization's financial management system must maintain effective control over, and accountability for, all funds, property, and other assets. | 2 CFR 200.302(b)(4)<br>and 200.303  |                               |
| 4. <b>Budgetary Controls.</b> The organization's financial management system must provide for the comparison of expenditures with budget amounts for each federal award.  | 2 CFR 200.302(b)(5)<br>and 200.308  |                               |

| Summary of Observations and Findings   |  |                        |
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| Description  | Standard or Criteria                                       | Observation or Finding |
| 5. <b>Allowability of Costs.</b> The organization must have written procedures for determining the allowability of costs in accordance with 2 CFR 200, Subpart E—Cost Principles. Allowable costs are those that are necessary, reasonable, allocable, net from applicable credits, and are consistent with policies and procedures that apply uniformly to both federally-financed and other activities. Additionally, certain costs require the approval of TEA. | 2 CFR 200.302(b)(7)<br>and<br>2 CFR 200 Subpart E          |                        |
| 6. <b>Cash Management.</b> The organization must have written procedures to implement the requirements of 2 CFR 200.305 in order to minimize the time elapsing between the transfer of funds from TEA and the disbursement by the organization.  | 2 CFR 200.302(b)(6)<br>and 200.305                         |                        |
| 7. <b>Period of Performance and Obligation of Funds.</b> Where a funding period is specified, the organization may charge to the federal award only allowable costs incurred during the period of performance and those costs incurred before the award authorized by TEA as allowable pre-award costs. When an obligation occurs is determined by the type of obligation as defined in 34 CFR 76.707.   | 2 CFR 200.71,<br>200.77, 200.309, and<br>34 CFR 76.707-710 |                        |
| 8. <b>Procurement Standards.</b> The organization must use its own documented procurement procedures which reflect applicable state and local laws and regulations, provided that the procurements conform to applicable federal laws and standards. The organization must comply with procurement methods described in sections 200.319-326 and maintain supporting documentation for procurements.   | 2 CFR 200.318-326  |                        |