Internal Controls
New Title I Directors
Title I Technical Assistance Session
May 15, 2013

Massachusetts Department of
ELEMENARY & SECONDARY
EDUCATION
Presentation topics

- Internal Control defined
- Time and effort reporting
- Auditing
- Allowable costs
- Procurement controls
- Inventory controls & equipment controls
- Tips for TI Directors & Business Managers
What is internal control?

A process designed to provide reasonable assurance that:

1) Transactions are properly recorded and accounted for;

2) Transactions are executed in compliance with laws and regulations; and

3) Funds, property, and other assets are safeguarded against loss from unauthorized use or disposition
Internal controls

All recipients of federal funds must have controls that:

★ **Ensure federal money is spent correctly**
  ★ Transactions properly recorded and accounted for

★ **Prove federal money is spent correctly**
  ★ Transactions are executed in compliance with laws, regulations, and provisions of contracts or grants

★ **Safeguard property purchased with federal money**
  ★ Funds, property, and other assets are safeguarded against loss from unauthorized use or disposition
Internal controls

- Purchase Orders: should indicate that an item or service was authorized prior to purchase

- Information on Invoices: should describe the item or service purchased and its designated purpose

- Payment of Invoices: should ensure that expenditures match agreed upon charges with purchase orders and vendor contracts

- Vendor Contracts - should document the activity or item being purchased
Internal controls

✓ Equipment records – should indicate up to date equipment lists, inventory lists with accurate location information and physical inventory at least once every two years

✓ Procedures to Draw Down Funds: should have procedures to draw down funds from ESE within the allowed time periods

✓ Title I reservations: should show the allocation and distribution of funds from Title I reservations (set-asides)
Internal controls

✓ Budget Process – should have financial information that compares actual expenditures to the amounts budgeted (Business Manager tracks)

✓ Carryover of Title I Funds: should have records to show the amount of carryover and use of Title I funds
Time and effort reporting

- Districts must maintain auditable "time and effort" records that show how each Title I employee spent his or her compensated time.

- Records are written, after-the fact (not estimated or budgeted).

- Time and effort records must be prepared by Title I staff with salary charged directly to:
  1) A federal award,
  2) Multiple federal awards, or
  3) To any combination of a federal award and other federal, state or local fund sources.
Time and effort reporting – semi-annual reports

- Full-time staff

- Each district must maintain copies of signed semi-annual certifications documenting that staff work solely in activities supported by the Title I grant.

- See sample Title I Semi-Annual Certification Form
Time and effort reporting – monthly reports

★ Split-time staff – Work on Title I and other activities

★ Each district must maintain documents that describe time spent on Title I and other activities

★ See sample Monthly Time and Effort Report for Split-Funded Staff
Time and effort reporting stipends and other payments

★ Stipends (and other supplemental contracts) must also be reported.

★ Record stipends on semi-annual certifications or monthly reports, in the margin, whichever is utilized for the particular employee.

★ Alternatively, permitted documentation includes
  - A signed supplemental contract that stipulates Title I work activity,
  - Sign-in attendance logs approved by the supervisor (e.g., pay for professional development activities, after school activities, etc), and
  - Employee time/pay slips that specify "Title I" and are approved by the supervisor.
Title I Semi-Annual Certification

District: ____________________________


I certify that I have been working solely in activities supported by the Title I grant for the semi-annual period indicated above.

<table>
<thead>
<tr>
<th>Name</th>
<th>School</th>
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This report is an after-the-fact determination of actual effort expended for the Title I program for the semi-annual period indicated above.

Title I Director’s Signature ____________________________ Date ____________________________

Massachusetts Department of Elementary and Secondary Education
Title I Monthly Time and Effort Record for Split-Funded Staff

District: 

School: 

Payroll Month: 

Indicate the percentage of time you worked for the month charged to Title I and other program areas. The total must equal 100%. Then sign the form. The payroll month coincides with one or more pay periods. The record is an after-the-fact determination of actual effort expended for the payroll month and the signer has full knowledge of and can support 100% of these activities, if requested.

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
<th>Activities</th>
<th>Signature</th>
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<tr>
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<td>% Title I</td>
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This report is an after-the-fact determination of actual effort expended for the programs charged for the payroll period. The employees signing this record have full knowledge of and can support 100% of these activities.

Supervisor’s Signature  
Supervisor’s Title  
Date
New guidance/clarification

★ The U.S. Department of Education (ED) recently provided a clarification regarding time and effort reporting

★ Aim is to simplify time and effort reporting for certain staff working on a fixed schedule or a “single cost objective”

★ Details at: www2.ed.gov/policy/fund/guid/gposbul/time-and-effort-reporting.html
Why the flexibility?

- Monthly time and effort reporting is burdensome.
- Semi-annual certifications make more sense for district employees working on the same objective.
- Many district employees have fixed schedules (e.g., class schedules) that do not change from week to week and monthly records look identical with a new date and signatures each month.
Who and what?

The following staff may be allowed to submit semi-annual certifications of time worked rather than monthly time and effort reports:

- Staff who work a fixed pre-determined schedule that includes activities in multiple cost objectives
- Staff who work on a single cost objective but are paid from multiple sources
What is a cost objective?

★ Is it possible for an employee to work on a single cost objective even if working on more than 1 Federal award?

★ Yes – The key to determining whether an employee is working on a single cost objective is whether the employee’s salary can be supported in full from each of the Federal awards on which the employee is working, or from the Federal award alone if the employee’s salary is also paid with non-Federal funds.
Single cost objective example

Example: A district supports a supplemental math teacher to serve low-achieving students with 50% Title I and 50% State compensatory education funds.

Teaching math to low-achieving students is a single cost objective because it can be fully supported under Title I. Only a semiannual certification, therefore, is required under the substitute system.
Example: A teacher works with low-achieving students and is supported with 60% Title I and 40% CEIS funds.

Teaching low-achieving students is a single cost objective because it can be fully supported under both Title I and CEIS. Only a semiannual certification, therefore, is required even though the employee’s salary is supported by two Federal awards.
Substitute system

- Districts may implement a substitute system allowing certain employees to use alternative documentation for supporting salaries and wages, such as a teacher’s class schedule.
- The employee would then certify semi-annually that the schedule reflects actual time worked in each activity for the period being certified.
What’s next?

★ ESE will update its online Title I time and effort reporting guidance with further details

★ Contact us if you have questions: smazzarella@doe.mass.edu
781-338-3587
Title I audits

What does the auditor look for?

- Deficiencies in internal controls
- Noncompliance with laws and regulations
- Questioned costs greater than $10,000
  - Unallowable costs
  - Undocumented costs
  - Unapproved costs
  - Unreasonable costs
What is an audit finding?

★ “Findings” are significant issues noted by the auditor that are disclosed in your audit report, which is a public record.

★ Your district must prepare a corrective action plan to resolve the issue.

★ Your district may be asked to repay questioned costs to the grantor agency.
Statistics on MA Single Audit findings

FY12 Commonwealth of Massachusetts Common Single Audit findings:

- 4% Use of funds
- 4% Unallowable costs
- 4% Procurement
- 11% Cash management
- 29% Time and effort
- 50% Reporting/recordkeeping

Massachusetts Department of Elementary and Secondary Education
Allowable costs

To be allowable, a cost must:

Be reasonable for the performance of the award and be allowable in accordance with OMB Circular A-87.

http://www.whitehouse.gov/omb/circulars_a087_2004/

All costs must be necessary and reasonable

- Must be necessary for the performance or administration of the grant
- Must follow sound business practice
- Fair market prices
- Act with prudence under the circumstances
- Do I really need this?
- Do I have the capacity to use what I am purchasing?
- Did I pay a fair rate? Can I prove it?
Procurement
(the acquisition of goods & services)

Written policies and procedures

Common problems

- No documentation
- Invoice predates purchase order
- Lack of description in contracts/invoices
- Lack of approval over payment process
- Inadequate segregation of duties
- Conflicts of interest
Period of availability of federal funds

- Controls should be in place to ensure grant funds are:
- Encumbered/expended in accordance with the timelines of the respective grant agreement.
Inventory controls

- LEA Title I Office & Title I school will maintain a current and accurate inventory record of equipment purchased with Title I funds (including purchases for private school services).

- Inventory Listing should include equipment that is non-consumable with a life of more than one year.
Sample inventory control form

### Title I Equipment Inventory Control Procedure (for equipment purchased with Title I fund code only)

#### Physical Inventory Listing

<table>
<thead>
<tr>
<th>Organization (such as Office or School Location)</th>
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<table>
<thead>
<tr>
<th>Inventory Control Number</th>
<th>Fixed Asset Number</th>
<th>Item Description</th>
<th>Purchase Cost</th>
<th>Serial Number</th>
<th>Purchase Date</th>
<th>Person of Custody</th>
<th>Room Number</th>
<th>Location</th>
<th>Condition of Item</th>
<th>Date of Reconciliation</th>
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Sample fixed asset listing

LEA or School Fixed Asset Listing

<table>
<thead>
<tr>
<th>Fixed Asset Number</th>
<th>Item Description</th>
<th>Purchase Cost</th>
<th>Serial Number</th>
<th>Purchase Date</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>XYZ008</td>
<td>Desk</td>
<td>$1,174.50</td>
<td>ABC130</td>
<td>7/22/05</td>
<td>512-A</td>
</tr>
<tr>
<td>XYZ010</td>
<td>Computer</td>
<td>$1,453.82</td>
<td>ABC132</td>
<td>4/1/05</td>
<td>512-A</td>
</tr>
<tr>
<td>XYZ012</td>
<td>LapTop Computer</td>
<td>$1,610.22</td>
<td>ABC134</td>
<td>9/21/05</td>
<td>512-A</td>
</tr>
<tr>
<td>XYZ013</td>
<td>Computer</td>
<td>$1,475.00</td>
<td>ABC135</td>
<td>9/22/05</td>
<td>700-A</td>
</tr>
<tr>
<td>XYZ014</td>
<td>Computer</td>
<td>$1,500.00</td>
<td>ABC136</td>
<td>9/22/05</td>
<td>512-A</td>
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<tr>
<td>XYZ015</td>
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<td>$1,400.00</td>
<td>ABC137</td>
<td>9/22/05</td>
<td>512-A</td>
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<tr>
<td>XYZ016</td>
<td>Computer</td>
<td>$1,400.00</td>
<td>ABC138</td>
<td>9/22/05</td>
<td>512-A</td>
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</table>
Equipment controls

Must have adequate controls to account for:

• Location of equipment
• Custody of equipment
• Security of equipment
• Property records
  • Description, serial number, acquisition date, cost
• Physical inventory
  • Must be performed at least every two years
• Control systems to prevent loss, damage, and theft
Travel expense issues

- Documentation
- Purpose of travel
- Receipts
- Reasonable and necessary
Contact information

- Website: [http://www.doe.mass.edu/apa/titlei](http://www.doe.mass.edu/apa/titlei)
- Email: titlei@doe.mass.edu
- Phone: 781-338-6230