South Colonie Central School District
Attn: MS. Sherri Fisher, Asst. Superintendent for Management Services
102 Loralee Drive
Albany, New York 12205

June 19, 2018

Re: Uniform Guidance (Purchasing)/Grant Administration

Dear Ms. Fisher,

The review of Uniform Guidance and Grant Administration has been completed. The review of compliance with the Uniform Guidance was based on the Governments comments and summary outlines that have been issued to date. The Uniform Guidance provides for a number of directives, however in the areas of purchasing, the primary change is administrative procedures and increase documentation of internal controls. At the time of this review, it appears that the District may have to make some minor adjustments to current policies and procedures but most of the District's purchasing policies are more stringent then the Uniform Guidance requires. It is recommended that these minor adjustments be evaluated by the district and continue to monitor the NYS Education Department and the Federal Government's guidance as it is published.

In addition to the review of Uniform Guidance, the current procedures for administering grants was reviewed. Based upon interviews with staff and a review of the grants administered in the 2016-17, and part of 2017-18 year, the procedures appear to be working satisfactorily and in compliance with the grant requirements. However, there are areas of the procedure that could use consistency to provide for improved internal controls over the management of the grants. The management of the grants can be most difficult since it usually includes coordinating numerous personnel, many filings/amendments, and at times additional schools. Performing a Risk Assessment involves a review of the prior year report & corrective action that the District has implemented to resolve any previously identified issues. The review will help identify newly implemented procedures designed to improve the District's internal controls by reducing risk.

Additionally, each Grant Administrator, manages their own specific grant, with them retaining the knowledge and status of the grants current compliance throughout the year. Should their be an unforeseen circumstance causing the Grant Administrator to have to make a change to their position, it does not appear another Administrator could easily step in and identify the status of the grants compliance. Recommendations to assist in maintaining business continuity have been included in this report.

It has been a pleasure working with staff of the District. If there are any questions concerning this report, please contact me.

Sincerely,

Michael T. Wolff, CIA
Internal Control Specialist
Michael Wolff Advisory Services

Uniform Guidance (Purchasing) & Grant Administration

Uniform Guidance Background

The "Uniform Guidance" ("Guidance") is a set Federal Regulations established by the Federal Government's Office of Management and Budget to ensure entities receiving Federal Funds have established proper internal controls for these funds. These controls should ensure that the funds are properly accounted for, are in compliance with the funding requirements as well as local laws and regulations. The regulation was approved in December of 2014 but hasn't required implementation until July 1, 2018. The objective of the Guidance is to strengthen internal controls and oversight, and provide for the efficient and economical use of Federal Funds.

The majority of Federal funds for the South Colonie Central School District are spent on employee salary and benefits. However, the Guidance requires specific policies and procedures to be developed for the purchasing of tangible assets and contract services. Included in this guidance are purchasing thresholds and requirements for quotes, contracts and written requests for proposals ("RFPs"). Additional requirements included in the Guidance are a "Conflict of Interest" disclosure document, as well as requirements for maintaining all documents related to the purchasing of goods and services purchased with Federal Funds.

Observations & Recommendations

Observations: Although the Guidance provides specific requirements written into the law, there has been little opinions, examples or legal guidance provided by the Federal Government to identify what is specifically required to obtain compliance with the regulation. For example, one of the stipulations of the requirements if that the District needs to develop policies and procedures for purchasing to comply with the monetary thresholds of the Guidance; however if the local government entity has more strict requirements it is supposed to default to the local governments rules and regulations. A review of the South Colonie School District polices and procedures found the districts purchasing procedures are more strict than the Guidance requirements. However, the district's policies are for "all purchases". It is unclear from the guidance whether or not a separate purchasing policy is required for Federal Fund purchases.

Another example of ambiguity in the Guidance is the "Conflict of Interest" policy requirement. Currently the District has a requirement to disclose any conflicts of interest by employees. The Guidance does not specify if this district wide requirement satisfies the Guidance or if specific attestations are required for only those employees involved with the Federal Funds purchasing process or if the attestations are required to be completed annually, or for each grant.

Recommendations: At the time of this report the NYS Education Department is in the process of updating their guidance to provide to schools to ensure NEW York State School Districts will be able to comply with the Uniform Guidance.

The development of Board Policies and procedures and is best to be developed with the review of legal counsel. There are certain vendors which will also provide example policies and procedures of example procedures for a fee. (e.g. Erie One BOCES) It is recommended the district work with legal counsel or an external procedure vendor to obtain a written procedures for implementation.

I have performed a cursory of comparing the Guidance requirements to the Board's current polices and procedures. An additional guidance document to assist the District in policy revisions will be provided at a later date.

Grant Administration

In addition to the review of the Uniform Guidance, the overall grant administration process was reviewed.

Background

In the fiscal year ending June 30, 2017, the District recognized $2.9 million in Federal Assistance. Section 611/619 for Special Education represents $1.1 million and the Title (I, II, III) along with McKinney-Vento grants represents approximately $838 thousand. The remainder of Federal grant monies comes from the US Department of Agriculture in the form of the Nutrition and School Lunch/Breakfast Program.

In addition to the Federal Grants, there are New York State and other local grants that are received through out the year that total approximately one million dollars.

The District currently has four employees that take on the responsibilities of administering (point persons) the Federal and State grants. In addition to the four grant administrators, The Superintendent is responsible for Submitting /Signing all the Federal Applications, and the Business Office Staff is responsible for processing and managing the accounting and financial portion of the grant. For many of these grants this will involve numerous activities from payroll, \purchasing and the Treasurer positions to comply with many of the grant requirements.

Many of the grants have requirements that include application deadlines, payroll certifications, and final expense and reporting deadlines. Some of the grants require interaction and communication with non-district entities, such as private/parochial and special education schools that will be receiving funding passed through the district as part of the grants. Many of these grants span the duration of the school year and some cross school years. Failure to properly comply with the requirements of the grant or with the reporting deadlines could result in failure of the original grant amount being approved, or the final payments being processed.

Observations & Recommendations

In performing the audit, each of the four grant administrators were interviewed to gain an understanding of the grant administration process. Additionally, the Treasurer was interviewed to understand the accounting and financial reporting process as it relates to grants. In addition to the interviews, a sample of grant applications were selected for review to ensure filings were complete and processed in a timely manner; purchases were appropriate and in compliance with the grant requirements, and when required appropriate, appropriate payroll certifications were obtained.

Based upon the observations and testing, the grant applications, amendments and filing documents appear appropriately filed, complete and accurate. Additionally, requirements such as purchasing compliance, payroll certifications, and other administrative requirements were accurately filed and complete. All of the grant administrators appeared to have a working knowledge of the grant requirements and the overall administrative process for their particular grant (s). Additionally, the Treasurer has a working knowledge of the accounting process for the grants, however relies upon the grant administrator to ensure the purchase is an allowable expense under the grant.

Findings/Observations: The primary observation noted in the review of Grants Administration is the risk of managing the various aspects and requirements of the grant as well as coordinating the various

(Continued from page 3)

individuals, departments and outside schools that may be involved in the process. A secondary risk, which is prevalent in most district functions, is to ensure the district has a business continuity plan for grants management..

Additionally, many aspects of the grants functions, current status, and future deadlines are maintained and managed by the grant administrator. Should one of the grant administrators cease employment with the district or have an unexpected leave of absence, it may be difficult or very inefficient to pick-up mid-stream and maintain the program and comply with the grant requirements; thereby requiring training of new staff.

Recommendations:

A) **Grant Committee:** Every grant has numerous parties involved with many requirements to satisfy the grant. As a recommended best practice, a "grant committee" should be established and lead by the grant administrator. The scope of responsibility of the committee should be to review all the aspects of the grant once it has been awarded, identify the grants specific requirements, as well as required deadlines. It is recommended that at the beginning of the grant a "kick-off meeting" is held to cover all aspects of the grant to ensure all parties are aware of their required responsibilities. (Appendix A) The operation of this committee will assist in demonstrating compliance of the internal control of appropriate oversight required with the new "Uniform Guidance" requirement.

At a minimum it is recommended that the members of the grant committee include, the Grant Administrator, Purchasing Agent, Treasurer, Payroll Clerk, and if applicable representatives from external schools or vendors that will be receiving pass-through funds. An optional member of the committee is Claims Auditor.

For example areas that should be reviewed by the committee include:

Purchasing (Purchasing Agent responsibility): Requirements that purchases be made and received within the funding period of the grant as well as a certain percentage of purchases must be made from minority and woman business entities. (MWBE) These should be identified at the beginning of the grant to ensure compliance with all requirements.

Payroll (Payroll) - Employees that are paid by Federal monies are required to be accounted for in the payroll system under specific accounting codes and time card certifications are required to be submitted with the employees payroll. On occasion, staff assignments may change during the year which require changes to be made to update the proper accounting of the grant funds.

Treasurer: The Treasurer would need to know of all the reporting lines of the grant to ensure the proper accounting structure is established to make for easy and efficient reporting at the end of the year and to ensure all data is properly recorded. Many of the final deadlines of filing reports rely upon the Treasurer assembling financial data which many times is at the busiest time of the year, after academic year-end.

External Schools and Vendors: Since these parties are outside the direct oversight of district employees, they should be included in the "kick off meeting" to ensure a level of expectation is established for submitting required documents to the district and periodically updating the Grant Administrator of compliance.

Claims Auditor (Optional): This position is optional, however may create efficiencies based on attending the kick-off meeting. When any expenses (non-payroll) are presented to the Claims Auditor throughout the year, he/she will need to verify that the expense is in compliance with the requirements of the grant before approving payment. This will require the Claims Auditor to have a working knowledge of the grant and it's requirements. By attending the "kick-off" meeting, the Claims Auditor

will have a copy of the grant requirements and the approval process will be more efficient.

Additional committee responsibilities that would be beneficial would be to meet periodically throughout the life of the grant (e.g. once or twice) to measure compliance and timeliness of deadlines.

B) **Grant Business Continuity:** In the case of an unexpected change in availability or employment of the grant administrator, it is recommended that a "central repository" or "permanent" file is maintained either in electronic or physical form. Within the file would contain the outline of requirements identified during the "kick-off meeting" as well as all forms and data collected throughout the life of the grant. An assistant, alternate "grant administrator" or members of the grant subcommittee should be aware of the files location or have electronic access. This will provide for any unexpected absences and allow the deadlines and filing requirements to be easily picked up by another grant administrator, if needed. It should be noted that in the Business Office there is redundancy between the Treasurer and the Assistant Superintended for Business therefore the grant filings should not be of issues, once the necessary information is communicated to them from the grant administrator.

Additional examples the committee's consideration (Appendix B) and example forms for the committee's use are included in the appendices attached.

It was a pleasure working with the employees of the District and all staff were extremely knowledgeable of the processes and helpful during the review. If there are any questions concerning this review or report, please feel free to contact me anytime.

Michael T. Wolff, CIA
Internal Control Specialist
Michael Wolff Advisory Services

Grant Kickoff Meeting Agenda –
NYS Archives
Local Government Records Management Improvement Fund (LGRMIF)

(Note – In addition to this agenda, all members of the committee had a copy of the full application)

<u>Roles</u>

- Identify Project Director (NYS Archives title), who: oversees project, budget, deliverables, prepares reports for the funder

<u>Project Basics</u>

- Review of the grant application, including:
    - Funder name: *NYS Archives*
    - Funder contact: *Mark Smith, NYS Archives Grant Program Manager, 518-XXX-1236, GrantAdmin@nysed.gov*
    - Project title (official title and how we'll refer to it internally): *Local Government Records Management Improvement Fund = official title*
    - Project codes (NYSED code where applicable and the service code and CoSer we'll use internally, both assigned by the Business Office): *NYS Archives Project #0580—32-2565*
    - Budget code where funds will be deposited:
    - Amount awarded: *$75,000*
    - Project period (including start and end date): *after M/WBE waiver/approval received through June 30, 2019*

<u>Deliverables</u>

- Review of the program's objectives, goals, measures of success:
    - *To hire a consultant who will conduct a complete inventory of all electronic records (257.5 TB), and make recommendations for cost-effective recordkeeping practices. (Maria Smith advice: focus on the inventory and save looking at recordkeeping practices with a future grant.)*
    - *The consultant will be hired through a formal bidding process.*
    - *Timeline for work completion (pages 18-19; revised dates below):*
        - *Develop new RFP, solicit new bids for consultant by mid-August*
        - *M/WBE paperwork must be submitted by Aug. 25, 2018*
        - *All funds must be spent by June 30, 2019*
    - *After work is complete, the plan is to submit a 2019-2020 NYS Archives grant application to develop a disaster management and business continuity plan for DISTRICT' records management program, based on the inventory.*

- Discuss if the above activities are still reasonable.
- Review who will track information that needs to be reported on.

<u>Budget</u>

- Review the budget: *$75,000 toward the consultant cost (estimated at $100,000 to $150,000 total, with School District providing the remaining cost).*
- Staff time: *An administrative team composed of the following will oversee the consultant's work:*
  - *Deputy district superintendent*
  - *Chief operating officer*
  - *Attorney*
  - *Director of technology*
  - *Records management officer*
  - *Business manager*
  - *Safety officer*

  Also, department heads, 7 program managers and 8 clerical staff across the dDistrict will be asked to provide information to the consultant.

- Review M/WBE requirements: *Use of M/WBE is required, but we can request a waiver if we can't find an M/WBE consultant; waiver paperwork must be filed by Aug. 25, 2018.*
- Review of effects of District's purchasing guidelines — *including process to get bids.*
- Award payment: *once M/WBE approved, 50% sent within four weeks; up to 40% additional received after FS-15 submitted; remaining 10% awarded after project is complete.*
- Any other details that require clarification.

<u>Reporting Requirements</u>

- Review the requirements from the funder, including deadlines for any required narrative or financial reports: *TBA; NYS Archives will give the Project Director requirement details.*
- Review the internal process for creation, review and submission of financial reports/invoices to the funder.

<u>Next Steps</u>

- Any concerns on delivering what we've promised?
- Mary Smith to post info on shared grants drive after this meeting; everyone will have access.

Considerations to Improve Grant Administration and Management

Here are recommendations and suggested activities, though not an exhaustive list, to improve grant administration and management.

Determine If a Grant Is the Right Funding Tool
- Compare the cost and benefits between grants and self-performing work.
- Compare the potential risk considerations between grants and self-performing work.

Manage Grants
- Conduct risk assessments of programs/projects at least once annually (or every six months, if level of eligible activity and cost disbursements warrants it).
- Ensure the cost of implementing internal controls does not exceed the potential risks/liabilities.
- Implement a comprehensive and effective compliance program that includes: investigative protocols, whistleblower procedures, and a process to refer matters to regulatory and legal authorities, if and when appropriate.
- Develop and implement policies and procedures to help ensure that program requirements are met, including preventing duplication of benefits, and measures to detect fraud, waste, abuse, and mismanagement of resources.

Reduce Reporting Burden by Combining Multiple Departments
- Combined reporting can help minimize fraud risk and ensure correct use of funding grants.
- For this type of reporting, it is necessary to define an appropriate internal reporting line to ensure common understanding about funding projects at all levels of the organization.

Cost Effectiveness Assessment
Review the planning documentation from the grantor regarding:
- Realistic timeframe.
- Appropriate cost calculation.
- Quality management.
- Review of cost accounting information during the project life cycle.

Cash Flow Controls
- Ensure funds are used for the intended purpose.
- Ensure funds are properly tracked and used within the grants required timelines.

Grant Management Systems
- Implement systems suitable for the administration and management of grants.
- Include IT-related controls when auditing the grant administration and management process.

<u>Risks</u>

The following is a list of risks that should assist in monitoring grants throughout their lifespan. This is generalized list and does not necessarily address all risks.

Managing Grant Resources

- Resources are used for purposes not intended by the grantor (i.e., does not meet terms and conditions).
- Resources are used for inappropriate spending. (meals, refreshments, unnecessary travel, etc.)

Accountability Reporting

- Unable to account for resources in accordance with terms/conditions.
- Resources not used for intended purposes.
- Resources used inefficiently.
- Inaccurate/inappropriate internal and external reporting.

Program Evaluation and Closing

- Program objectives and/or performance standards are not achieved.
- Program was not effective or efficient in meeting the specific objectives.