



STATE AND FEDERAL FINANCIAL ASSISTANCE

GUIDELINES

Under the provisions of Arizona Revised Statutes (A.R.S.) §15-271(B), the Arizona Department of Education (ADE) and the Office of the Auditor General share responsibility for prescribing the method by which school districts should account for all state and federal revenues.

In accordance with A.R.S. §15-206(A), "The State Board of Education may accept on behalf of this state from any federal agency monies which have been appropriated by act of Congress for defense in education, reduction of illiteracy, teaching of immigrants, employment and training, educational support services or other educational purpose." The State Board of Education "shall be the chief educational authority for the administration and supervision of the expenditure of federal appropriations," pursuant to A.R.S. §15-206(C). A.R.S. §15-203(A)(7) authorizes the State Board of Education to delegate the execution of the Board's policies to ADE through the Superintendent of Public Instruction. This section applies to state and federal financial assistance passed through ADE to districts, rather than assistance applied for and received directly from the grantor agencies.

To apply for and receive grant funding, districts must submit their Self-Assessment and General Statement of Assurance (GSA) via ADE's Grants Management Enterprise system (GME), before the beginning of each fiscal year. Districts must also be in compliance with all applicable state and federal laws and regulations. Districts may then apply for funding and submit their funding applications to the appropriate ADE program area in accordance with ADE and grant policies and regulations.

Project monies allocated to a district should be deposited directly with the county treasurer into an appropriate account to the credit of the district. Generally, these monies are disbursed by a warrant prepared by the county school superintendent on a district's behalf. However, districts operating independently of their county school superintendent through the Accounting Responsibility Program (ARP) issue their own warrants. ARP districts are those districts which have been approved by the State Board of Education to assume autonomous accounting responsibility, pursuant to A.R.S. §15-914.01(A).

If a district expends monies other than as provided by the federal or state grant regulations or other than as provided by ADE or program area guidelines, ADE may withhold future payments, request that monies be returned, and/or de-obligate the project award (i.e., decrease or eliminate a previously committed fund balance). ADE may also withhold project or grant funding if a district fails to comply with the requirements of the USFR, as prescribed by A.R.S. §15-271(D) and (E) and Arizona Administrative Code (AAC) R7-2-804.



APPLICATIONS

Eligible districts can apply for funding from state or federal grants that are administered by ADE each year, based on the program requirements. To apply for grant funding, districts must submit a funding application via GME, in accordance with the program requirements. Application requirements may vary, depending on the type of application submitted by the district (entitlement, competitive, etc.). Funding applications submitted by the districts are reviewed for approval by each applicable ADE Program Area. Incomplete or unclear applications will be returned to the districts for revision and resubmission, in alignment with program requirements.

ADE's goal is to finalize all applications and provide program area Director Approval for each approvable application in a timely manner. The approved project award will be entered into the GME system, enabling warrants to be issued for payment requests submitted by the district, according to program guidelines. Approval notification will be sent to the district via GME.

All state and federal grant awards are subject to the specific terms of the grant. State and federal grants are generally for 1 fiscal year beginning July 1 and ending June 30 of the following calendar year. Most state grants end June 30. Some federal projects may extend the project period beyond June 30 to align with the federal fiscal year-end.

Budgets

The funding application budget represents the district's financial plan for the grant award, which is approved by the applicable ADE program area. Budgets should be entered by line item. Budget line items should be detailed on the budget description page according to program guidelines. The budgeted indirect cost amount may not exceed the approved rate times the eligible direct costs. Some grants may restrict or disallow the use of indirect costs.

The purchase of any textbooks, library books, and instructional aids (e.g., instructional computer software, workbooks, films, kits) should be budgeted as supplies (see Chart of Accounts). Capital items must be itemized on the Capital Outlay Worksheet page of the grant application, according to program guidelines, but may be restricted by statute or program guidelines for some projects. The information included on the Capital Outlay Worksheet can be used as a guideline for expenditure classification. Districts will refer to the USFR Chart of Accounts for current guidance regarding object and function codes.

If there are questions regarding budgeting or capital outlay justifications, the respective ADE program area should be contacted for guidance.



FUNDING APPLICATION REVISIONS

The approved funding application budget for the grant award summarizes the financial aspects of the grant project as approved during the federal award process. Grant award recipients are required to report deviations from budget or project scope or objective, pursuant to 2 CFR §200.308.

Approved state or federally funded projects may be amended via GME to reflect changes in line-item allocations, additional monies, and/or carryover monies, subject to program regulations. Funding application revisions can be fiscal or programmatic in nature, or a combination of both. These revisions must be submitted to the program area overseeing the project well in advance, to allow adequate time for review and approval prior to the end of the project. Funding application revisions cannot be started or approved after the project end date. Original funding applications that do not receive program area director approval before the end of project will result in forfeiture of allocated funds. Districts may elect to waive their grant allocation and must complete the waiving process prior to the project end date of each grant.

Districts may submit funding application budget revisions through GME, which may include but are not limited to:

- A change in the carryover of prior-year monies and/or changes in allocation, which increases/decreases the total budget.
- A change in budgeted line item amounts to reflect changed budget priorities, with or without changing the budget total.
- A change in the budget detail for a capital item or item description, even if the line item amount is unchanged.
- A change in the Capital Outlay Worksheet associated with the funding application.

Funding application revisions must also be submitted and approved by the program area office for:

- Changes in staff duties or responsibilities without changing the budgeted line item amount.
- Changes in the type of contractual services from the approved budget without changing the budgeted line item amount.
- Modifications of the project's intent, focus, goal(s), or objective(s). Any modifications must still be within the grant's overall purpose.

Districts are required to report deviations from budget or project scope or objective and request prior approvals from federal awarding agencies for budget and program plan revisions, in accordance with federal regulations outlined in 2 CFR §200.308.



INDIRECT COST RATE

Indirect cost rates apply only to some federally funded projects and may be restricted for others. 34 CFR §76.560 - .569 authorizes the payment to districts for the indirect costs incurred in the handling of certain grants. The calculation of indirect cost rates follows a plan formulated by ADE based on the cost principles outlined in the Uniform Grant Guidance – 2 CFR Part 200 and is approved by the U.S. Department of Education (USDOE).

District Indirect Cost Rates

The indirect costs are those expenditures that are incurred by the district for the joint benefit of more than one project and cannot be readily and specifically identified with a particular project without effort disproportionate to the results achieved. (2 CFR §200.1)

Districts may request a restricted indirect cost rate and an unrestricted indirect cost rate. The restricted indirect cost rate is to be used for grant programs to which the supplement, not supplant provision applies (such as Title I, IDEA, Career and Technology Education, etc.). The unrestricted rate may be used for all other programs to which the supplement, not supplant provision does not apply, such as the National School Lunch Program (NSLP).

According to the 2 CFR §200.412 a cost may be direct with respect to some specific service or function, but indirect with respect to the Federal award or other final cost objective. Therefore, it is essential that each item of cost incurred for the same purpose be treated consistently in like circumstances either as a direct or an indirect (F&A) cost in order to avoid possible double-charging of Federal awards. Guidelines for determining direct and indirect (F&A) costs charged to Federal awards are provided in the Code of Federal Regulations, under 2 CFR §200.413 - .414.

Direct costs are those costs that can be identified specifically with a particular final cost objective, such as a federal award, or other internally or externally funded activity, or that can be directly assigned to such activities relatively easily with a high degree of accuracy (2 CFR §200.413). Districts may also reference 2 CFR §200.405 for more information regarding allocable costs.

Districts can request an Indirect Cost rate from the Arizona Department of Education. To receive an indirect cost rate, the district must complete and submit the Indirect Cost request to ADE, by using the Indirect Cost supplement available in GME, during each fiscal year. Once the Indirect Cost rate request is approved by ADE, the district will receive a notification, which will include the approved Indirect Cost rate, as well as the grant period that the rate should be used for. Districts must have a current, approved indirect cost rate to recover indirect costs from a grant program that allows for indirect cost expenditures. The approved rate for districts is a percentage calculated based on information provided by the district from their Annual Financial Report (AFR). The formula used to calculate the Indirect Cost rates and the maximum capped rates are based on an Indirect Cost Proposal negotiated by ADE with USDOE.

The approved indirect cost rate appears as a separate line item on the project budget page. Although indirect costs may be budgeted based on the subtotal amount of the funding application (which does not include amounts budgeted for capital items), the maximum



indirect costs payable may not exceed the indirect cost rate times the actual subtotal expenditures reported in the completion report, rounded down to the nearest cent. Charging indirect costs to federal projects does not increase the award total. The indirect cost rate obtained at the project's starting date is to be used for the entire project period.

GRANT PAYMENT REQUESTS

State-project and Federal payments to district are made primarily on a reimbursement basis. One to two Reimbursement Requests (RRs) should be submitted each month for grant expenditures while the grant project is open. RRs must be substantiated by local expenditure documentation, as required by ADE guidelines and program requirements. RRs received after the end of the project, or the applicable state fiscal year close-out deadline, cannot be processed.

Advance payments may be requested for expenditures that will be obligated by the end of the project period, to cover anticipated expenditures for a period not to exceed 30 days. The entity's ability to request advance payments depends on the Risk Assessment designation at the time of the request and other applicable ADE guidelines. Advance payments must be kept in an interest-bearing account and any interest accumulated on advance payments must be reported to ADE. Procedures for minimizing the time elapsed between the transfer of monies from the U.S. Treasury and disbursement by districts must be followed whenever advance payment procedures are used, pursuant to 2 CFR §200.305. Pass-through entities must ensure that districts substantially conform to the same timing requirements that apply to the pass-through entity.

COMPLETION REPORTS (CRs)

For state and federal grants that are administered through ADE, school districts are required to submit CRs to ADE (along with any required narrative data), to satisfy the financial reporting requirements of each grant, as required by 2 CFR §200.302, ADE, or state grant requirements. Districts must submit CRs to ADE within 90 calendar days of the grant project end date, as aligned with 2 CFR §200.344(a), or sooner if required by specific program guidelines. All CRs must be substantiated by local expenditure documentation, as required by ADE guidelines and program requirements. The ability to request a final payment on the CR depends on the program guidelines of each grant.

School districts that have assumed accounting responsibility pursuant to Arizona Revised Statutes §15-914.01 must submit their completion reports directly to ADE for grants that ADE administers.

As the pass-through grantor, ADE requires school districts, except for those districts operating under the Accounting Responsibility Program (ARP), to submit the completion reports to their respective County School Superintendent Office (CSS) for approval via GME, before the CSS forwards them to ADE. Districts must submit the CRs to the CSS office early enough to allow sufficient time for CSS review. The CSS is required to certify that the reports



were reconciled to the CSS' records and that the reports are reasonable statements of total grant expenditures. It is the responsibility of the district to work with the CSS office to ensure that the completion report can be reconciled against CSS records and the CR is submitted to ADE in approvable form and in a timely manner. Some completion reports are subject to a lengthier review and approval process, as they must go through an additional programmatic review, before they are received by Grants Management. ADE must receive the CRs from the CSS within 90 calendar days of the grant project end date, or sooner if required by specific program guidelines.

If the CR (along with any required program narrative data) is not received by ADE in approvable form before the 90th calendar day following the end of the project, the district may risk forfeiture of final expenditures requested on the CR.

If a district can no longer substantially and meaningfully fulfill the requirements of a project because of school closure or inability to complete the term or intent of the grant/project, a completion report will be due to ADE within 90 calendar days after the last day that the district substantially and meaningfully conducted business related to the grant/project and its intent.

CR expenditures must align with the approved funding application budget. Indirect costs may be recovered only to the extent that the indirect cost rate is applied to the amount expended (the allowable rate times the actual subtotal expenditures) or the amount allowed by individual program guidelines, whichever is less. Total actual expenditures reported on the completion report cannot exceed the total budget. A CR line item may not reflect any expenditures if the budgeted amount in that category is zero. The CR and the supporting expenditure documentation must be an exact match, reflected by object and function code.

The CR should be reflective of the data available in the district's accounting records. If monies were used for unauthorized expenditures the district should make an adjusting journal entry to move the unauthorized expenditures out of the grant fund prior to submitting the completion report to ADE. Cash on deposit with the county treasurer may need to be adjusted depending on how the affected funds are accounted for (or pooled) by the treasurer. The amount reported as cash on hand must agree with the records of the county treasurer's office or banking institution. Discrepancies between district and CSS records must be resolved before the CR is submitted to ADE.

CRs for grants ending on 6/30 are due to ADE by 9/28 or sooner, as required by the funding agency. CRs for grants ending on 9/30 are due to ADE by 12/29 or sooner, as required by the funding agency. CRs not received by ADE **in an approvable** form by the deadline may result in forfeiture of final reimbursement of expenditures (drawdown) on the CR. The ability to draw down or carry over funds on the CRs depends on the programmatic rules and regulations associated with each grant. ADE program area offices provide programmatic guidance if a final drawdown is permitted on the CR. CRs received by ADE after the deadline will impact the district's Risk Assessment score. Outstanding CRs will result in the district being placed on a Fiscal Hold in the GME system, which in turn, will impact the district's ability to submit payment requests for open grant projects.



CARRYOVER OF MONIES

ADE relies on the CR for grant information such as the final budget, expenditures, unexpended allocation and, when applicable, cash on hand. In addition, the CR reflects the total cash received at the end of the project period. The amount reported as cash on hand must agree with the records of CSS or banking institution. Discrepancies must be resolved before the completion report is submitted to ADE.

Such financial information is necessary for ADE to ensure that cash management policies are properly administered for each grant. If there is an unexpended cash balance or remaining allocation at the end of the fiscal year and the grant project will be funded in the subsequent fiscal year, the district may request to carry over the balance to the subsequent fiscal year, if the respective grant allows for carryover. Carryover funds can come from an unreimbursed remaining allocation in GME, already reimbursed cash on hand, or a combination of the two, so long as the funds are not expired.

The ability to carryover balances and/or interest remaining from a prior-year's project varies depending upon legislation and funding guidelines. Program Areas provide programmatic guidance related to each grant carryover rules and limitations. The ability to draw down or carry over funds on the CRs depends on the programmatic rules and regulations associated with each grant.

Once ADE approves the CR with the district's request to carry over the cash balance or remaining allocation to the subsequent fiscal year, the district will need to revise the subsequent year funding application and budget the additional amount as soon as possible. Funds that are carried over into the subsequent year funding application must be expended/obligated by the end of the project period and timely requests for reimbursement must be submitted to ADE to draw down the funds.

If the district fails to amend the subsequent year funding application and budget the carryover and/or the district does not submit adequate reimbursement requests to draw down the carryover funds within the appropriate timeline, the district may be subject to loss of monies.

RETURN OF FUNDS

At the end of the project period, if the district has cash on hand and the grant project is not funded in the subsequent fiscal year or the grant project does not allow for the carryover (either due to the expiration date of the funds or the programmatic rules of the grant), the district is required to return the cash on hand back to ADE. Upon primary approval of the CR in GME, the district will be required to submit to ADE a voucher in the amount of the unexpended cash on hand balance. Once the refund is received and posted by ADE, the completion report will receive final approval in GME.

Expired monies from a grant project may not be carried over or budgeted into subsequent years. These monies must be returned to ADE's Accounting office. Districts should avoid



allowing federal monies to expire by submitting adequate RRs to account for grant expenditures during each project period.

If during the course of a fiscal monitoring, ADE issues a district a finding with disallowed costs, the district will need to return the funds to ADE. In such case, ADE will initiate a completion report revision and request that the district return the funds to ADE. Failure to return such monies within the timeline required by ADE will result in the withholding of monies in accordance with federal requirements, or as provided by ADE or state grant requirements. If a district fails to comply with the CR revision process, the district will be placed on a Fiscal Hold and no payments will be made for any open grant projects. Once the district becomes compliant and/or returns the funds, the hold will be released. ADE will apply sanctions in accordance with 2 CFR §200.339 for refunds not received within the timeframe communicated to the district. If a district receives a vendor refund (for a purchase made with grant funds) or discovers an error during an internal or external review or audit, the district will need to do a CR revision. Districts must reach out to ADE to determine next steps.

Districts returning money for more than one grant/fiscal year will need to submit a separate check for each funding application and fiscal year. Districts must follow current ADE guidelines with regards to the return of funds, to determine if additional documentation is required to be submitted with the warrant (such as a Return of Monies Form).

INTEREST

The following rules and regulations apply to interest earned on federal and state projects:

- Interest earned on state and federal grants administered by ADE must remain with each fund that generated the interest subject to the limitations below.
- Districts must report to ADE all interest earned on state and federal grants, on the Completion Report Adjustments Page in GME.
- If advances were received from ADE during the period of performance of the grant and no interest is reported on the CR, the district will need to certify via GME that no interest was earned.
- Interest earned on federal monies in excess of \$500 during the fiscal year must be returned to ADE's Accounting Office, upon CR approval, pursuant to 2 C.F.R. §200.305(b)(9). However, per program guidelines, the Johnson O'Malley program is currently exempt from the preceding rule.
- Depending on applicable program guidelines, interest earned on some state grant monies can be retained by the district and expended for the same purpose as the original allocation in the next year, if reported on the grant CR and approved as carryover. Interest must be returned to ADE's Accounting Office if the project is discontinued, program guidelines require it, or the approved CR requires the interest to be returned.



AUDIT OF FEDERAL PROGRAMS

The Single Audit Qualifier Questionnaire

Districts are required to complete and submit the Single Audit Qualifier Questionnaire via GME each year, by December 31st. Districts must indicate if they have met the Single Audit threshold of federal expenditures and provide the fiscal year end date of their organization. If the district indicates that they are subject to Single Audit requirements, the district will need to submit to ADE the Single Audit Reporting Package (SARP) within 9 months after the end of their fiscal year or 30 days of receiving the SARP from the accounting firm, whichever comes first. The SARP will be submitted to ADE via the Single Audit monitoring tool in GME. Districts receive notices from ADE Grants Management prior to the due date of the SARP. If the subrecipient has not submitted the SARP by the deadline, a fiscal hold will be placed on the district's GME account. Fiscal holds temporarily prevent school districts from submitting reimbursement requests for all open grant projects.

The Single Audit Report

The Uniform Grant Guidance (UGG) requires all subrecipients to contract for a single audit for any year in which the subrecipient expended more than the Single Audit threshold in combined federal awards. The SARP must be submitted to ADE, the Office of the Auditor General, and other applicable agencies within the required time frame and must include:

- A Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards
- A Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance
- A Schedule of Expenditures of Federal Awards
- A Schedule of Findings and Questioned Costs

As part of the SARP, a district must submit to ADE any associated Corrective Action Plan (CAP), addressing the findings related to financial statements and those related to federal awards.

Pursuant to 2 CFR §200.508, districts must:

- a) Procure or otherwise arrange for the audit required by this part in accordance with §200.509, and ensure it is properly performed and submitted when due in accordance with §200.512.
- b) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with §200.510.
- c) Promptly follow up and take corrective action on audit findings, including preparation of a summary schedule of prior audit findings and a corrective action plan in accordance with §200.511(b) and (c), respectively.
- d) Provide the auditor with access to personnel, accounts, books, records, supporting documentation, and other information as needed for the auditor to perform the audit required by this part.



Pursuant to 2 CFR §200.511, at the completion of the audit, the auditee must prepare, in a document separate from the auditor's findings described in §200.516, a corrective action plan to address each audit finding included in the current year auditor's reports. The corrective action plan must provide the name(s) of the contact person(s) responsible for corrective action, the corrective action planned, and the anticipated completion date.

Districts are responsible for follow-up and corrective action on all audit findings, including findings related to federal awards and financial statement findings.

Audit Findings

ADE has the responsibility to ensure that audits are completed and reports are received in a timely manner. ADE must also follow-up on audit findings to ensure that the recipient takes appropriate and timely corrective action. Pursuant to 2 CFR §200.521, districts must initiate and proceed with corrective action as rapidly as possible and corrective action should begin no later than upon receipt of the audit report.

As part of audit follow-up, the Federal awarding agency must issue a Management Decision Letter, within 6 months from the date the complete SARP is received by ADE, via GME.

ADE will conduct follow up on Single Audit findings identified in districts' SARPs, to ensure that the proposed corrective action plans have been implemented. Districts have the responsibility to cooperate with ADE's follow up efforts and provide supporting documentation to substantiate the implementation of their corrective action plans, as requested by ADE. Districts found in non-compliance with ADE's Single Audit reporting requirements or CAP follow up process will be placed on a fiscal hold, which will impact their ability to submit RRs for state and federal grants received from ADE. The fiscal hold will be removed once the district complies with ADE's Single Audit reporting requirements.