

ILLINOIS STATE BOARD OF EDUCATION

Division of Funding and Disbursement Services

State and Federal Grant Administration Policy, Fiscal Requirements, and Procedures

In accordance with the
Grant Accountability and Transparency Act (GATA), 30 ILCS 708/1 et seq
and

Title 2 Code of Federal Regulations Part 200—Uniform Administrative
Requirements, Cost Principles, and Audit Requirements for Federal Awards

Updated: March 2019

Division of Funding and Disbursement Services (E-320)

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Fiscal Policy/Procedures/Requirements Direct link

https://www.isbe.net/Documents/fiscal_procedure_handbk.pdf

Purpose Statement

The purpose of this document is to inform internal agency staff and external customers of the policies, procedures, and guidelines that govern all state and federal grants awarded from the Illinois State Board of Education (ISBE), to ensure sound accounting practices, and to provide consistency in the administration of grants. **These procedures and guidelines do not supersede state statute, administrative rules, federal law, or regulations that may govern each specific program.**

ISBE, as the pass-through entity¹ (and a non-federal entity), is the grantee² from the U.S. Department of Education (ED) and ISBE awards subgrants to non-federal entities³ such as Local Education Agencies (LEAs), including school districts, charter schools, and education service centers, and to a lesser degree institutions of higher education (IHEs) and nonprofit organizations (NPOs) that are the agency's subgrantees⁴. These guidelines apply to all subgrantees of ISBE, regardless of whether referenced herein as subgrantee or grantee. For purposes of this document, ISBE may use the terms grantee and subgrantee synonymously for its subgrantees.

The new regulations from the Office of Management and Budget (OMB), codified as [Title 2 of the Code of Federal Regulations \(2 CFR\) Part 200](#), were incorporated into general federal regulation on Dec. 26, 2014. The new regulations govern all federal grants awarded by ED to the state or to an LEA on or after that date. Grants awarded before Dec. 26, 2014, will continue to be governed by the OMB circulars that were in effect when the grant was awarded.

This change resulted in major changes to 34 CFR, known as the Education Department General Administrative Regulations ([EDGAR](#)). The new EDGAR consists of multiple parts and regulations. Visit [ED's EDGAR website](#) for a complete description of the federal regulations that apply to federal education grant awards.

¹ Pass-through entity is defined as a non-federal entity that provides a subaward to a subrecipient to carry out part of a federal program. (2 CFR 200.74)

² Grantee is defined as the legal entity to which a grant is awarded and that is accountable to the federal government for the use of the funds provided. The term "grantee" does not include any secondary grantees, such as subgrantees and contractors that may receive funds from a grantee. (34 CFR 77)

³ Non-federal entity is defined as a state, local government, Indian tribe, institution of higher education, or nonprofit organization that carries out a federal award as a recipient or subrecipient. (2 CFR 200.69)

⁴ Subgrantee is defined the same as a subrecipient, which is defined as a non-federal entity that receives a subaward from a pass-through entity to carry out part of a federal program; this does not include an individual who is a beneficiary of such program. (2 CFR 200.93) Subgrantee is defined in 34 CFR 77 as the legal entity to which a subgrant is awarded and that is accountable to the grantee for the use of the funds provided.

Glossary of Acronyms and Terms

Acronyms

CFDA – Catalogue of Federal Domestic Assistance. A number assigned by the federal government to uniquely identify all federal grant awards.

CSFA - Catalogue of State Financial Assistance. The CSFA, which is mandated by 30 ILCS 708 Section 30, is the single, statewide comprehensive source of all state financial assistance program information.

ED - U.S. Department of Education.

eGMS – Electronic Grants Management System. An umbrella term used to describe the variety of state and federal grants developed by ISBE and accessed via IWAS.

FFATA – Federal Funding Accountability and Transparency Act.

FRIS – Financial Reimbursement Information System. The accounting system used by the Division of Funding and Disbursement Services to distribute all state and federal funds to grantees. The FRIS Inquiry system allows public access to all state and federal funds administered by ISBE.

FTE – Full-time equivalent

GAAP – Generally Accepted Accounting Principles

GAGAS – Generally Accepted Government Auditing Standards

GATA – Grants Accountability and Transparency Act

ISBE – Illinois State Board of Education

ISC – Intermediate Service Center

IWAS – Illinois State Board of Education Web Application Security. A password protected portal that allows ISBE internal and external clients the ability to access systems developed by ISBE.

LEA – Local Education Agency

MTC – Modified Total Cost

MTDC – Modified Total Direct Cost

OMB – Office of Management and Budget

ROE – Regional Office of Education

TRS – Teachers' Retirement System

Terms

Acquisition cost (2 CFR 200.2) - The cost of the asset, including the cost to ready the asset for its intended use. Acquisition cost for equipment, for example, means the net invoice price of the equipment, including the cost of any modifications, attachments, accessories, or auxiliary apparatus necessary to make it usable for the purpose for which it is acquired. Acquisition costs for software include those development costs capitalized in accordance with GAAP. Ancillary charges, such as taxes, duty, protective in transit insurance, freight, and installation, may be included in or excluded from the acquisition cost in accordance with the non-federal entity's regular accounting practices.

Administrative Agent - A legal representative assigned by a joint agreement who is responsible for the receipt and distribution of grant funds to the joint agreement members.

Amendment – A modification to the scope or finances of a previously approved grant application. Amendments are necessary when the scope of a project changes significantly or if the expected expenditures exceed the expenditure variance of 10 percent or \$1,000 per an object total, whichever is greater. (New for all grants beginning in 2018.)

Audit - The examination of records and documents and the securing of other evidence by a qualified accountant for one or more of the following purposes: (a) determining the propriety of proposed or completed transactions, (b) ascertaining whether all transactions have been recorded, (c) determining whether transactions are accurately recorded in the accounts and in the statements drawn from the accounts.

Audit finding (2 CFR 200.5) - Deficiencies that the auditor is required by §200.516 Audit findings, paragraph (a) to report in the schedule of findings and questioned costs.

Accrual Accounting Basis – Accounting method that records income items when they are earned and records deductions when expenses are incurred regardless of the flow of cash.

Budget (Grant) – A project plan in which goals, objectives and ideas are translated into expenses that are segregated by Function and Object per [Part 100 Requirements for Accounting, Budgeting, Financial Reporting and Auditing](#).

Capital assets (2 CFR 200.12) - Tangible or intangible assets used in operations having a useful life of more than one year that are capitalized in accordance with GAAP. Capital assets include:

- a) Land, buildings (facilities), equipment, and intellectual property (including software) whether acquired by purchase, construction, manufacture, lease-purchase, exchange, or through capital leases; and
- b) Additions, improvements, modifications, replacements, rearrangements, reinstallations, renovations, or alterations to capital assets that materially increase their value or useful life (not ordinary repairs and maintenance).

Carryover – Federal funds that are not obligated or expended by the grantee of a federal grant at the end of the project period. When permitted, the grantee may apply to ISBE to utilize these funds in the next project period.

Cash Accounting Basis – Accounting method that records revenue when cash is received and expenses when they are paid.

Cash on Hand – Funds that are received but not expended at the end of any reporting period during the project year as calculated by an expenditure report.

Competitive Grants – A grant for which the awarding agency may select the grantee from among all eligible grantees based on objective criteria scored by readers who examine the programmatic, technical, and anticipated outcomes of an application. The awarding agency can decide the amount of funding to be awarded based upon the final scores awarded.

Cost Allocation Plan - A document that states how a district will identify, accumulate, and distribute certain allowable administrative costs in grants and identifies the allocation methods used for distributing the costs.

Cumulative – In context of expenditures reported by the grantee, it is the aggregate amount of grant funds expended from the project begin date through a particular reporting period.

Depreciation Allowance - An estimate of the annual cost of using an item that is based on its acquisition cost divided by its assumed or estimated useful life.

Disallowed costs (2 CFR 200.31) - Charges to an award that the awarding agency or pass-through entity determines to be unallowable, in accordance with the applicable statutes, regulations, or the terms and conditions of the award.

Discretionary Grants - A grant for which the awarding agency generally may select the grantee from among all eligible grantees; may decide to make or not make an award based on the programmatic, technical, or anticipated outcomes of an application; and can decide the amount of funding to be awarded.

Entitlement/Formula Grants – A grant in which funds are provided to a grantee based on formula, prescribed in legislation or regulation, rather than on the basis of an individual project. Grantees are not required to compete for formula funds, although grantees are required to complete grant applications and comply with other grant requirements in order to ensure that grant funds are expended in accordance with the defined purpose and goals of the grant program.

Grantees are LEAs, with grant awards determined by a mathematical formula defined in statute (either federal or state) that takes into account the LEA's population intended to be served. For instance, an LEA's funding in the Title I, Part A, grant program depends on the number of "formula children" (that is, children who either come from low-income homes, live in foster homes, or live in facilities for neglected children) who reside within the LEA's boundaries.

Equipment - Equipment is one of the items identified as a “capital asset” under ISBE’s [Part 100 Requirements for Accounting, Budgeting, Financial Reporting and Auditing](#) to describe an instrument, machine, apparatus, or set of articles that meets all of the following criteria:

- Under normal conditions of use, including reasonable care and maintenance, it can be expected to serve its principal purpose for longer than 12 months;
- Does not lose its identity through fabrication or incorporation into a different or more complex unit or substance;
- Is nonexpendable; that is, if the item is damaged or some of its parts are lost or worn out, it is more feasible to repair the item than to replace it with an entirely new unit;
- Retains its appearance and character through use; and
- Has a cost equal to or in excess of the capitalization threshold adopted by the school board.

As defined in the federal uniform guidance (2 CFR 200.33), equipment means tangible personal property (including information technology systems) having a useful life of more than one year and a per-unit acquisition cost that equals or exceeds the lesser of the capitalization level established by the non-federal entity for financial statement purposes, or \$5,000.

Expenditure Report – A financial document submitted and approved by the grantee that reflects the funds utilized by the grantee by function and object for a specified period of time.

Federal Funding Accountability and Transparency Act (FFATA) – The Federal Funding Accountability and Transparency Act (FFATA) of 2006 (Public Law 109-282) requires each federal award of \$25,000 or more to be reported by the state awarding agency, including basic information about the grantee and the project being funded.

Fiscal Agent – A legal representative assigned by an entity who is responsible for the receipt and distribution of grant funds to participants.

Fiscal Year - For the federal government, it is the year beginning on October 1 and ending on September 30. For Illinois, it is the year beginning on July 1 and ending on June 30.

Function – The action or purpose for which a person or thing is used or exists indicated on a project budget. This includes activities or actions that are performed to accomplish the objectives of the project.

Grant Agreement – A legal instrument of financial assistance between ISBE and the grantee that includes approved activities to be implemented by the grantee, as set forth in the approved proposal and any approved amendments; the amount and term (timelines) of the grant awarded; approved budget and payment schedule and budget breakdown; program-specific terms of the grant; and certification and assurances.

Grants Accountability and Transparency Act (GATA) - The purpose of the Grant Accountability and Transparency Act (GATA) is to increase accountability and transparency in the use of grant funds while reducing the administrative burden on both state agencies and grantees. The law provides for the development of a coordinated, non-redundant process to establish effective and efficient oversight of the selection and monitoring of grantees, ensuring quality programs; limiting fraud, waste, and abuse; and defining the purpose, scope, applicability, and responsibilities in the life cycle of a grant.

Grant Award – A grant award is the amount that a grantee may access, based on the requirements of a given grant. A grantee’s expenditures may not exceed the amount of the grant award. All formula grant awards are based on population and poverty data from sources such as the U.S. Census Bureau or information self-reported by the LEA and calculated using mathematical formulas published by the granting entity in federal or state statutes.

Indirect Cost – Any costs that are incurred as a result of grant award activities and that provide a benefit to the grant project, but that cannot be allocated directly to a grant. Indirect costs may include costs relating to facilities, utilities, accounting and bookkeeping services, legal services, grant administration systems, procurement systems, general operating expenses, etc.

Interest – The amount of funds earned on non-expended state or federal funds deposited in an interest-bearing account of a grantee.

Internal Controls (2 CFR 200.61) – A process, implemented by a grantee, designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- a) Effectiveness and efficiency of operations;
- b) Reliability of reporting for internal and external use; and
- c) Compliance with applicable laws and regulations

Joint Agreements/Cooperatives – A collection or consortium of at least two or more LEAs that performs a mandated service or function more equitably or efficiently.

Lapse Period – A two-month period between July 1 and August 31 for the state to pay any outstanding bills from a recently expired fiscal year. The deadline for Illinois state agencies to submit lapse period vouchers to the comptroller is August 31.

Maintenance of Effort (MOE) – A federal requirement that requires grantees to maintain a certain level of state and local fiscal effort to be eligible for full participation in federal grant funding. Grantees or subgrantees not meeting MOE requirements face loss of a portion of their federal funds.

Management Decision (2 CFR 200.66) - The evaluation by the federal awarding agency or pass-through entity (i.e., ISBE) of the audit findings and corrective action plan and the issuance of a written decision to the auditee as to what corrective action is necessary.

Modified Total Direct Cost - Modified total direct cost (MTDC) is the basis on which the indirect cost rate is applied to determine the amount of indirect cost allowable. ISBE has an agreement with the federal government to calculate the rates for all Illinois based on MTDC.

Nonprofit Organization (2 CFR 200.70) - Any corporation, trust, association, cooperative, or other organization, not including IHEs, that:

- a) Is operated primarily for scientific, educational, service, charitable, or similar purposes in the public interest;
- b) Is not organized primarily for profit; and
- c) Uses net proceeds to maintain, improve, or expand the operations of the organization.

Object – A service or commodity obtained as a result of a specific purpose indicated on a project budget.

Obligation - Any liability for which funds are committed for property and services, contracts, and subawards made, and similar transactions during a given period that require payment by the grantee during the same or a future period.

Payment Schedule – A plan of payment requests submitted by the grantee that reflects the amount of funds needed for a specified period of time (e.g., monthly, quarterly, semiannually, or annually).

Prepayment – Funds that are received but not expended at the end of the project grant period as calculated by the final expenditure report submitted by the grantee. If permissible, prepayment may be carried over into the next project year and amended for by the grantee.

Project Costs (2 CFR 200.83) – All allowable costs incurred by the grantee, where applicable, and all required cost sharing and voluntary committed cost sharing, including third-party contributions by the grantee, in accomplishing the objectives of the grant during the grant period.

Project Begin Date – The calendar date at which a grantee may begin to conduct activities and encumber obligations that will be charged to a state or federal grant.

Project End Date – The calendar date at which a grantee must end all activities and encumber obligations that are charged to the state or federal grant.

Questioned Cost (2 CFR 200.84) - A cost that is questioned by the auditor because of an audit finding:

- a) That resulted from a violation or possible violation of a statute, regulation, or the terms and conditions of a federal award, including for funds used to match federal funds;
- b) Where the costs, at the time of the audit, are not supported by adequate documentation;
or
- c) Where the costs incurred appear unreasonable and do not reflect the actions a prudent person would take in the circumstances.

Refund Due – Amount of grant funds to be returned to ISBE or federal agency calculated by comparing final disbursements to final expenditures or due to the application of an audit adjustment. Per 30 ILCS 705/5 of the Grant Funds Recovery Act, “*any grant funds not expended or legally obligated by the end of the grant agreement, or during the time limitation to grant fund expenditures set forth in this Section, must be returned to the grantor agency within 45 days.*”

For State funds, if payments are delayed for release by the Illinois State Comptroller’s office, notification for refund will be will be suspended until the Comptroller releases the outstanding payments.

Single Audit - A single audit is an organization-wide audit that includes both the entity's financial statements as well as its federal awards. Grantees that expend \$750,000 (see 2 CRF 200.501 (d)) or more a year in federal awards must have a single or program-specific audit conducted. The audit of the financial statement(s) for the federal program must be in accordance with GAGAS.

In accordance with 2 CFR 200.509, the auditee must follow the procurement standards prescribed in 2 CFR 200.317. When procuring audit services, the objective is to obtain high-quality audits. In requesting proposals for audit services, the objectives and scope of the audit must be made clear and the grantee must request a copy of the audit organization's peer review report, which the auditor is required to provide under GAGAS. Factors to be considered in evaluating each proposal for audit services include the responsiveness to the request for proposal, relevant experience, availability of staff with professional qualifications and technical abilities, the results of peer and external quality control reviews, and price. Whenever possible, the auditee must make efforts to utilize small businesses, minority-owned firms, and women's business enterprises in procuring audit services as stated in 2 CFR 200.321.

Supplant – State or federal funds that are received and expended to replace funds the grantee would have expended in the absence of state or federal funds.

Supplement – State or federal funds that are received and expended in addition to funds the grantee would have expended in the absence of state or federal funds.

Tydings Amendment - The statutory authority period for obligating and expending federal carryover funds. In general, under this provision, any funds not obligated and expended during the period for which they were awarded become carryover funds and may be obligated by ISBE and expended during the succeeding fiscal year. The period of availability includes the initial period authorized by the appropriations act and an additional 12 months authorized by Section 412(b) of the General Education Provisions Act, 20 U.S.C. 1225(b).

SECTION A: POLICY

STATE AND FEDERAL GRANT ADMINISTRATION POLICY

Established: August 1994

Updated: March 2017

1. State funds will not be awarded to a grantee through an initial application or increased through the submission of a budget amendment after June 30; federal funds will not be awarded after the federal grant period has expired. (See Policy #3 below regarding amendments.)
2. State-funded project grants will not be extended after August 31 without the approval of the division administrator of the Division of Funding and Disbursement Services and the division administrator of the appropriate program area. Requests for state and federal project end date extensions must be received at ISBE no later than 30 calendar days prior to the project end date.
3. Final budget amendments for state and federal grant programs must be received at ISBE 30 calendar days prior to the grantee's project end date.
4. State claim-based programs with statutory deadlines will be enforced. State claims that are not received at ISBE by the statutory deadline are subject to funding delays or elimination.
5. Grantees with an approved state and/or federal grant program are required to submit quarterly expenditure reports at minimum. Quarterly reports are due 20 calendar days after the end of the reporting quarter (e.g., September 30 expenditure report is due at ISBE on or before October 20). Failure to submit the report by the due date will result in scheduled payments being withheld until the required report is received.
6. Grantees must submit a completion expenditure report 20 days after the project end date (excluding any statutory deadline reporting requirements). If a completion report is submitted by a grantee with outstanding obligations, a final expenditure/liquidation report (i.e. total obligations = \$0) should be submitted no later than 90 days after the project ending date. Failure to submit the required report within 90 days may result in withholding funds for the subsequent year until the report is received.
7. Grantees must expend or obligate state or federal funds prior to the project end date. Most federal grant programs permit any unobligated or unexpended funds to be carried forward for one additional year unless program requirements specify otherwise.

Grantees that reflect unexpended funds on a state grant will receive formal notification from ISBE to return the overpayment. Upon receipt of the notification, the grantee must return the amount due to ISBE within 45 days unless otherwise directed. Failure to return the funds within 45 days may result in withholding funds for the subsequent year.

8. In general, grantees are not allowed to begin an activity or obligate or expend funds that will be charged to a state or federal grant until a substantially approvable initial application (see 34 CFR 76.708) has been received at ISBE. At a minimum, a “substantially approvable application” is a complete grant application and supporting budget detail with assurances. Grantees that submit a state or federal initial application prior to the program begin date (usually July 1) will be granted an appropriate project begin date for the following fiscal year unless state appropriation authority has not been approved. Grantees that submit a state or federal initial application after July 1 will be assigned a project begin date no earlier than when the initial application was received at ISBE or the program begin date (whichever is later).

Grantees of state or federal discretionary or competitive programs should not begin any activity, obligate, expend funds until ISBE provides formal approval of the application and grant amount.

Grantees that submit a state or federal budget amendment between the project begin and end date are not allowed to begin an activity, obligate or expend funds prior to the date of receipt at ISBE, provided the scope or intent of the approved project has not changed. If the scope or intent of a project significantly changes through an amendment, ISBE programmatic approval should be obtained prior to the obligation of funds for the new activities provided in the amendment.

9. Grantees that are authorized to levy for Illinois Municipal Retirement Fund and Social Security benefits and include these costs on a grant budget must transfer any reimbursement received for these expenditures back into the proper fund (Fund 50/Account 1150). The percent of employee benefits should reflect the percent of time the employee’s salary is charged to the program. For state-funded projects, the State of Illinois contributes to the Teachers’ Retirement System (TRS) on behalf of employers under the continuing appropriation law. Contributions are adjusted annually. The State of Illinois remits these contributions directly to TRS and therefore is NOT an allowable grant expenditure. The **employer’s** portion of TRS allowable costs, over and above the *on-behalf state contributions*, should be based on TRS’s current guidelines and can be included in the program budget. The **employee’s** portion of TRS can be included in the program budget if it has been negotiated to be paid by the employer.
10. Equipment deletion procedures must be followed for equipment purchased with:
- Federal funds: entitlement programs;
 - State funds: designated for populations that the fund grantees are not required to serve;
 - State funds: when the entire program is paid for by the state; and
 - State funds and federal discretionary funds: if program ceases to serve the population for which the equipment was originally purchased.
- For all other state programs, equipment is to be retained by the fund recipient.

11. The Division of Funding and Disbursement Services will accept facsimile transmissions (fax) of required documents and reports to meet statutory deadlines. However, unless otherwise directed, an original document and signature must be provided to ISBE for audit purposes. ISBE will accept the electronic transmission grants, claims, and reports from grantees that have approved access to applicable systems within IWAS.
12. State grant programs are subject to GATA and will follow federal uniform guidance at 2 CFR 200 provisions unless separate state policy, statute, or rules are otherwise provided.

SECTION B: REQUIREMENTS

GRANT ACCOUNTABILITY AND TRANSPARENCY ACT

The purpose of the [Grant Accountability and Transparency Act \(GATA\)](#) is to increase accountability and transparency in the use of grant funds while reducing the administrative burden on both state agencies and grantees. The law provides for the development of a coordinated, non-redundant process to establish effective and efficient oversight of the selection and monitoring of grant recipients, ensuring quality programs; limiting fraud, waste, and abuse; and defining the purpose, scope, applicability, and responsibilities in the life cycle of a grant.

Specific questions regarding a particular grant program should be directed to the appropriate ISBE grant consultant. All other GATA inquiries should be directed to GATA@isbe.net.

On an annual basis, all grantees must complete the following pre-application requirements:

1. Grantee Authentication and Registration
2. Grantee Pre-qualification
3. Completion of the Fiscal and Administrative Risk Assessment (ICQ)

Grantee Registration

All grantees must be registered with the State of Illinois. For new grant applicants. **Grantee Registration** is completed by accessing, completing, and submitting required information at <https://grants.illinois.gov/registration>. Completion of the Grantee Registration triggers the remaining grantee pre-award requirements. Previous grantees must access the system and update information as appropriate. After successful registration, changes to the registration information can be done at the registration portal.

Grantee Pre-qualification

All entities must be qualified to do business with the State of Illinois. To be qualified for a grant award, an entity must:

1. Have a current Data Universal Numbering System (DUNS) number;
2. Have a current System for Award Management (SAM) CAGE Code;
3. Not be on the Federal Excluded Parties List
4. Be in Good Standing with the Illinois Secretary of State

How to Register for a DUNS Number

If your organization does not yet have a DUNS number, or no one knows it, visit the [Dun & Bradstreet \(D&B\) website](#) or call 1-866-705-5711 to register or search for a DUNS number.

Registering for a DUNS number is free of charge, so if you encounter any organizations or websites soliciting a fee or charge to acquire a DUNS number it is likely a scam or fraudulent.

You will need all of the information listed below to obtain a DUNS number:

1. Name of organization
2. Organization address
3. Name of the chief executive officer (CEO) or organization owner
4. Legal structure of the organization (e.g., corporation, partnership, proprietorship)
5. Year the organization started
6. Primary type of business
7. Total number of employees (full and part time)

Note: When obtaining a DUNS number, D&B places your organization on its marketing list that is sold to other companies. If you do not want your organization included on this marketing list, you should request not to be listed when you apply for a DUNS number.

Pre-qualification status will be verified after Grantee Registration is submitted. If an entity has a pre-qualification issue, a state awarding agency will notify the entity if they apply for a grant. Entities on the Federal Excluded Parties List are not eligible to do business with the State of Illinois. Entities may remediate all other pre-qualification issues.

Internal Controls Questionnaire

Grantees must complete an Internal Controls Questionnaire (**ICQ**) as the **Fiscal and Administrative Risk Assessment**. The ICQ is completed annually at the time of registration. All state agencies will utilize the results of the ICQ. The automated ICQ is **administered through the** Grantee Registration portal. The degree of risk may require additional conditions to be incorporated into the final grant award per 2 CFR 200.207.

These three grantee pre-application requirements are mandated by Uniform Guidance (2 CFR 200) and GATA and must be complete prior to submission of a grant application.

Programmatic Risk Assessment

Grant applicants must complete a **Programmatic Risk Assessment** that is specific for each grant project prior to award. The purpose of the assessment is to evaluate the grantee's ability to implement the program requirements of the grant. Limited program experience, protocols, and internal governing program delivery will increase an applicant's degree of risk but will not preclude the applicant from becoming a grantee. The degree of risk may require additional conditions to be incorporated into the final grant award per 2 CFR 200.207. Applicants must complete this requirement prior to receiving a grant award from the State of Illinois. The programmatic risk assessment is incorporated into the ISBE grant application.

EQUIPMENT

Definitions

Equipment is one of the items identified as a “capital asset” under ISBE’s [Part 100 Requirements for Accounting, Budgeting, Financial Reporting and Auditing](#) to describe an instrument, machine, apparatus, or set of articles that meets all of the following criteria:

- Under normal conditions of use, including reasonable care and maintenance, it can be expected to serve its principal purpose for longer than 12 months;
- Does not lose its identity through fabrication or incorporation into a different or more complex unit or substance;
- Is nonexpendable; that is, if the item is damaged or some of its parts are lost or worn out, it is more feasible to repair the item than to replace it with an entirely new unit;
- Retains its appearance and character through use; and
- Has a cost equal to or in excess of the capitalization threshold adopted by the school board.

The federal definition of equipment is provided in 2 CFR 200.33:

Equipment means tangible personal property (including information technology systems) having a useful life of more than one year and a per-unit acquisition cost that equals or exceeds the lesser of the capitalization level established by the non-federal entity for financial statement purposes, or \$5,000.

Capitalization threshold means a dollar figure above which the cost of an item will be depreciated. Each school board shall adopt a capitalization threshold. Non-capitalized equipment are items that would be classified as capital assets except that they cost less than the capitalization threshold but more than the \$500 minimum value established for purposes of calculating per capita cost pursuant to Section 18-3 of the School Code.

Acquisition Cost (2 CFR 200.2) – The net invoice unit price of the asset or equipment, including the cost of modifications, attachments, accessories or auxiliary apparatus necessary to make the equipment usable for the purpose for which it was acquired. Ancillary charges, such as taxes, duty, protective in transit insurance, freight, and installation, may be included in or excluded from the acquisition cost in accordance with the non-federal entity's regular accounting practices.

Current Fair Market Value – Term used to describe the value of an asset obtained from two signed bids from potential purchasers or two appraisals from authorized appraisers for the purpose of disposing of or transferring equipment. When the equipment is being traded in for like or similar equipment used in the same program for the same purpose, the trade-in value constitutes the current fair market value of the traded-in equipment.

Purchase (2 CFR 200.318-326)

All equipment purchased with state or federal funds must be in accordance with the regulations of the funding source. The equipment purchased must be reasonable and necessary to effectively operate the program.

Each application for a grant shall fully describe the need for such equipment and how such equipment will be used. Equipment, as well as other costs, must be included in an approved budget or amendment prior to purchase (when applicable).

Lease purchases of equipment are authorized. Lease purchases that span more than one grant year are permissible. Costs can be recovered from more than one year of grant funds. The following provisions should be understood related to such situations:

- Documentation should be retained that substantiates the decision to enter into a lease purchase agreement rather than a direct purchase;
- Grant continuation from the Illinois State Board of Education cannot be guaranteed;
- Interest and finance charges cannot be charged to federal grants, but can be charged to state grants;
- Grantees must keep financial and programmatic records that document the disbursement of funds associated with the agreement; and
- Lease purchases must be budgeted as capital outlay or non-capitalized equipment.

Management (2 CFR 200.313(d))

Procedures for managing equipment (including replacement equipment) whether acquired in whole or in part with grant funds, until disposition takes place, at a minimum must meet the following requirements:

- Property records must be maintained that include:
 - A description of the property;
 - A serial number or other identification number;
 - The source of property;
 - Who holds title;
 - The acquisition date and cost of property;
 - Percentage of state/federal participation in the cost of the property;
 - The location, use and condition of the property; and
 - Any ultimate disposition date, including the date of disposal and sale price of the property.
- A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years to verify the existence, current utilization, and continued need for the property.
- A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft shall be investigated and fully documented.
- Adequate maintenance procedures must be developed to keep the property in good condition.

- If the fund recipient is authorized or required to sell the property, proper sales procedures must be established to ensure the highest possible return.
- All equipment or property purchased with grant funds shall be identified and marked as such.
- All equipment purchased with federal/state funds are the property of the state/federal program.

Disposition (2 CFR 200.313(e))

These procedures should be followed for the transfer or deletion of equipment that is obsolete, non-repairable, damaged, lost, or stolen.

Equipment deletion procedures must be followed for equipment purchased with:

- Federal funds: entitlement programs;
- State funds: designated for populations that the fund grantees are not required to serve;
- State funds: when the entire program is paid for by the state; and
- State funds and federal discretionary funds: if program ceases to serve the population for which the equipment was originally purchased.

When equipment is *no longer needed* for the original project or program for which it was acquired, the equipment may be used, if needed, in other projects or programs currently or previously sponsored by a federal or state agency unless ISBE has required an equipment transfer. The equipment may be retained, sold, or otherwise disposed of if the equipment is not needed in any federal or state-sponsored project or program. The following specific procedures to eliminate any item from the inventory must be followed:

- Items of equipment with a current per unit fair market value of \$5,000 or less may be retained, sold, or otherwise disposed of with no further obligation to the federal awarding agency. The disposition of such items should be so noted on the equipment inventory maintained by the entity.
- Please follow the procedures below for Items of equipment with an acquisition cost of **\$5,000 or more**:
 - Obtain two signed bids from potential purchasers or two appraisals from authorized appraisers to determine the per unit current fair market value.
 - If the per unit current fair market value is less than \$5,000, see the bullet item directly above.
 - If the per unit current fair market value is \$5,000 or more, the equipment **may not be disposed of, transferred, or traded in without ISBE approval**. The procedures below are to be followed to dispose of such equipment:
 - Submit information along with bids or appraisals to ISBE's Division of Funding and Disbursement Services via the *Equipment/Deletion Transfer System* in IWAS.
 - The Illinois State Board of Education will issue instructions that authorize the sale of the equipment to the highest bidder, the entity may purchase the item at the highest appraisal price, or the equipment may be traded in. If the equipment is sold, \$500 or 10 percent of the sales proceeds, whichever is greater, may be deducted and retained from the amount otherwise due for selling and handling expenses.

- The remaining funds from the sale of the equipment may be retained by the grantee as long as the funds are deposited in the grant program from which the original expenditure was made. Subsequent expenditures must be used for allowable costs and provision of services permitted by the grant program and should be used in the same year of sale.
- If the equipment was sold for a federal program that requires MOE (e.g., Individuals with Disabilities Education Act [IDEA]), expenditures from the sale of equipment shall not be included in the grantee's MOE calculation.
- A check payable to the Illinois State Board of Education must be forwarded to the Division of Funding and Disbursement Services.
 - Federal Entitlement funds: The amount returned will be added to the entity's funds applicable to the project year in which the equipment is sold. If the district wishes to use the additional funds available to them, an amendment must be filed.
 - Federal Discretionary funds: The amount returned will be added to the appropriate federal grant.
 - State funds: The amount will be returned to the General Revenue Fund of the state.
- If the item has been damaged, lost, or stolen, an official investigation by the proper authority should be conducted and fully documented. A copy of this information must be retained by the entity and indicate compliance on the *Equipment Deletion/Transfer* information transmitted to the Division of Funding and Disbursement Services.
- Permission to dispose items from inventory will be granted, following review and approval of the *Equipment Deletion/Transfer* information via IWAS.

Transfer

The Illinois State Board of Education reserves the right to transfer equipment if the grant activities cease to exist for the grantee for which the equipment was originally acquired.

The following specific procedures to transfer any item from the inventory must be followed:

- Complete the *Equipment Deletion/Transfer* information via IWAS.
- Permission to transfer the items from the inventory will be granted, following the review and approval of the *Equipment Deletion/Transfer* information.
 - The Illinois State Board of Education will issue instructions that arrange for the transfer of the equipment to the receiving entity at the time of approval.
 - The transferring entity and the receiving entity will receive documentation of transfer following the review and approval of the *Equipment Deletion/Transfer* information.
- The receiving entity must include the transferred equipment on its permanent inventory. The transferring entity must delete the equipment from its permanent inventory.

INTEREST INCOME

Federal Funds (2 CFR 200.305(b)(9))

The *Code of Federal Regulations* requires grantees to promptly, but at least quarterly, remit interest earned on advances, except for interest earned on advances of funds exempt under the Intergovernmental Cooperation Act (31 U.S.C. 6501 et seq.) and the Indian Self-Determination Act (23 U.S.C. 450). ISBE will facilitate the return of federal interest income to the appropriate federal agency. The grantee may keep actual interest amounts up to \$500 per year gained on federal deposits per bank account, if applicable, for administrative purposes.

Federal regulations do not require grantees to return interest earned on federal funds on an individual program basis; interest may be returned in total for all federal programs. However, if interest is returned for multiple programs, the grantee must indicate the interest split by program and program year. Grantees are prohibited from reducing or offsetting federal interest earnings for the temporary use of non-federal cash resources for federal programs. For example, although a grantee may have temporarily supported a federal program with non-federal funds, the amount of interest that the grantee could have earned on those non-federal funds cannot offset or be netted against the interest earned on the unspent funds of that or another federal program.

School district and charter school fiscal officials should develop internal controls and a sound methodology to calculate and return, at least quarterly, interest earned in excess of \$500 on federal program funds to ensure compliance with federal administrative requirements. Interest calculation methodologies must be based on actual, not estimated, interest earnings on federal funds.

The following guidelines are designed to assist federal program grantees in calculating interest on unexpended federal program cash advances.

Calculating Interest When Federal Cash is or can be Segregated from Other Grantee Resources

If federal funds are maintained in a manner in which the grantee can specifically determine the amount of interest earned on federal funds for a particular period (at least quarterly), then that is the interest amount that must be reported and remitted to ISBE. The interest due on federal cash balances should reflect the **actual amount of interest earned on the unexpended federal program funding advances**. Therefore, interest calculations should be based on applicable interest rates applied to actual federal cash held in the grantee's bank.

Calculating Interest When Federal Cash is Pooled with Non-Federal Funds

If federal funds are pooled with non-federal funds in the grantee's bank, then the grantee must reasonably determine the federal portion of total earned interest for the period. Since the amount of federal cash available for program costs can change daily, the grantee should apply applicable interest rates to the reporting period's average daily federal cash balances. Average daily federal cash balances can be calculated by combining all federal program cash, both negative and positive, for each day of the reporting period, using federal program resource codes, then dividing by the actual number of days in the reporting period.

If the combined federal cash available under this approach is negative for any day during the period, the grantee must record the average daily federal cash balance as zero to avoid reducing or offsetting federal interest earnings for the temporary use of non-federal cash resources for federal programs. (See the sample calculation methodology below for an example of this situation.)

If the grantee includes non-federal match funding in the federal program resource codes, the grantee may reduce the daily federal cash balances by the corresponding proportionate share of required cash match for each program. For example, if federal program Title XYZ has a 20 percent match requirement and the grantee accounts for the non-federal match in the Title XYZ federal program resource code, then the 20 percent proportionate share of match may be excluded from the calculated daily and average daily balances.

Sample Calculation Methodology – Federal Interest

Total of all federal daily balances in reporting period (e.g., January 1 – January 31) = \$17,700

Step 1: Calculate the Average Daily Balance

- Divide the total of all daily balances in reporting period by the actual number of days in reporting period
- Total of all daily balances in the reporting period = \$17,700
- Actual number of days in the reporting period = 31
- Average daily balance = \$571

Step 2: Calculate the Annual Interest Amount

- Multiply the average daily balance by the actual interest rate
- Average daily balance = \$571
- Actual interest rate = 2.4267%
- Annual interest amount = \$14

Step 3: Calculate the Daily Interest Amount

- Divide interest amount by number of days in year
- Annual interest amount = \$14
- Number of days in year = 365
- Daily interest amount = \$0.038

Step 4: Calculate the Total Federal Interest Due

- Multiply the daily interest amount by number of days in reporting period
- Daily interest amount = \$0.038
- Number of days in reporting period = 31
- Total federal interest due = \$1.18

Note: For federal interest calculation purposes, combined daily cash balances cannot be negative. Negative combined daily balances would reduce or offset federal interest earnings due to the temporary use of non-federal cash resources. Therefore, any negative combined daily balances should be zero in calculating interest on federal cash balances

State Funds

Interest may accrue when a grantee receives funds from ISBE. The Illinois Grant Funds Recovery Act, 30 ILCS 705/10, states that interest earned on grant funds “may be retained by the grantee when the cost of accounting for the interest or allocating the interest to principal is significant in terms of the amount of interest to be received.” Unless the grant agreement provides otherwise, all interest earned on grant funds during the grant period must be expended by the grantee during the grant period, but only for purposes authorized by the grant. Interest funds not expended or obligated at the end of the grant period and any interest earned on grant funds after the grant period has expired must be returned to the state within 45 days after the end of the grant period.

Returning Interest

Interest must be returned using the following guidelines:

- Checks for interest earned on **state and federal funds** should be made payable to the Illinois State Board of Education.
- Checks for interest earned should not include the return of unexpended grant disbursements. Unexpended disbursements and interest payments both are made payable to the Illinois State Board of Education, but separate checks should be issued.
- Checks must be accompanied by a statement identifying the program and the program year from which the interest was earned.
- All checks should be mailed to:

Illinois State Board of Education
Division of Funding and Disbursements Services (E-320)
100 North First Street
Springfield, IL 62777-0001

RECORD RETENTION

Federal Funds (2 CFR 200.333)

Financial records, supporting documents, statistical records, and all other non-federal entity records pertinent to a federal award must be retained for a period of three years from the date of submission of the final expenditure report or, for federal awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, respectively, as reported to the federal awarding agency or pass-through entity in the case of a subrecipient. Federal awarding agencies and pass-through entities must not impose any other record retention requirements upon non-federal entities. The only exceptions are the following:

- a) If any litigation, claim, or audit is started before the expiration of the three-year period, the records must be retained until all litigation, claims, or audit findings involving the records have been resolved and final action taken.
 - b) When the non-federal entity is notified in writing by the federal awarding agency, cognizant agency for audit, oversight agency for audit, cognizant agency for indirect costs, or pass-through entity to extend the retention period.
 - c) Records for real property and equipment acquired with federal funds must be retained for three years after final disposition.
 - d) When records are transferred to or maintained by the federal awarding agency or pass-through entity, the three-year retention requirement is not applicable to the non-federal entity.
 - e) Records for program income transactions after the period of performance. In some cases, recipients must report program income after the period of performance. Where there is such a requirement, the retention period for the records pertaining to the earning of the program income starts from the end of the non-federal entity's fiscal year in which the program income is earned.
 - f) Indirect cost rate proposals and cost allocations plans. This paragraph applies to the following types of documents and their supporting records: indirect cost rate computations or proposals, cost allocation plans, and any similar accounting computations of the rate at which a particular group of costs is chargeable (such as computer usage chargeback rates or composite fringe benefit rates).
1. *If submitted for negotiation.* If the proposal, plan, or other computation is required to be submitted to the Federal Government (or to the pass-through entity) to form the basis for negotiation of the rate, then the three-year retention period for its supporting records starts from the date of such submission.
 2. *If not submitted for negotiation.* If the proposal, plan, or other computation is not required to be submitted to the Federal Government (or to the pass-through entity) for negotiation purposes, then the three-year retention period for the proposal, plan, or computation and its supporting records starts from the end of the fiscal year (or other accounting period) covered by the proposal, plan, or other computation.

State Funds (105 ILCS 5/2-3.33)

For state funds, a grantee shall retain records for *three years from the final date for filing of a claim any claim for reimbursement to any school district if the claim has been found to be incorrect and to adjust subsequent claims accordingly, and to recompute and adjust any such claims within six years from the final date for filing when there has been an adverse court or administrative agency decision on the merits affecting the tax revenues of the school district. However, no such adjustment shall be made regarding equalized assessed valuation unless the district's equalized assessed valuation is changed by greater than \$250,000 or 2 percent.*

All purchase orders, time and effort sheets, and other supporting documentation must be retained at the local level and be available for review or audit any time within three years after termination of the project or until the local entity is notified in writing from ISBE that the records are no longer needed for review or audit. Records may be disposed of:

- After the individual retention period is completed,
- Provided that any local, state, and federal audit requirements have been met;
- As long as they are not needed for any litigation either pending or anticipated; and,
- If they are correctly listed on a Records Disposal Certificate submitted to and approved by the appropriate Local Records Commission.

The responsibility for retention and destruction of records is shared between ISBE and the Local Records Commission.

Prior to the destruction of any records after the three-year period, a fund recipient must contact the Local Records Commission, Illinois State Archives, Margaret Cross Norton Building, Illinois Secretary of State, Springfield, Illinois 62756; phone 217/782-7075. Go to the [Illinois State Archives](#) website for more information.

Student Records (105 ILCS 5/10, 2-3.13a and 23 Ill. Adm. Code Part 375.40)

Upon graduation, transfer or permanent withdrawal of a student from a school, the school shall notify the parents and the student of the destruction schedule for the student permanent record and the student temporary record and of the right to request a copy of the student's records at any time prior to their destruction. Notification shall consist of the following: date of notification, name of parent, name of official records custodian, name of student, and the scheduled destruction date of temporary and permanent records.

Upon graduation or permanent withdrawal of a student with a disability, as defined in Article 14 of the School Code [105 ILCS 5/Art.14] and 23 Ill. Adm. Code 226: Subpart A (Special Education), special education records, and other information contained in the student temporary record that may be of continued assistance to the student may, after five years, be transferred to the custody of the parent or to the student if the student has succeeded to the rights of the parents. The school shall explain to the student and the parent the future usefulness of these records.

SECTION C: PROCEDURES FOR ADMINISTRATION OF GRANTS

BUDGETS/AMENDMENTS/ PAYMENT SCHEDULES/EXPENDITURE REPORTS

Budgets

Budgeting is a project plan in which ideas, goals, and objectives are translated into expenses that are segregated by Function and Object per ISBE's [Part 100 Requirements for Accounting, Budgeting, Financial Reporting and Auditing](#). The budget is of equal importance to the narrative and can be approached as an important final check in clarifying the practical application of the program. Careful deliberation should go into completing the budget section. No budget, when submitted, can be more than an "informed estimate" of the costs to be incurred, but careful budget planning will ensure that the financial support requested will be adequate to carry out the goals of the project. The approved budget connects the proposed expenditures to program activities and objectives.

Before developing a project budget, the writer must fully understand all of the state and federal rules and regulations that govern the program. This includes allowable direct costs, indirect costs, assurances, project forms and instructions, and what changes are permitted in a budget once the project is approved. The project writer should contact staff at the local level or at ISBE who understand the rules and regulations and can provide assistance to include the information that is necessary in the final document.

A complete copy of the approved application, approved budget, and all approved amendments must be maintained by the grantee. These documents and other supporting information must be maintained for a minimum of three years (see Record Retention Requirements) and will be used by ISBE staff to determine fiscal and program compliance. Any changes/corrections must be properly documented (via electronic review checklist, email, notes on the budget breakdown or budget summary) and changes noted at the grantee level.

All activities and obligations that will be charged to the approved grant must occur within the project begin and end date.

Establishing a Project Start Date and Obligating Funds (34 CFR 76.708)

1. If the authorizing statute for a program requires a state to make subgrants on the basis of a formula, the state may not authorize an applicant for a subgrant to obligate funds until the later of the following two dates:
 - a) The date that the state may begin to obligate funds per federal approval that the state's plan is in substantially approvable form and informs the state of the date on which it could begin to obligate funds; or
 - b) The date that the applicant submits its application to the state in substantially approvable form
2. Reimbursement for obligations under paragraph (a) of this section is subject to final approval of the application.

3. If the authorizing statute for a program gives the state discretion to select subgrantees, the state may not authorize an applicant for a subgrant to obligate funds until the subgrant is made. However, the state may approve pre-agreement costs in accordance with the cost principles that are appended to 34 CFR part 74 (Appendices C–F).

In general, grantees are not allowed to begin an activity or obligate or expend funds that will be charged to a state or federal grant until a substantially approvable initial application (see 34 CFR 76.708) has been received at ISBE. At a minimum, a “substantially approvable application” is a complete grant application and supporting budget detail with assurances. Grantees that submit a state or federal initial application prior to the program begin date (usually July 1) will be granted an appropriate project begin date for the following fiscal year unless state appropriation authority has not been approved. Grantees that submit a state or federal initial application after July 1 will be assigned a project begin date no earlier than when the initial application was received at ISBE or the program begin date (whichever is later).

Grantees of state or federal discretionary or competitive programs should not begin any activity, obligate, expend funds until ISBE provides formal approval of the application and grant amount.

Grantees that submit a state or federal budget amendment between the project begin and end date are not allowed to begin an activity, obligate or expend funds prior to the date of receipt at ISBE provided the scope or intent of the approved project has not changed. If the scope or intent of a project significantly changes through an amendment, ISBE programmatic approval should be obtained prior to the obligation of funds for the new activities provided in the amendment.

Amendments

Per Grant Administration Policy item 3, all amendments are due at ISBE 30 days prior to the project end date. The obligation of funds included on an amendment cannot begin prior to the date of receipt at ISBE provided the scope or intent of the approved project has not changed. If the scope or intent of a project changes based on an amendment, ISBE programmatic approval should be obtained prior to the obligation of funds based on the amendment.

Amendments are required when:

- There is a significant change in program scope (e.g., adding a new component - summer school); or
- The grantee intends to budget for more available funds (i.e., federal carryover); or
- The expected expenditures exceed the ISBE expenditure variance of 10 percent or \$1,000 per an object total, whichever is greater without going over the total budget (new beginning in fiscal year 2018); or
- The grantee adds a new expenditure item.

End Date Changes

A project end date change is necessary if a grantee is unable to obligate and/or complete all the activities included in the approved budget on or before the original project end date (normally June 30).

- State grantees that are provided an extension beyond June 30 by ISBE may amend their budget and charge expenditures as long as the total budget does not exceed the amount approved as of June 30. In other words, additional state grant funds cannot be awarded after June 30.
- An end date change is not needed to liquidate obligations encumbered prior to the end of the current project. For example, if a project ends June 30, an end date extension is not needed to pay the salary and benefit costs for teachers on a 12-month payment schedule.
- If the extension of the end date is part of the change in the scope of the program or includes a change to the budgeted line items, the end date change may be included on the appropriate amendment form. (See Amendments above.)
- If **only** the end date is changing (scope or budget cells unchanged), a notification to the Division of Funding and Disbursement Services will be acceptable 30 days prior to the original project end date. (For programs included on the eGMS system, end date changes must be done electronically via the IWAS system.)
- Any end date changes or extensions must be reflected as month end.

Payment Schedules – State

In accordance with applicable regulations for each program, payments should be requested to meet actual cash needs of the project. All payment requests should be based on the projected date of expenditures.

When completing the payment schedule on a state application/amendment, indicate the amount needed in each month of the program, beginning with the first full month of the project and ending with the last full month of the project. Payments cannot be requested before the project begins or after the project ends.

Note: **Salaries and fringe benefits are normally expended in equal intervals and should be projected in this manner.** When teachers are paid on a 12-month salary basis and the project period is for nine months, the three months' salaries and related fringe benefits paid after the project ends (and AFTER the service has been rendered/activity has occurred) should be included in the last project payment. Equipment, supplies, contracted services, and in-service activities should have the payment requested in the month for which the expenditure is anticipated.

When a revision of the original payment schedule is necessary, a revision may be included on an amendment (see Amendments on page 24) or a request can be submitted to the program area or the Division of Funding and Disbursement Services. Formal notification with any payment revisions to the remaining payments will be acceptable 30 days prior to the project ending date. Any increase must be reflected in another month as a decrease. Payment schedules should be equal to the project budget. (For programs included on the eGMS system, end date changes must be done electronically via IWAS.)

Payment Schedules – Federal

Grantees do not have the ability to enter a payment schedule on a federal application/amendment; rather, funds are distributed via cumulative cash basis expenditures reported by the grantee in the Electronic Expenditure Reporting System via IWAS.

Expenditure Reports – State and Federal General

Expenditure reports are utilized by ISBE primarily as a program accountability and cash management tool. Expenditures must always be reported on a cumulative (i.e., year-to-date) basis from the project begin date through a specific period of time.

At minimum, grantees must expenditure reports on a quarterly basis that reflects progress of the program, project, or use and the expenditure of the grant funds. Expenditure reports may be submitted more often than quarterly.

Grantees with approved access to IWAS must submit expenditure reports electronically via the Electronic Expenditure Reporting System. Notification of required expenditure reports are sent via a courtesy reminder email from the Division of Funding and Disbursement Services. See Due Dates on pages 27-28 for all expenditure reporting.

All state or federal grants will be required to submit additional expenditure information if the following conditions are met:

- The project end date is AFTER June 30; AND
- The expenditure thru date is AFTER June 30; AND
- The expenditures are greater than the June 30 reported expenditures.

Grantees must report the split of expenses for obligations/activities June 30 and prior compared to July 1 and after.

Any amount reported in an expenditure account (cell) **not budgeted or not within the acceptable expenditure variance, will not be accepted**. Failure to submit an acceptable report will result in the delay of current payments. Expenditures and obligations in excess of the total project budget will not be allowed.

Expenditure Reports – Federal Specific

All federal expenditure reports must be submitted on a cumulative (i.e., year-to-date), cash basis accounting method (i.e., expenses are recognized when they are paid). Outstanding obligations may be reported on June expenditure reports through the project end date – even if the project ends after June. As grantees report cumulative cash basis expenditures via the Electronic Expenditure Reporting system, ISBE will reimburse the expenditures accordingly on a weekly basis. Grantees that submit expenditures only under this traditional reimbursement method can submit as frequent as weekly, but at a minimum, quarterly.

Commitment Amount

Grantees have the option to enter in addition to their cumulative cash basis expenditures a separate “commitment amount.” **The commitment amount represents the amount of money the grantee must have in advance and commits to expend to meet immediate cash needs through the end of the next month only.** A commitment amount may only be entered on a month end expenditure report. The commitment amount is available on reports IF the current date is less than the selected through date plus 19 days. Month-end expenditure reports are available for submission as of the 20th calendar date of the month (e.g., July 31 month-end expenditure report is available for submission on July 20). If a commitment amount is requested on the month-end report, a cumulative cash basis expenditure report through the end of the following month **must** be submitted.

For example, the grantee enters a commitment amount on the July 31 expenditure report. This amount would represent the expenditures anticipated for the federal grant through the end of August. A cumulative cash basis month-end expenditure report through August 31, which is available beginning August 20, **must** be submitted and is due on September 20. The commitment amount cannot be greater than the outstanding obligations on expenditure reports when the through date is greater than or equal to the project end date.

Expenditure and Outstanding Obligation Split

All federal grants are required to submit additional expenditure information if the following conditions are met:

- The project end date is AFTER June 30; AND
- The expenditure through date is AFTER June 30; AND
- The expenditures are greater than the June 30 reported expenditures.

Grantees must report the split of expenses for activities June 30 and prior compared to July 1 and after.

All federal grants are required to submit additional outstanding obligation information if the following conditions are met:

- The project end date is AFTER June 30; AND
- The expenditure through date is AFTER June 30; AND
- Outstanding obligations are reported.

Grantees must report the split of obligations for activities June 30 and prior and July1 and later.

Due Dates

Expenditure reports are due **20 calendar days** after the expenditure through date. Reports not received by the due date will result in project funds being frozen until an acceptable report is submitted.

Quarter	Reporting Period:	Report Due Date
1	Project begin date through September 30	October 20
2	Project begin date through December 31	January 20
3	Project begin date through March 31	April 20
4	Project begin date through June 30	July 20

If the project end date is extended after June 30, the expenditure report is due 20 days after the new end date.

Project Completion Reports – State

All grant funds must be expended and/or obligated and all activities must be completed on or before the project end date. A completion report must be submitted that reflects ALL expenditures and obligations for the project no later than **20 calendar days** after the project end date. If a completion report is submitted through the project end date and there are no outstanding obligations entered, then the completion report will be considered the grantee's final expenditure report. Failure to submit this completion/final expenditure report in a timely manner will result in project funding being withheld for the current and subsequent year until the report is received.

Project Completion Reports – Federal

All grant funds must be expended and/or obligated and all activities must be completed prior to the project end date. A completion report must be submitted showing ALL expenditures and obligations for the project no later than **20 calendar days** after the project ending date. If a completion report is submitted through the project ending date and indicates no outstanding obligations, then the completion report will be the grantee's final expenditure report. Failure to submit this completion/final expenditure report in a timely manner will result in project funding being withheld for the current and subsequent year until the report is received. The outstanding obligation amount should be the amount expected to be paid within the next 90 days. The commitment amount (for the expended cash needs for the next month ONLY) should be included in the outstanding obligation amount. Completion reports can be submitted until all obligations are liquidated.

Final Expenditure Reports

A final expenditure report is defined as:

- The project end date equals the cumulative expenditure through date, and;
- There are no outstanding obligations reported.

If a completion report is submitted with outstanding obligations, then a final expenditure report that reflects total project expenditures (with all prior obligations liquidated) must be submitted no later than 90 calendar days after the project end date. Failure to submit this final expenditure report in a timely manner will result in project funding being withheld for the current and subsequent year until the report is received.

A revision of a final expenditure report will not be accepted unless extenuating circumstances warrant a revision. A request to revise a final expenditure report must be submitted in writing or via email to the Division of Funding and Disbursement Services staff for approval.

GRANTEE COMPLIANCE ENFORCEMENT SYSTEM (Effective 03/05/2018)

Grantees and applicants are subject to Section 25(6)(G) through (I) of The Grant Accountability and Transparency Act (GATA; PA 98-0706), which restricts issuing grants, subgrants and Cooperative Agreements to parties that are debarred, suspended or otherwise deemed ineligible for participation in State grant programs or activities. GATA is utilizing a statewide Grantee Compliance Enforcement System (GCES) to drive compliance with grant requirements.

The GCES applies to all grants that are subject to Uniform Guidance and GATA. (All grants are assumed subject to Uniform Guidance and GATA unless an exception or exemption was authorized by the Grant Accountability and Transparency Unit (GATU) on behalf of the Governor's Compliance Office.) State agencies have discretion to apply the System to other grants not subject to federal Uniform Guidance or GATA.

GATA requires that GOMB maintain a list "that contains the names of those individuals and entities that are ineligible, either temporarily or permanently, to receive an award of grant funds from the State." The list, termed the Illinois Stop Payment List, is a component of the GCES. The Illinois Stop Payment List is based on the federal Do Not Pay System and 2 CFR 180 - OMB Guidelines to Agencies on Government-wide Debarment and Suspension (Nonprocurement). 2 CFR 200.338(a) also provides federal guidance on enforcement of the stop pay framework.

The Illinois Stop Payment List, initially introduced in December 2015, established an internal central repository for cross-agency information sharing to improve risk assessment processes and enhance fiscal management transparency. The Illinois Stop Payment List documents all grantees on Stop Payment Status. A Stop Payment Status can be temporary or permanent. The GCES is the statewide, uniform framework for administering the Illinois Stop Payment List. 2018 enhancements to the GCES include electronic notices to state agencies when the agency has initiated payment through the Illinois Comptroller to an entity on Stop Payment Status.

The Illinois Stop Payment List is dynamic and provides a snapshot of grantees currently out of compliance with select grant management requirements. The centralized list elevates instances of non-compliance to promote timely resolution and safeguard the State's resources.

The GCES policy is presented below in a question / answer format.

I. What is the Grantee Compliance Enforcement System (GCES)?

The Grantee Compliance Enforcement System (GCES) outlines a statewide framework for state agencies to manage occurrences of non-compliance with grant requirements. Under this System, occurrences of grantee non-compliance will be consistently processed among state agencies. Under the terms of the System, the severity of the non-compliance issue dictates the enforcement action required by the state agency.

II. Are all non-compliance issues equal?

No. The severity of the non-compliance issue determines if the entity is placed on temporary or permanent Stop Payment Status. GATA legislation at 30 ILCS 708/60(a)(8) establishes the temporary and permanent classifications. A temporary Stop Payment Status can be remediated.

There is no remediation for a permanent Stop Payment Status. Non-compliance issues are classified as follows:

- A. Temporary Stop Payment Status:
 - 1. Late performance or expense reporting;
 - 2. Failure to clear fiscal/administrative monitoring issue(s);
 - 3. Failure to submit a timely audit report;
 - 4. Failure to respond to audit report or monitoring review corrective action for deficiencies and material weaknesses;
 - 5. Failure to submit a required refund payment or a payment missing from the payment plan; or
 - 6. Factually based discretionary issue documented by the leadership within the awarding agency.

- B. Permanent Stop Payment Status
 - 1. Facts documented by the applicable state agency including but not limited to:
 - a. Conviction of or civil judgment for commission of fraud or a criminal offense, violation of federal or state antitrust statutes, commission of embezzlement, theft, forgery, bribery, falsification or destruction of records, tax evasion, or commission of any other offense indicating a lack of business integrity or business honesty that seriously and directly affects present responsibility.
 - b. Violation of grant terms or a transaction so serious as to affect the integrity of the program such as a willful failure to perform in accordance with grant terms, a history of failure to perform or of unsatisfactory performance, or a willful violation of statutory or regulatory provisions or requirements application to a grant.
 - c. Any other cause so serious or compelling in nature that it affects present responsibilities.
 - 2. Fraud documented by the Office of the Executive Inspector General and/or other Governmental entity's investigation.

III. Is there a process before placing a grantee on the Illinois Stop Payment List?

Yes, procedures at the state agency level are required before Stop Pay Status will be invoked. The state agency must notify the grantee in writing of the non-compliance issue. (Refer to Section II for non-compliance issues associated with Stop Payment Status.) The communication should state that the grantee and its parent organization, if applicable, will be placed on the Illinois Stop Payment List if adequate action by the grantee, including raising any objections, is not taken within 15 calendar days.

The following protocol will apply under a parent / child relationship:

- A. If the parent is placed on temporary or permanent Stop Payment Status, all children will be placed on the same Stop Payment Status.

- B. If the child is placed on temporary Stop Payment Status, the parent will be placed on temporary Stop Payment Status as well because the parent is accountable for compliance oversight of the child.
- C. If the child is placed on permanent Stop Payment Status, the parent will be notified, but will not be placed on permanent Stop Payment Status unless the parent is determined to be a party to the non-compliance issue leading to permanent Stop Payment Status of the child.
- D. All children will be treated independently. A child placed on Stop Payment Status (Child A) has no impact on other children unless the other child (Child B) is determined to be a party to the non-compliance issue leading to the Stop Payment Status of Child A.

If applicable, the parent of the entity shall be copied on the correspondence. The written correspondence must specify:

1. Grantee name of record and FEIN;
2. Applicable grant award name and number;
3. Non-compliance issue(s) as cited in Section III with detailed facts to support the issue(s);
4. How the grantee can correct the non-compliance issue, if applicable;
5. An opportunity for dialog or written objections regarding the non-compliance issue;
6. Contact information to inquire and/or coordinate corrective action; and
7. That state agencies cannot execute or modify grants to entities on the Illinois Stop Payment List. Payments to entities on the Illinois Stop Payment List will be subject to additional authorization.

(State agencies shall have discretion to determine the medium of written correspondence including email distribution, certified mail or P.O. delivery.)

If no adequate action is taken by the grantee within 15 calendar days, the state agency shall place the grantee and the grantee's parent, if applicable, on the Illinois Stop Payment List. A written notice in the form of a Final Administrative Determination must be provided to the grantee and the grantee's parent, if applicable, alerting that the Stop Pay Status has been invoked effective (date).

If the state agency receives a timely written objection from the grantee, the agency shall endeavor to review the objection within 15 calendar days to determine whether the grantee has complied with the requirement(s) at issue. After the agency's review, it will notify the grantee stating either: (a) the grantee has complied and that it will not be placed on the Illinois Stop Payment List on the basis of the non-compliance issue, or (b) that the grantee is not in compliance and will be added to the Illinois Stop Payment List. If the non-compliance issue is for a delinquent report, following the resolution of an objection in favor of the state agency, the grantee will be added to the Illinois Stop Payment List 30 calendar days after the original report due date, the date specified by the State agency's JCAR Rules, or within ten (10) calendar days if more than 30 calendar days has passed since the original report due date.

IV. What non-compliance issues will result in a Stop Payment Status?

Effective 1/1/17, the following Stop Payment framework is implemented to establish uniformity to Stop Pay Status. Non-compliance in the following areas will result in an entity being placed on the Illinois Stop Payment List:

- A. Delinquent reporting, based on the terms of the Grant Agreement, will result in enforcement of the state agency protocol. The Grant Funds Recovery Act (30 ILCS 705/4.1) states: "Grantor agencies may withhold or suspend the distribution of grant funds for failure to file required reports." State agencies must have an internal protocol for managing grantee submittal of required financial and performance reports.
 - 1. Internal state agency protocol shall allow for reporting extensions by the awarding agency due to grantee specified extenuating circumstances.
 - a. Reporting extensions must be justified in writing by the awarding agency.
Electronic communication is permitted.
 - b. A report due date may only be extended one time per reporting period.
 - 2. The awarding state agency shall withhold payments to the entity if a report is more than 15 calendar days past the due date or the date specified by the state agency's JCAR Rules (including approved extension). The grantee notification (required in Section II) shall state that the agency's payments to the entity will be withheld until the report is received, or any written objection is satisfactorily resolved, and that, if the report is more than 30 calendar days delinquent, without any reasonable written objection by the grantee, the entity will be placed on the Illinois Stop Payment List.
 - 3. If the report is not submitted within 30 calendar days of the due date or the date specified by the state agency's JCAR Rules (including approved extension), and the agency has not received a written objection from the grantee, the awarding state agency shall report the grantee on the temporary Illinois Stop Payment List.
- B. The following additional non-compliance incidents can be resolved and will result in the grantee being placed on the temporary Illinois Stop Payment List:
 - 1. Failure to clear fiscal / administrative monitoring issues;
 - 2. Failure to submit an audit report;
 - 3. Failure to respond to an outstanding audit report or monitoring review correction action for deficiencies and material weaknesses including payment of questioned costs; or
 - 4. Failure to submit a required refund payment (as required by the Grant Funds Recovery Act) or missing a payment in the payment plan;
 - 5. Factually-based discretionary issues documented by the Agency Director, General Counsel, Agency's Office of the Inspector General, Chief Financial Officer, Chief of Staff or Chief Operating Officer.
- C. An entity will be permanently placed on the Stop Payment List pursuant to Section II. B. A permanent Stop Payment Status requires a preponderance of the evidence as defined by 2 CFR 180.990.

Entities on permanent Stop Payment Status are not “qualified” to do business in Illinois. State agencies cannot do business with entities on the SAM.gov Exclusion List or with entities on permanent Stop Payment Status.

- D. As allowed under the Grant Funds Recovery Act (30 ILCS 705) and in accordance with the Illinois State Collection Act of 1986 (30 ILCS 2010/5) and Accounting Bulletin 181, all debts pursuant to Section IV, Scenario B.4. that exceed \$250 and are more than 90 days past due (including approved extensions) may be referred for inclusion in the Comptroller’s Offset System, subject to any permitted exceptions or required exemptions pursuant to Federal or State law. All requirements of 30 ILCS 2010/5 shall be applied and all required processes for inclusion onto the Comptroller Offset System shall be followed. State agencies also may offset payments initiated to its own debtors without referral to the Comptroller Offset System (30 ILCS 210/5(d)).

V. How do agencies report Stop Payment Status?

All state agencies are required to report grantee non-compliance through the Illinois Stop Payment System. When a non-compliance infraction occurs, the State agency must update the Illinois Stop Payment List. This can be done by establishing an automated data transfer to GOMB or by direct data entry into the GATA Implementation website. Automated data transfers are strongly recommended to maintain data integrity. The following information is required for the Illinois Stop Payment List:

1. Grantee’s FEIN - 9 digit Federal Employer Identification Number, or Federal Tax ID Number;
2. Grantee’s DUNS – Dun and Bradstreet Number;
3. Grantee’s Name;
4. Stop Pay Date – date the stop payment was initiated;
5. Permanent Status (Y/N) – as defined in Section II.;
6. Stop Pay Reason – cite the applicable infraction; and
7. Agency Contact – contact name, phone number and email address of agency personnel with knowledge of the non-compliance issue

VI. What impact does the Illinois Stop Payment List have on grant agreements?

State agencies cannot do business with entities on the SAM.gov Exclusion List or entities on permanent Stop Payment Status. Refer to Section IV.C.

State agencies cannot execute or modify a grant to increase funding if an entity is temporarily on the Illinois Stop Payment List unless extenuating circumstances (e.g., court order or consent decree) dictate or the grant modification is approved by the agency and would allow the grantee to become compliant.

The Illinois Stop Payment List will be dynamic. It is incumbent for State agencies to verify that a grantee is not on the Illinois Stop Payment List before entering into or modifying grant agreements. This can be done by verifying the GATA Implementation website or through an electronic verification service available upon request.

VII. How will payments be impacted by the Illinois Stop Payment List?

Grantees on Stop Payment Status are not eligible for interest they might be due through the Prompt Payment Act. Prompt pay interest will not accrue while an entity is in Stop Payment Status.

Automated notices alert state agencies when a payment transaction has been initiated with the IOC after a Stop Payment Status has been assigned. The Stop Pay Status should be enforced by state agencies; however, mandated payment terms (e.g., court order, consent decree and federally mandated funding) may necessitate the payment to an entity on temporary Stop Payment Status. State agencies will be required to report payment justification within the Stop Payment System if payment will be made to an entity on Stop Pay Status.

A nightly data feed will compare grantee's FEIN number on the Illinois Stop Payment List to the Illinois Comptroller's Data Warehouse to determine if a payment transaction to a GATA registered entity has occurred after the stop pay date. If so, the agency that initiated the transaction will be notified via email of the Stop Pay status. The email will include a link to the Stop Payment List record.

Based on the notice, the state agency must decide how to proceed with a pending payment to an entity on temporary Stop Payment Status:

- If the state agency will withhold the flagged payment, the agency will follow applicable internal procedures with the IOC to cancel the payment.
- If the state agency must allow the payment, the agency will complete the Payment Justification field of the Illinois Stop Payment System to document why the Stop Payment Status is being over-ridden.

The Stop Payment over-ride can be valid for one payment or a period of time. If the grant mandates periodic funding and payment cannot be withheld, the longer-term over-ride would be appropriate. A Stop Payment over-ride cannot exceed the duration of the fiscal year (including the lapse period) in which the entity was placed on Stop Payment status. The awarding agency may renew a Stop Payment over-ride in the following fiscal year if grant funding continues and circumstances require a payment.

VIII. Can an entity on Stop Payment Status resolve their compliance issue?

Entities on permanent Stop Payment Status cannot remediate. State agencies cannot do business with these entities. Placement on permanent Stop Payment Status is indefinite. Refer to Section IV.C.

All temporary non-compliance issues can be resolved through the applicable state agency. Refer to Section II A. Without exception, outstanding debt must be repaid or a timely payment under a repayment plan must be received to remove a temporary Stop Payment Status. When the compliance issue is resolved, the grantee is removed from the Illinois Stop Payment List. Please note:

- Only the agency that assigned the temporary Stop Pay Status can remove Stop Pay Status.
- The entity on Stop Payment status must contact the state agency that issued the temporary Stop Pay Status to resolve the non-compliance.

When the non-compliance issue is resolved, the state agency should remove the entity from the Illinois Stop Payment List using the automated data transfer or by manually removing the temporary Stop Pay Status from the entity's stop payment record.

IX. How long does the Stop Payment Status last?

Placement on permanent Stop Payment Status is indefinite. Refer to Section IV.C. The entity will stay on temporary Stop Pay Status and on the Illinois Stop Payment List until the cited non-compliance issue is resolved. (Per Section VIII, when the entity becomes compliant, the entity is removed from the temporary Stop Payment Status.)

CARRYOVER

Carryover funds are unbudgeted and/or unexpended funds from the previous fiscal year calculated from the grantee's final expenditure report.

Carryover is **not allowed** for state-funded programs.

Federal Funds

Most federal programs are subject to the Tydings Amendment (see Terms section) and have a carryover provision that allows a grantee to obligate funds for one additional year, with a total useful life for obligation of 27 months (12 months of current year + 12 months of carryover + 3 months of lapse = 27 months). If the federal funds have not been obligated within that time, the unbudgeted funds will lapse and any unexpended funds must be returned to ISBE.

Entitlement programs usually require the funds to be carried over to the grantee holding entitlement. Discretionary/competitive programs funds that are unexpended may not carryover to the grantee. Please check individual programs guidelines and the applicable ISBE program consultant for further clarification. Depending on the program guidelines, carryover may be included in the total funds available in the subsequent project year. **To utilize carryover funds, the grantee must submit a budget amendment that includes the carryover and current year funds made available.**

Some federal programs have a restriction on the amount of carryover funds that may be transferred into the subsequent project year and may require a waiver if the amount exceeds the maximum threshold. Please check individual federal program guidelines and your ISBE program consultant regarding potential carryover restrictions.

Federal Entitlement Program Carryover Example

Carryover from Previous Year:	\$ 15,000
Current Year Allotment:	\$ 100,000
Total Funds Available to Budget:	<hr/> \$ 115,000
Total Current Year Budget:	\$ (105,000)
Tentative Carryover from Unbudgeted Funds (Allotment):	<hr/> \$ 10,000
Total Current Year Budget:	\$ 105,000
Total Expenditures (Final Report):	\$ (101,000)
Total Carryover from Unexpended funds (Prepayment):	<hr/> \$ 4,000
Total Carryover from Unbudgeted Funds (Allotment):	\$ 10,000
Total Carryover from Unexpended Funds (Prepayment):	\$ 4,000
Actual Carryover for Next Year's Project:	<hr/> \$ 14,000

**Federal Discretionary/Competitive Program
Prepayment Example**

Total Current Year Budget and Total Disbursed	\$	100,000
Total Expenditures (Final Report)	\$	90,000
Total <i>Unexpended</i> Funds (Prepayment)		10,000
Prepayment into next year's project (replaces funds on the payment schedule - NOT additional funds available)		10,000

EXCESS CASH ON HAND

Excess cash is the amount of money disbursed by ISBE, not necessarily received, that is greater than the expenditures reported by a grantee through a specified period of time.

Excess Cash – State Programs

Excess cash on hand is determined by comparing the amount disbursed by ISBE to date, not necessarily received, indicated on the grantee’s expenditure report minus the total amount expended and obligated on a cumulative basis for the reporting period. A positive balance indicates excess cash on hand. This amount will be withheld from the next scheduled payment(s). The amount of excess cash is placed in reserve and will be released when a subsequent cumulative expenditure report is submitted with a zero or negative cash fund balance.

For State funds, if payments are delayed for release by the Illinois State Comptroller’s office, notification for refund will be will be suspended until the Comptroller releases the outstanding payments.

The payment schedule should be submitted based on the actual cash needs of the district. Lump sum, semiannual, or quarterly payments are not appropriate unless a unique expenditure obligation warrants such disbursement. If the payment schedule has been prepared in a reasonable manner, excess cash on hand should not occur.

Excess Cash – Federal Programs

Excess cash is determined by comparing the amount disbursed by ISBE and received by the grantee minus the total amount expended on a cumulative cash basis for the reporting period. A positive balance indicates excess cash on hand. This amount will be withheld from any future payment that may be requested by the grantee.

OBLIGATIONS

An outstanding obligation is any liability for which funds are committed prior to the end of the reporting period for property and services, contracts, and subawards made and similar transactions during a given period that require payment that is expected to be paid within 90 days.

Payroll expenditures must be supported by time and effort or equivalent records for individual employees. Salaries and wages of employees chargeable to more than one grant program or other cost objective must be supported by appropriate time distribution records.

Items bought in one year and used in the next:

- It is strongly recommended to purchase supplies and equipment early in the grant period so that students and teachers can benefit from those supplies and equipment for as long as possible in the year the funds were awarded.
- Subscriptions purchased in one grant year to cover multiple years are acceptable (e.g., subscription for a professional magazine that cover multiple years).
- When a staff development conference registration fee is paid in the current year, but the actual conference is held in the next project year: A staff development conference registration fee could be budgeted/obligated/expended in the current year to take advantage of a discounted rate for a conference occurring in the next project year with prior approval from the state agency. The conference travel costs (air fare, mileage, hotel, per diem) must be budgeted/obligated/expended when the travel has occurred (in the next project year).

Per federal rule at 34 CFR 76.707, the following table reflects when an obligation exists:

If the obligation is for:	The obligation is made:
a) Acquisition of real or personal property	-on the date on which a written commitment to acquire the property has been made.
b) Personal services by an employee	-when the service has been performed.
c) Personal services by a contractor (not an employee)	-on the date on which a binding written commitment to obtain the services has been made.
d) Performance of work other than a personal service	-on the date on which a binding written commitment to obtain the work has been made.
e) Public utility service	-when the service is received.
f) Travel	-when the travel is taken.
g) Rental of real or personal property	-when the property is used.
h) A preagreement cost that was properly approved by the state	-when the preagreement costs were approved by the state.

All activities for a project must be completed and all obligations encumbered within the project begin and end date. Liquidation of all obligations, including the current year's audit fee, should be completed no later than 90 days after the project ending date. Salaries cannot be claimed as an outstanding obligation except on the June or later expenditure report (i.e., cumulative expenditure report submitted for the period equal to the project end date) when salaries are paid on a 12- month schedule. Costs budgeted in one year and used in the next (e.g., subscription costs or registration costs for a conference) are acceptable.

For programs that, by statute, require a final expenditure report to be submitted in order to receive a final payment, the total of the expenditures and outstanding obligations limit the amount for which the entity is eligible. Final liquidation reports received prior to the payment being calculated will be honored.

**UNEMPLOYMENT COMPENSATION/WORKERS' COMPENSATION/
TEACHERS' RETIREMENT SYSTEM (TRS)/ILLINOIS MUNICIPAL RETIREMENT FUND (IMRF)/
SOCIAL SECURITY/RETIREMENT/TERMINATION/SEVERANCE COSTS**

Unemployment Compensation <http://www.ides.illinois.gov/>

Program rules and regulations guide the use of unemployment compensation on program budgets. For more specific information, please contact the Illinois Department of Employment Security. Unemployment compensation is commonly considered a purchased service because this is an employer's insurance and **not a fringe benefit**.

Workers' Compensation <http://www.ides.illinois.gov/>

Program rules and regulations guide the use of workers' compensation on program budgets. For more specific information, please contact the Illinois Industrial Commission. Workers' compensation is commonly considered a purchased service because this is an employer's insurance and **not a fringe benefit**.

Teachers' Retirement System (TRS) <https://www.trsil.org/>

Program rules and regulations guide the use of TRS on program budgets. For more specific information, please contact the Teachers' Retirement System.

Illinois Municipal Retirement Fund (IMRF) <http://www.imrf.org/>

Program rules and regulations guide the use of IMRF on program budgets. For more specific information, please contact the Illinois Municipal Retirement Fund.

Social Security <http://www.socialsecurity.gov/>

Program rules and regulations guide the use of Social Security on program budgets. For more specific information, please contact the Social Security Administration.

Retirement, Termination and Severance Pay Cost

The U.S. Department of Education (ED) sent a letter to ISBE in February 2009 regarding the proper treatment of retirement incentive payments that may be charged to federal grant programs. In general, if the payment confers a benefit to the affected program, then it may be included as a direct cost of the program. When the payment confers no direct benefit to the program, abnormal, lump sum severance payments, accelerated early retirement expenditures, or other costs in addition to normal, annual salaries and related benefits are not allowed to be charged solely as a direct cost on any federal grants and may be charged as an indirect cost or a combination of direct and indirect costs only if prior approval has been obtained.

Grantees will need to contact ISBE for approval of abnormal or mass severance expenditures. ISBE will work with ED for final approval. Requests for prior approval, at a minimum, must demonstrate the reasonableness and how such costs are allocated to federal programs.

-Retirement (Allowable Direct Costs) – When an employee has chosen to end their employment, the costs associated in the current fiscal year of this action may be included as a direct cost to the grant. This may include compensation for unused sick and/or vacation days paid as part of the individual’s current annual salary.

-Termination and Mass Severance – Any disbursement/expenditure made in addition to regular salaries and wages for workers whose employment was terminated in the current school year may be charged as an indirect cost or a combination of direct and indirect costs **only if prior approval has been obtained**. Examples of one-time abnormal or mass severance include expenses associated with events that are offered to employees as an incentive to leave employment, such as:

- Buyouts
- Lump sum payments linked to years of service, including prior year benefit accruals (e.g., unused vacation or sick days)
- Increased pension benefits, such as granting additional years or eliminating penalties for early retirement

To facilitate accountability for these expenditures, ISBE’s [Part 100 Requirements of Accounting, Budgeting, Financial Reporting and Auditing](#) provides that Object Code 800 be used for such costs. Table F, Expenditure Object Accounts, provides “800 Termination Benefits” for all “payments made to a terminated or retiring employees as compensation for unused sick or vacation days.” Object Code 800 is not available for use on grant budgets. Therefore, if prior approval has not been obtained to claim these costs directly, termination and severance expenditures can only be requested as an indirect cost. Grantees identifying abnormal or mass severance expenses in the Annual Financial Report will not be provided an indirect cost rate by ISBE without prior approval of such costs.

INDIRECT COSTS AND COST ALLOCATION PLANS

Introduction

Indirect costs are costs a grantee incurs for common or joint objectives that cannot be readily and specifically identified with a particular grant project or other institutional activity. These are typically widespread costs for support service activities, such as purchasing, budgeting, payroll, accounting, data processing, and staff services. Indirect costs are usually charged to the grant as a percentage of some or all of the direct cost items in the grantee's budget. This percentage is called the indirect cost rate.

In accordance with a Delegation Agreement between ED and ISBE, and pursuant to its authority under GATA and administrative rules, the Governor's Office of Management and Budget has granted ISBE an exception to the federal Uniform Guidance and GATA regarding the determination of indirect cost rates that may be utilized by all grantees that receive a state award or federal pass-through award for grant programs administered by ISBE. Modified total direct cost (MTDC) is the basis on which the indirect cost rate is applied to determine the amount of indirect cost allowable. ISBE has an agreement with the federal government to calculate the rates for all Illinois based on MTDC.

LEAs may utilize either the restricted indirect cost rate the LEA negotiates annually with ISBE (school districts) or the statewide average indirect cost rate calculated by ISBE (Regional Offices of Education, Intermediate Service Centers, special education cooperatives, area vocational centers, charter schools, and university laboratory schools approved by ISBE). These LEAs will also utilize the ISBE-established restricted indirect cost rates for state and federally funded grant programs administered by other state agencies. Therefore, LEAs do not need to take any further action in order to establish or utilize an indirect cost rate for any state or federally funded grant program administered by any state agency.

Not-for-profit agencies, community/faith-based organizations, and for-profit entities may utilize the statewide average indirect cost rate calculated by ISBE for all state and federal grant programs administered by ISBE. Colleges and universities will be restricted to a maximum indirect cost rate of 8 percent or other indirect cost rate calculated by their cognizant federal agency, whichever is less, for state and federal grants administered by ISBE. However, these entities may negotiate a separate indirect cost rate or select another indirect cost rate option through the [State of Illinois Centralized Indirect Cost Rate System](#) in order to claim an indirect cost reimbursement for state and federally funded grant programs administered by other state agencies.

The following expenditure functions are usually considered as indirect costs:

- Function 2510 - Direction of Business Support Services
- Function 2520 - Fiscal Services
- Function 2570 - Internal Services
- Function 2640 - Staff Services
- Function 2660 - Data Processing Services

If expenditures are shown as direct costs in any of the above-mentioned functions on the program budget, the indirect cost rate cannot be used.

Restricted and Unrestricted Plans

The Restricted Indirect Cost Allocation Plan is to be used with programs that restrict expenditures to those that “supplement but do not supplant” state or local effort. The Unrestricted Indirect Cost Allocation Plan applies to grant programs that allow state or federal funds to supplement and/or supplant local funds.

The principle of cost allocation for restricted programs applies to Title I, IDEA, and any other program that requires assurance that grant funds will be used to supplement but not supplant local funds. The principle of cost allocation for unrestricted programs applies to programs such as the Child Nutrition Program.

Use of the restricted and unrestricted rate is made by applying the appropriate rate to the direct costs for the state or federal program. The use of the restricted rate does not increase the amount of the grant, but reallocates funds among expenditure classifications.

Calculation of the Rate

The Division of School Business Services annually computes a new indirect cost rate for each school district and joint agreement. The rate is computed from the *Financial Data to Assist Indirect Cost Determination*, a supplementary schedule in the *Illinois Local Education Agency Annual Financial Report* (Form ISBE 50-35). Each year these computed indirect cost rates are made available electronically to the respective LEAs. A statewide average indirect cost rate is also determined at this time.

Indirect Cost Rates for Grantees

Depending on the type of grantee approved for grant funds, the following should be used as a guide if the grantee decides to apply the appropriate indirect cost rate as determined by ISBE:

- School districts must use their restricted indirect cost rates.
- Newly organized entities and governmental entities formed by a joint agreement must utilize the statewide average restricted indirect rate.
- School districts that jointly administer a state or federal program must utilize the approved restricted indirect cost rate for the administrative district of the joint program.
- Regional Offices of Education, Intermediate Service Centers, not-for-profit agencies, community/faith-based organizations and other subgrantees must use the statewide average if they wish to include indirect costs on state or federal grants.
- Per 34 CFR 76.564(c)(2), colleges and universities will be limited to a maximum indirect cost rate of 8 percent or other indirect cost rate calculated by their cognizant federal agency, whichever is less, for all state and federal grants administered by the Illinois State Board of Education.

Limitations of Recovery of Indirect Costs

Recovery of indirect costs on grants is subject to the availability of funds. Most restricted grants are allocated to the state educational agency as a block grant in which each district is entitled to a maximum grant amount. The total direct costs plus the indirect costs cannot, therefore, exceed the maximum entitlement.

Indirect costs may be recovered only to the extent that direct costs are incurred. The indirect cost rate is applied to the amount expended, not to the total grant award, to determine the amount of the indirect costs.

A grantee may not recover more costs in any program than they incur. If all costs are allocated directly to a program, NO indirect cost may be applied to the program.

Rate Application and Capital Outlay

Special consideration is necessary when a grantee's budget contains facilities acquisition and construction costs (function 2530), capital outlay and non-capitalized equipment expenditures (object 500 and 700). The amount of facilities acquisition and construction costs (function 2530), capital outlay and non-capitalized equipment (object 500 and 700) is **excluded** from the total direct costs when the indirect cost rate is applied to determine the dollar amount of indirect costs to be allowed for the project (i.e., indirect cost rate multiplied by (direct expenditures minus facilities acquisition and construction costs [function 2530], capital outlay and non-capitalized equipment expenditures [object 500 and 700])).

Direct vs. Other "Administrative Overhead Types" of Costs

There are other "administrative overhead types" of indirect costs (e.g., telephone, copying, and postage) that are incurred within a central district office that are normally charged in Function 2300 General Administration and/or Function 2400 School Administration. In addition, there may be specific program administrative salaries (e.g., grants coordinator) that may be direct costs (e.g., benefits and supplies charged in General Administration Sub-Function 2330 Special Area Administrative Services and/or School Administration Sub-Function 2490 Other Support Services).

Cost Allocation Plan (CAP)

A Cost Allocation Plan (CAP) is a document that states how a grantee will identify, accumulate, and distribute certain allowable administrative costs in grants and identifies the allocation methods used for distributing the costs. A written plan for allocating joint costs is required to support the distribution of those costs to the grant program. When a grantee completes a grant application/amendment, it must determine to either utilize its restricted indirect cost rate as calculated by ISBE or utilize a CAP that must then be documented via personnel time and effort information as well as formal accounting records according to Generally Accepted Government Accounting Principles to substantiate the propriety of the eventual charges. All applicable documentation must be available for review upon request by a local auditor or ISBE compliance monitor.

In most instances, the simultaneous use of direct cost allocation and the indirect cost rate application is prohibited. However, there may be legitimate instances where a general administration cost is requested and approved as a direct cost in addition to other administrative overhead costs that are covered under an indirect cost rate.

Example – Grants Coordinator in Central Office

A federal grants coordinator works in the central district office along with other staff that has oversight over other grant programs. The direct cost (e.g., salary and benefits) for the grants coordinator with respect to certain services (e.g., Special Area Administrative Services Sub-Function 2330) may be charged as a direct cost on a federal grant utilizing a CAP with supporting records and documentation that are maintained by the district in accordance with the applicable OMB Circular. The functions that may be utilized with a CAP may include, but are not necessarily limited to, supervisory responsibilities or other administrative services for the specific grant as the federal grants coordinator along with the recognition of appropriate supplanting rules. Ancillary administration costs within the central office (e.g., telephone, copying, postage, etc.) that may not be charged as direct cost would be allowed under the indirect cost rate.

Depending on the type of grantee approved for grant funding, all cost allocation plans must be in compliance with the appropriate circular from the Federal Office of Management and Budget.

Examples of acceptable Cost Allocation Plans are provided below:

Example 1 -Expense Amount = \$5,000

Costs that benefit two or more specific programs, but not all programs, are allocated to those programs based on the ratio of each program’s personnel costs (salaries and applicable benefits) to the total of such personnel costs as follows:

Grant	Personnel Costs	%	Amount Allocated
A	\$ 20,000	20%	\$1,000
C	\$ 30,000	30%	\$1,500
E	\$ 50,000	50%	\$2,500
Total	\$100,000	100%	\$5,000

Example 2 - Expense Amount = \$10,000

Costs that benefit **all** programs are allocated based on a ratio of each program’s personnel costs (salaries and applicable benefits) to total personnel costs as follows:

Grant	Personnel Costs	%	Amount Allocated
A	\$ 20,000	13%	\$1,300
B	\$ 10,000	7%	\$ 700
C	\$ 30,000	20%	\$2,000
D	\$ 40,000	27%	\$2,700
E	\$ 50,000	33%	\$3,300
Total	\$150,000	100%	\$10,000

Example 3 - Expense Amount = \$4,000

Costs that benefit two or more specific programs, but not all programs, are allocated to those programs based on the ratio of each program's expenses (direct costs other than salaries and benefits) to the total of such expenses as follows:

Grant	Program Expenses	%	Amount Allocated
A	\$ 120,000	30%	\$1,200
C	\$ 130,000	33%	\$1,320
E	\$ 150,000	37%	\$1,480
Total	\$ 400,000	100%	\$4,000

Example 4 - Expense Amount = \$8,000

Costs that benefit **all** programs will be allocated based on a ratio of each program's expenses to total expenses as follows:

Grant	Program Expenses	%	Amount Allocated
A	\$ 120,000	18%	\$1,440
B	\$ 110,000	17%	\$1,360
C	\$ 130,000	20%	\$1,600
D	\$ 140,000	22%	\$1,760
E	\$ 150,000	23%	\$1,840
Total	\$650,000	100%	\$8,000

Example 5 - Facilities Expense Amount = \$10,000

Facilities costs are allocated based on square footage. Square footage for each program and general and administrative activity is considered in the analysis. General and administrative (G&A) facilities costs are **further** allocated to each program based on the square footage of each grant program to the total square footage of all grant programs.

Grant	Square Footage	%	Amount Allocated	G&A Allocated	Total Amount Allocated
A	300	30%	\$ 3,000	\$ 340	\$ 3,340
B	100	10%	\$ 1,000	\$ 110	\$ 1,110
C	200	20%	\$ 2,000	\$ 220	\$ 2,220
D	200	20%	\$ 2,000	\$ 220	\$ 2,220
E	100	10%	\$ 1,000	\$ 110	\$ 1,110
G&A	100	10%	\$ 1,000	0	0
Total	1,000	100%	\$10,000	\$1,000	\$10,000

REQUIRED MONITORING

Compliance/Monitoring Review

All activities are subject to an audit at the local, state, and federal level. Staff from ISBE may conduct a compliance review of your program to audit records and offer technical assistance. This review will ascertain on a sample basis whether or not such records are adequately and properly maintained on a current basis.

The purpose of this review is to determine if the project meets legal requirements and to verify the eligibility of expenditures by examining sample documentation for the following:

1. Funds disbursed to the grantee were received and properly recorded in separate accounts;
2. Payments reported by the grantee were actually made to vendors, contractors, and employees and that they conform to applicable laws and regulations, including procurement requirements and support the program intent;
3. Refunds, discounts, etc. were properly credited to specific expense classifications as reductions of the gross expenditure;
4. Payments are supported by adequate evidence of the delivery of goods or performance of services;
5. Obligations included in the report of expenditures were actually incurred during the budget period for which the expenditures were claimed and upon liquidation were properly adjusted;
6. The same item is not reported as an expenditure for two or more years (e.g., encumbrance is one year and payment in another); items are properly recorded in the program year;
7. All expenditures that were claimed were made for the approved project and are easily identifiable with this project;
8. A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years to verify the existence, current utilization, and continued need for the property;
9. All inventory items have been allocated an inventory number and the number has been plainly affixed on each piece of equipment and plainly labeled;
10. An inventory register has been maintained of those items required to be inventoried which shows:
 - Description;
 - Serial number or other identification number;
 - Funding source for purchased property;
 - Who holds title;
 - Acquisition date and cost;
 - Location, use, and condition of property;
 - Disposition date.
11. Inventory items moved from one location to another have been duly authorized in writing and that the transfer has been recorded in the inventory register, and each item of equipment purchased was listed in the approved budget breakdown and is being used solely for authorized purposes;

12. Prorated expenditures, such as salaries (supported by time and effort documentation), travel, etc., are divided correctly between two or more accounts and that the basis of such division can be substantiated as reasonable and equitable (the auditor will compare actual expenditures with the approved budget and note variations);
13. Unexpended state funds advanced or overpaid were promptly returned to the Illinois State Board of Education;
14. Payments to an administrator who is employed by the Board of Education under the terms of the contract covering a 12-month period of service were not included in administrative expenses;
15. Obligations were liquidated within 90 days after the end of the budget period and adjusted to the amount finally paid; and,
16. Expenditures were incurred for activities in addition to those that have been provided previously for public and nonprofit private school students and teachers.
17. Costs split between multiple programs are substantiated by a CAP and plans were utilized based upon a reasonable cost allocation basis;
18. Adequate policies, procedures, and internal controls have been implemented and are being followed.
19. Per GATA, the conditions imposed based on the responses from the ICQ and the Program Risk Assessment have been addressed.

Audit Adjustment Policy

State Grants

All state audit adjustments assessed and finalized by the Federal and State Monitoring Division for all grant programs such as Early Childhood Education and Career and Technical Education Improvement will be applied to the source project year in which the audit was assessed. For example, an Early Childhood adjustment for \$250 assessed for a grantee back in fiscal year 2017 will be applied in that grantee's 2017 Early Childhood project. Refund due notices will be issued in the month following the application of the adjustment. Grantees have 45 calendar days to return the amount due.

Federal Grants

Adjustments for federal programs will be assessed if amounts are determined as unallowable per Federal Uniform Guidance at 2 CFR 200. Specifically, per Section 410 Collection of Unallowable Costs, payments made for costs determined to be unallowable by either the Federal awarding agency, cognizant agency for indirect costs, or pass-through entity, either as direct or indirect costs, must be refunded (including interest) to the Federal Government in accordance with instructions from the Federal agency that determined the costs are unallowable unless Federal statute or regulation directs otherwise.

ISBE will recover unallowable costs and refund them to the appropriate Federal awarding agency as appropriate. Adjustments will be passed and applied to the source project year in which the audit was assessed on a monthly basis. Refund due notices will be issued in the month following the application of the adjustment. Grantees have 45 calendar days to return the amount due.

State Claims – Mandated Categorical Cluster

Adjustments assessed for claim based programs identified in the mandated categorical program cluster will be applied annually. Mandated categorical programs include: Regular Transportation, Special Education Transportation, Special Education Private Facility Tuition, Special Education Orphanage and Regular Education Orphanage. Adjustment amounts will be offset to the final claim computed for the respective program or recovered via refund due notice if there is no claim filed.

The schedule and timing of adjustments to the aforementioned programs is provided below.

Program Name	Frequency	Adjustment Applied	Refund Notice
State Grants	Monthly	Source Project	Letter
Federal Grants	Monthly	Source Project	Letter
Regular and Special Education Transportation	Annually-Mid Sept	Current Claim	Offset to Final Claim Amount
Special Education Private Facility	Annually-Mid Sept	Current Claim	Offset to Final Claim Amount
Special Education Orphanage	Annually-Mid Aug	Current Claim	Offset to Final Claim Amount
Regular Education Orphanage	Annually-Mid Aug	Current Claim	Offset to Final Claim Amount

INTERNAL CONTROLS

Internal Controls (2 CFR 200.61, 200.62, 200.303)

A process, implemented by a grantee, designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- a) Effectiveness and efficiency of operations;
- b) Reliability of reporting for internal and external use; and
- c) Compliance with applicable laws and regulations.

Examples of the process to ensure good internal controls include:

- a) Transactions are properly recorded and accounted for in order to:
 1. Permit the preparation of reliable financial statements and federal reports;
 2. Maintain accountability over assets; and
 3. Demonstrate compliance with federal statutes, regulations, and the terms and conditions of the federal award;
- b) Transactions are executed in compliance with:
 1. Federal statutes, regulations, and the terms and conditions of the federal award that could have a direct and material effect on a federal program; and
 2. Any other federal statutes and regulations that are identified in the Compliance Supplement; and
- c) Funds, property, and other assets are safeguarded against loss from unauthorized use or disposition.

To establish a strong internal control environment, grantees must:

- a) Design internal controls that are in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the comptroller general of the United States or the “Internal Control Integrated Framework” issued by the Committee of Sponsoring Organizations of the Treadway Commission;
- b) Evaluate and monitor compliance with applicable statutes, regulations, and the terms and conditions of the awards;
- c) Take prompt action when instances of noncompliance are identified, including noncompliance identified in audit findings; and
- d) Take reasonable measures to safeguard protected personally identifiable information and other sensitive information.

Strong internal controls create a transparent system of accountability for decision-making and should include, but are not limited to:

- a) Policies and procedures for individual functions;
- b) Adequate segregation of duties, or sufficient compensating controls, for all functions;
- c) Supervisory review of expenditures prior to submission;
- d) Grant/Fiscal staff review transactions to ensure proper posting of expenditures to grants;
- e) Procedures to ensure grant objectives are being met; and
- f) Adequate, sufficient supporting documentation for all transactions and activities.

Policies and procedures must be developed that are specific to the grantee. The policy must state what must be done and why. At a minimum, the procedures must state:

- a) What steps are required to be completed;
- b) Who (what position) will perform the steps;
- c) When the steps must be performed; and
- d) Who (what position) is responsible for reviewing what was done.

Fraud Policy (2 CFR 200.113)

Grantees must disclose, in a timely manner, in writing to the Federal awarding agency or pass-through entity (e.g. ISBE) all violations of Federal criminal law involving fraud, bribery, or gratuity violations potentially affecting the award.

A fraud policy should include these key elements:

- An explicit definition of actions that are deemed to be fraudulent
- Allocation of responsibilities for the overall management of fraud
- A statement that all appropriate measures to deter fraud will be taken
- The formal procedures which employees should follow if a fraud is suspected
- Notification that all instances of suspected fraud will be investigated and reported to the appropriate authorities
- An unequivocal statement that all fraud offenders will be prosecuted and that the police will be assisted in any investigation that is required
- A statement that all efforts will be made to recover wrongfully obtained assets from fraudsters
- Encouragement to employees to report any suspicion of fraud
- The steps to be taken in the event a fraud is discovered and who is responsible for taking action including:
 - procedures staff should follow
 - assigning responsibility for an instant response to the occurrence recovering funds
 - dealing with the media
 - preserving evidence and reporting to the police

The plan, once communicated to all staff and fully implemented, should be subject to a regular review at the board/administration level. All employees, including part-time and contract, should be aware of the organization's policy in respect of fraud and the need for vigilance to prevent fraud.

General Procurement Standards (2 CFR 200.318)

The grantee must use its own documented procurement procedures which reflect applicable State, local, and regulations, provided that the procurements conform to applicable Federal law.

Grantees must maintain oversight to ensure that contractors perform in accordance with the terms, conditions, and specifications of their contracts or purchase orders.

Grantees must maintain written standards of conduct covering conflicts of interest and governing the actions of its employees engaged in the selection, award and administration of contracts. No employee, officer, or agent may participate in the selection, award, or administration of a contract

supported by an award if he or she has a real or apparent conflict of interest. Such a conflict of interest would arise when the employee, officer, or agent, any member of his or her immediate family, his or her partner, or an organization which employs or is about to employ any of the parties indicated herein, has a financial or other interest in or a tangible personal benefit from a firm considered for a contract. The officers, employees, and agents of the grantee may neither solicit nor accept gratuities, favors, or anything of monetary value from contractors or parties to subcontracts. However, grantees may set standards for situations in which the financial interest is not substantial or the gift is an unsolicited item of nominal value. The standards of conduct must provide for disciplinary actions to be applied for violations of such standards by officers, employees, or agents of the grantee.

If the grantee has a parent, affiliate, or subsidiary organization that is not a state, local government, or Indian tribe, the grantee must also maintain written standards of conduct covering organizational conflicts of interest. Organizational conflicts of interest means that because of relationships with a parent company, affiliate, or subsidiary organization, the non-Federal entity is unable or appears to be unable to be impartial in conducting a procurement action involving a related organization.

FEDERAL AND STATE COMPLIANCE REPORTING

Single Audit

2 CFR 200 Subpart F Uniform Audit Requirements for Federal Awards effective 12/19/2014 has superseded OMB Circular A-133. Entities that expend \$750,000 (2 CFR 200.501 (d)) or more a year in federal awards within their fiscal year must have a single or program-specific audit conducted. Information on the federal single audit can be obtained at <https://www.isbe.net/Pages/Single-Audit.aspx>.

Audit Costs

Costs associated with required audits may be charged to the grant. (This does not apply to Regional Offices of Education and Intermediate Service Centers.) Such audits must be completed annually for the period ending June 30. Audit costs must be prorated according to the grants being audited. The costs associated with the audit must be obligated prior to June 30 and paid from the grant year audited. Obligated costs for audits should be liquidated within 90 days from the ending date of the grants and reported on the final expenditure report.

GATA Audit Requirements

The audit requirements adopted by GATA include the adoption of the federal audit requirements (2 CFR 200.501), audit requirements for grantees and subrecipients that do not meet the federal audit requirements and audit requirements for "For Profit" subrecipients.

Audit Types

1. A non-federal entity (awardee) that expends \$750,000 or more during the non-federal entity's fiscal year in federal awards (federal pass-through and direct federal funds) from all sources must have a single audit conducted in accordance with 2 CFR 200.514. Awardee's meeting certain requirements may elect to have a program-specific audit conducted in accordance with 2 CFR 200.507 with the approval of their cognizant agency.
2. A non-federal entity that expends less than \$750,000 during the non-federal entity's fiscal year in federal awards (federal pass-through and/or direct federal funds) from all sources is exempt from federal audit requirements for that year. These non-federal entities are not subject to the single audit requirements.
3. Non-federal entities who expend less than \$750,000 in direct federal and federal pass-through funds from all sources are subject to the following audit requirements:
 - a. Non-federal entities who expend \$500,000 or more during the non-federal entity's fiscal year in State, direct federal and federal pass-through funds, singularly or in any combination, and are not subject to the single audit:
 - i. Must have a financial statement audit conducted in accordance with Generally Accepted Government Auditing Standards (GAGAS); and
 - ii. If deemed to be high risk based on their grantee risk profile (includes but not limited to: the Financial and Administrative Risk Assessment, the Merit-Based Review, the Programmatic Risk Assessment, prior history and experience in administering grants, and results of prior audits and/or other regulatory reviews and corrective action

status) are required to undergo either an on-site review conducted by the State cognizant agency or an agreed upon procedures engagement, paid for and arranged by the Pass-Through Entity(ies) (PTE(s)) in accordance with 2 CFR 200.425.

- b. Non-federal entities who do not meet the requirements in subsection (a) but expend \$300,000 or more during the non-federal entity's fiscal year in State, direct federal and federal pass-through funds, singularly or in any combination must have a financial statement audit conducted in accordance with Generally Accepted Auditing Standards (GAAS).
- c. Non-federal entities who do not meet the requirements in subsection (a) or (b) but have audits conducted based on other regulatory requirements must submit those audits for review.

For-profit Subrecipient. The PTE(s) is responsible for ensuring subrecipient compliance with established requirements. Methods to ensure compliance for State and federal awards to for-profit subrecipients may include pre-award audits, monitoring during the agreement period of performance, and post-award audits. See also 2 CFR 200.331 Requirements for Pass-through Entities.

1. For-profit Subrecipient Audit Requirements. For-profit subrecipients who expend \$750,000 or more in direct federal and federal pass-through funds (from all sources) during their fiscal year are required to have a program-specific audit conducted in accordance with Uniform Guidance section 200.507 (Program-specific Audits).
 - a. State grantmaking agencies must provide the recipient/subrecipient the program-specific audit guide, when available.
 - b. If a program-specific guide is not available, the auditor and auditee have the same responsibilities for the program as they would have for a major program in a single audit.
 - c. The auditor must audit Federal programs with Federal awards expended that, in aggregate, cover at least 50 percent (0.50) of total Federal awards expended.
2. For-profit subrecipients who expend less than \$750,000 in direct federal and federal pass-through funds (from all sources) during their fiscal year are subject to the following audit requirements:
 - a. For-profit subrecipients who expend \$500,000 or more in State, direct federal and federal pass-through funds, singularly or in any combination (from all sources) during their fiscal, and are not subject to a program audit:
 - i. Must have a financial statement audit conducted in accordance with Generally Accepted Government Auditing Standards (GAGAS); and
 - ii. If deemed to be high risk based on their grantee risk profile (includes by not limited to: the Financial and Administrative Risk Assessment, the Merit-Based Review, the Programmatic Risk Assessment, prior history and experience in administering grants, and results of prior audits or other regulatory reviews and corrective action status) are required to undergo either an on-site review conducted by the State cognizant agency or an agreed upon procedures engagement, paid for and arranged by the PTE(s) in accordance with 2 CFR 200.425.
 - b. For-profit subrecipients who do not meet the requirements in subsection (a) but expend \$300,000 or more during the non-federal entity's fiscal year in State, direct federal and

federal pass-through funds, singularly or in any combination must have a financial statement audit conducted in accordance with Generally Accepted Auditing Standards (GAAS).

- c. For-profit subrecipients that are publicly traded companies are not subject to the Single Audit requirements but are required to submit the annual audit conducted in accordance with their regulatory requirements.

Submission Requirements

1. Single Audit and Program Specific Audit Report Submission. Single audits conducted in accordance with this Section, including any program or regulatory audit requirements, must be completed and the reporting packet described in subsection (3) below, must be submitted by the non-federal entity (grantee/subrecipient) to the Federal Audit Clearing House, as required by UG section 200.512. The results of peer and external quality control reviews, management letters, AU325 communications and Consolidated Year-End Financial Report must be submitted to the GATA Grantee Portal. Due date of the submission is the earlier of 30 calendar days after receipt of the auditor's reports or 9 months after the end of the non-federal entity's audit period. If the due date falls on a Saturday, Sunday or State/federal holiday, the reporting packet is due the next business day.
2. Financial Statement Audits conducted in accordance with this Section must be completed and the reporting packet described in subsection (4) below must be submitted by the non-federal entity to the GATA Grantee Portal within the earlier of 30 calendar days after receipt of the auditor's reports or 6 months after the end of the non-federal entity's audit period. If the due date falls on a Saturday, Sunday or State/federal holiday, the reporting packet is due the next business day.
3. For Single Audit and Program Specific Audit submissions, reporting packet submissions must include:
 - a) All items identified in UG section 200.512(c);
 - b) Financial statements and schedule of expenditures of Federal awards discussed in §200.510 Financial statements, paragraphs (a) and (b), respectively;
 - c) Summary schedule of prior audit findings discussed in §200.511 Audit findings follow-up, paragraph (b)
 - d) Auditor's report(s) discussed in §200.515 Audit reporting;
 - e) Corrective action plan discussed in §200.511 Audit findings follow-up, paragraph (c);
 - f) Management letters and AU 325 communication issued by the auditors, and their respective corrective action plans;
 - g) Consolidated Year-end Financial Report with an 'In Relation To' opinion (if applicable); and
 - h) A copy of the results of peer and external quality control reviews of the Audit Firm.
4. For Financial Statement Audit submissions, reporting packet submissions must include:
 - a) Financial Statements;
 - b) Summary schedule of Prior Audit Findings;
 - c) Auditor's report;
 - d) Corrective Action Plan;

- e) Management letters and AU 325 communications issued by the auditors, and their respective corrective action plans;
 - f) Consolidated Year-end Financial Report with an 'In Relation To' opinion; and
 - g) A copy of the results of peer and external quality control reviews of the Audit Firm.
5. Non-Federal Entities that are not required to have an audit conducted are required to submit a Consolidated Year-end Financial Report.

PLEASE REFER TO THE FULL [Audit Report Review Process Manual](#) FOR ADDITIONAL INFORMATION

SUPPORTING DOCUMENTATION FOR SALARIES AND WAGES

Compensation for personal services from 2 CFR 200 Subpart E Uniform Cost Principles:

These standards regarding time distribution are in addition to the standards for payroll documentation.

1. Charges to grants for salaries and wages, whether treated as direct or indirect costs, will be based on payrolls documented in accordance with generally accepted practice of the grantee and approved by a responsible official(s) of the grantee.
2. No further documentation is required for the salaries and wages of employees who work in a single indirect cost activity.
3. Where employees are expected to work solely on a single grant or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semiannually and will be signed by the employee or supervisory official having firsthand knowledge of the work performed by the employee.
4. Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation that meet the standards in subsection (5). Such documentary support will be required where employees work on:
 - a) More than one grant;
 - b) A grant and a nongrant;
 - c) An indirect cost activity and a direct cost activity;
 - d) Two or more indirect activities that are allocated using different allocation bases; or
 - e) An unallowable activity and a direct or indirect cost activity.
5. Personnel activity reports or equivalent documentation must meet the following standards:
 - a) They must reflect an after the fact distribution of the actual activity of each employee;
 - b) They must account for the total activity for which each employee is compensated;
 - c) They must be prepared at least monthly and must coincide with one or more pay periods; and
 - d) They must be signed by the employee.
 - e) Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to grants but may be used for interim accounting purposes, provided that:
 - i. The grantee's system for establishing the estimates produces reasonable approximations of the activity actually performed;
 - ii. At least quarterly, comparisons of actual costs to budgeted distributions based on the monthly activity reports are made. Costs charged to grants to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the differences between budgeted and actual costs are less than 10 percent; and
 - iii. The budget estimates or other distribution percentages are revised at least quarterly, if necessary, to reflect changed circumstances.

TIME AND EFFORT REPORTING

Time and effort reporting guidelines are specified in the U.S. Office of Management and Budget Regulations at 2 CFR Part 200.430 Subpart E cost principles, compensation – personal services.

The federal government has not mandated a single approach to time and effort reporting under grants. Instead, the burden is placed on grantees to exercise judgment in developing the documentary support for time and effort reporting based on the cost principles and other federal guidance.

Several key principles are involved in preparing sound time and effort documentation. First, although it is called time and effort reporting, nothing is actually submitted as a report, except by the employee to the employing organization. Such a report is retained internally and not generally submitted to a sponsoring agency (§200.430(i)(1)(ii)). Copies of timesheets and other such documents are expected to remain available, should they become necessary to later resolve a matter in dispute or resolve any questions regarding costs associated with payments for personnel.

Second, time and effort reports may be prepared after the fact. Some slight variations exist among grantees as to this preparation. Some grantees may record activity daily, weekly, or monthly. On an interim basis, budget estimates can be used for charging purposes (§200.430(i)(1)(viii)). In any case, a confirmation process or reconciliation takes place at some point after the charges are incurred to record the true effort and not merely an estimate.

Third, there must be full disclosure of time and effort. It is necessary to know all of the work that each employee has performed to know the correct percentage of time and effort to attribute to each project (§200.430(i)(1)(iii)), totaling 100 percent among all projects or among federal and non-federal time and effort. This is particularly important for institutions of higher education (§200.430(1)(ix)).

Fourth, a credible endorsement of the hours worked is needed from persons knowledgeable about the activities performed. Whether timesheets are signed by employees, by supervisors or, in some cases, by both, credibility must be demonstrated from the bottom up. Grantees rely on individual employees to record what they did. They are the best source of such information, even if they are unaware of the particular funding source for the tasks they performed.

Under cost principles, the uniform grant guidance notes that recording of effort is a reasonable accounting of the total activity or work performed by an individual employee (§200.430(i)(1)).

Finally, timely completion and adjustments are required (§220.430(i)(1)(B)). The cost principles do not stipulate how often timesheets, time cards, or effort reports need to be prepared; however, actual amounts need to be reported, and if necessary, reconciled and adjusted in a timely manner. The uniform guidance requires that the time and effort reports comply with the non-federal entity's accounting policies and practices (§200.430(i)), which may enforce when time for supported work needs to be recorded in order to meet the non-federal entity's payroll. Yet if an employee waits to fill out a timesheet on the 30th of the month and tries to recall what he or she was doing on the 12th, the result strains credibility. Thus, many organizations ask their employees to prepare time and effort reports on a more frequent basis so that management need not rely so much on employee memory as to what was accomplished on a particular day.

Under the prior circulars, employees only were required to report time on the funded grant project. Now, time must be tracked for the work on the grant project AND for nongrant time, all totaling 100 percent, so generally, under the uniform guidance, payment between grant and nongrant time must equal 40 hours/week or 100 percent time. Therefore, if you are talking about a 12-month employee with an annual salary of \$100,000 that represents 100 percent of time, then the employee would receive \$90,000 institutional base salary or 90 percent and \$10,000 grant salary or 10 percent, totaling 100 percent of time. The employee cannot be double-paid by both the institution and the grant for the same time, exceeding 100 percent. If you are talking about a 10-month employee with an annual salary of \$100,000 for 10 months, and the grant work occurred during the 10 months, time would be treated similarly to the 12-month employee; however, if the grant work occurred over the summer months, outside and apart from the annual base salary, the time could exceed 100 percent.

Organizations may set requirements of their own to ensure that credible documents are prepared (§200.430(i)(1)(i)). Federal policy does not specify a format that a non-federal entity must use for its organizational documents. Many organizations prepare a matrix timesheet with the days of the month or the days of the pay period across the top and a series of cells down the left-hand side into which account codes, project names, or other identifiers can be entered. Other categories, such as annual leave, sick leave, leave without pay and other absences or uncompensated time, are also included. However, if the records of the non-federal entity do not meet the documentation standards in §200.430(i), the federal government may require that non-federal entities make personnel activity reports, supporting documentation, and certifications available for review (§200.430(i)(1)(x)(8)).

Web-based or electronic signature systems are acceptable to prepare timekeeping records and as long as such records are deemed reliable and competent, they should be acceptable to independent auditors (200.430(i)(1)(i)). Any system used, whether electronic or paper, for time and effort reporting needs to support an employee's salary that is distributed over all reported work activities. The report must cover the salary distribution, especially if an employee works on more than one federal award or on one or more indirect cost activities (e.g., administrative work and when different allocation bases are used (§200.430(i)(1)(vii))).

Acceptable Documentation

The focus in time and effort reporting is on documentary evidence. If such evidence is unavailable, however, it may be necessary to create alternative documentation using testimonial evidence, physical evidence, and analytical evidence to support the charges. This sort of alternative is used during resolution of audit findings related to unsupported costs that lack time and effort records.

The search for alternative evidence can be time-consuming and problematic, particularly when former personnel who have left the organization must be tracked down and consulted. Nonetheless, in many cases, organizations get sworn statements or affidavits from individual employees that indicate that they worked on the project in question at a particular time. Those types of statements have been accepted by grant and contracting officers, who are ultimately responsible for deciding whether to disallow costs because of the absence of support. Sometimes it becomes necessary to use the actual work products as evidence that the work was done. Such pieces of evidence can help support the fact that a project benefited from the effort of individual employees. But they cannot make a case alone. Progress reports that detail the project over a course of time may build additional support for particular charges. In sum, non-federal entities must prepare evidence that is sufficient, competent, and relevant to the charges involved.

DETAILED FUNCTION DESCRIPTORS AND SUB-CATEGORIES

From [Title 23 Illinois Administrative Code-Part 100](#)

Function: The action or purpose for which a person or thing is used or exists. This includes activities or actions that are performed to accomplish the objectives of the project.

FUNCTION	DESCRIPTORS AND SUB-CATEGORIES
1000	<u>Instruction</u> : The teaching of pupils or the interaction between teacher and pupils. Included are activities of aides or assistants who assist in the instructional process. Teaching may occur in classrooms or other learning situations, such as those involving co-curricular activities, and may be conducted through a medium such as television, radio, telephone, or correspondence.
2110	<u>Attendance and Social Work Services</u> : The activities for the improvement of pupils' attendance at school and the performance of school social work activities dealing with the problems of pupils that involve the home, school, and community.
2120	<u>Guidance Services</u> : Counseling with pupils or parents, consulting with staff members on learning problems, evaluating abilities of pupils, assisting pupils in making educational and career plans and choices, assisting pupils in personal and social development, providing referral assistance and working with other staff members in planning and conducting guidance programs for pupils.
2130	<u>Health Services</u> : Physical and mental health services that do not constitute direct instruction. Included are activities that provide pupils with appropriate medical, dental, and nursing services.
2140	<u>Psychological Services</u> : Activities concerned with administering psychological tests and interpreting the results; gathering and interpreting information about pupil behavior; working with other staff members in planning school programs to meet the special needs of pupils as indicated by psychological tests and behavioral evaluation; and planning and managing a program of psychological services, including psychological counseling for pupils, staff and parents.
2150	<u>Speech Pathology and Audiology Services</u> : Activities involving the identification, assessment, and treatment of children with impairments in speech, hearing, and language.
2210	<u>Improvement of Instruction Services</u> : Activities for assisting instructional staff in planning, developing, and evaluating the instructional process.
2220	<u>Educational Media Services</u> : Activities concerned with the use of all teaching and learning resources, including hardware and content material (e.g., services/items housed in a central location: library/lab/media center).
2230	<u>Assessment and Testing</u> : Activities for the purpose of measuring individual student achievement.
2300	<u>General Administration</u> : Activities concerned with establishing and administering policy in connection with operating the LEA.
2400	<u>School Administration</u> : Activities concerned with overall administrative responsibility for a single school or a group of schools.
2510	<u>Direction of Business Support Services</u> : Activities concerned with directing and managing the business services area, such as those usually performed by the office of the chief school business official or business manager.
2520	<u>Fiscal Services</u> : Activities concerned with the fiscal operations of the LEA. This function includes budgeting, receiving and disbursing, bookkeeping, financial accounting, payroll, inventory control, and internal auditing.
2530	<u>Facilities Acquisition and Construction Services</u> : Activities concerned with acquisition of land and buildings, remodeling buildings, construction of buildings and additions to buildings, initial installation or extension of services systems, and other built-in equipment and site improvements.

FUNCTION	DESCRIPTORS AND SUB-CATEGORIES
2540	<u>Operation and Maintenance of Plant Services</u> : Activities concerned with keeping the physical plant (i.e., grounds, buildings, and equipment) in an effective and safe working condition. This includes activities of maintaining safety in building, on the grounds, and in the vicinity of the schools.
2550	<u>Pupil Transportation Services</u> : Activities concerned with conveying pupils to and from school as provided by Article 29 of the School Code [105 ILCS 5/Art. 29]. It includes trips between home and school and trips to school activities.
2560	<u>Food Services</u> : Activities concerned with providing food to pupils and staff in a school or LEA. This services area includes the preparation and serving of regular and incidental meals, lunches, or snacks in connection with school activities and the delivery of food.
2570	<u>Internal Services</u> : Activities concerned with buying, storing, and distributing supplies, furniture, and equipment; those activities concerned with internal duplicating and printing for the school system; and the pickup and transporting of cash from schools facilities to the central administrative office or bank for control and/or deposit.
2610	<u>Direction of Central Support Services</u> : Activities concerned with directing and managing the central support services as a group.
2620	<u>Planning, Research, Development and Evaluation Services</u> : Activities associated with conducting and managing programs of planning, research, development, and evaluation for a school system or a system-wide basis.
2630	<u>Information Services</u> : Those activities concerned with writing, editing, and other preparation necessary to disseminate education and administrative information to pupils, staff, managers, or the general public through direct mailing, the various news media, or personal contact.
2640	<u>Staff Services</u> : Activities generally performed by the LEA's personnel office, such as recruiting and placement, staff transfers, in-service training (e.g., non-instructional training), health services, and staff accounting.
2660	<u>Data Processing Services</u> : Activities concerned with preparing data for storage, sorting data, and retrieving them for reproduction as information for management and reporting.
2900	<u>Other Support Services</u> : Activities of any support service or classification of services, general in nature, which cannot be classified elsewhere in the 2000 series of accounts. (Describe and itemize.)
3000	<u>Community Services</u> : Services provided by the LEA for the community as a whole or some segment of the community, such as community recreation programs, civic organization activities, public libraries, programs of custody and child care, welfare services, services to nonpublic schools, and home/school services.
3700*	<u>Nonpublic School Pupils' Services</u> : Services to pupils attending a school established by an agency other than the state, a subdivision of the state, or the federal government that usually are supported primarily by nonpublic funds. The services include providing instructional services, attendance and social work services, health services, and transportation services for nonpublic school pupils
4000	<u>Payments to Other Districts and Governmental Units</u> : Payments to other public LEAs, in-state, and out-of-state public entities (e.g., payments to public universities/colleges, public community colleges, Regional Offices of Education/Intermediate Service Centers, and Special Education Cooperatives/Education for Employment Centers)
5000	<u>Debt Services</u> : Servicing of the LEA's debts.

*Beginning in project year 2014.

DETAILED OBJECT DESCRIPTORS AND SUB-CATEGORIES

From [Title 23 Illinois Administrative Code-Part 100](#)

Object: Service or commodity obtained as a result of a specific purpose.

OBJECT	DESCRIPTORS AND SUB-CATEGORIES
100	<p><u>Salaries</u>: Amounts paid to permanent, temporary, or substitute employees on the LEA's payroll. This includes gross salary for personal services rendered while on the payroll of the LEA.</p>
200	<p><u>Employee Benefits</u>: Amounts paid by the LEA on behalf of employees; these amounts are not included in the gross salary, but are over and above it. Payments such as fringe benefits, while not paid directly to the employees, nevertheless are a part of the cost (to the applicable functional areas). These types of costs are not considered a cost to the board of education function and should not all be charged to one area. These costs apply to the same function number as the cost of the applicable salary.</p> <ul style="list-style-type: none"> -Retirement -Teachers' Retirement (TRS) -Municipal Retirement (IMRF) -Federal Insurance Contributions Act (FICA) for Social Security -Insurance (e.g., health, life, medical, dental) -Medicare only -Tuition reimbursement -“On-behalf” payments
300	<p><u>Purchased Services</u>: Amounts paid for personal services rendered by personnel who are not on the LEA's payroll and other services the LEA may purchase. A product may or may not result from the transaction; the primary reason for the purchase is the service provided in order to obtain the desired results.</p> <ul style="list-style-type: none"> -Professional and Technical Services -Audit/Financial Services -Legal services -Professional Services-Administrative -Professional Services-Instructional -Professional Employee Training & Development Services -Property Services (e.g., services to operate, repair, maintain, and rent property owned or used by the LEA) -Transportation Service -Travel (e.g., transportation, meals, hotel, and other expenses associated with traveling or business for the LEA) Employer Insurance (e.g., Workers' Compensation/Unemployment Compensation/Liability Insurance) to protect the employer -Communication -Water/Sewer Services -Printing/Binding Services -Online Services <li style="text-align: right;">-Software (e.g., license fee)
400	<p><u>Supplies and Materials</u>: Amounts paid for material items of an expendable nature that are consumed, worn out, or deteriorated in use or items that lose their identity through fabrication or incorporation into different or more complex units or substances.</p> <ul style="list-style-type: none"> -Consumable supplies -Library books -Software package -Energy (e.g., bottled gas, oil, coal, gasoline, natural gas, electricity) -Textbooks -Periodicals (printed or electronic) -Equipment costing < \$500/unit or capitalization threshold

500	<u>Capital Outlay</u> : Expenditures for the acquisition of fixed assets or additions to fixed assets. These are expenditures for land or existing buildings, improvements of grounds, construction of buildings, additions to buildings, remodeling of buildings, initial equipment, additional equipment, and replacement of equipment (e.g., any instrument, machine, apparatus, or set of articles that equals or exceeds the LEA's capitalization threshold).
600	<u>Other Objects</u> : Amounts paid for goods and services not otherwise classified in the 300, 400, or 500 series of accounts. Describe and itemize. -Dues and fees (e.g., membership in professional or other organizations or associations) -Transfers (e.g., disbursements of flow-through funds) -Student tuition
700	<u>Non-Capitalized Equipment</u> : Items that would be classified as capital assets except that they cost less than the capitalization threshold adopted by the school board but more than the \$500 minimum value established for purposes of calculating per capita costs pursuant to Section 18-3 of the School Code [105 ILCS 5/18-3].
800	<u>Termination Benefits</u> : Payments made to a terminated or retiring employees as compensation for unused sick or vacation days are NOT AN ALLOWABLE COST ON GRANT BUDGETS unless prior approval has been received from ED. The payments can be included in the indirect cost amount only.

RETURN OF GRANT FUNDS

General

Funding and Disbursement Services is responsible for the collection of all state and federal elementary and secondary education grant funds identified as being unexpended, improperly held, or required to be recovered due to audit. Unexpended grant funds should not be automatically returned based on audits or monitoring reports until formal correspondence is received from Funding and Disbursement Services.

- The division will follow procedures as prescribed in the following statutes:
 - Illinois Grant Funds Recovery Act [30 ILCS 705]
 - Uncollected State Claims Act [30 ILCS 205]
 - Illinois State Collection Act of 1986 [30 ILCS 210]
 - Comptroller State Accounting Management System
- Per internal policy, all debts greater than or equal to \$50 will be collected unless state or federal regulations prescribe otherwise.
- For State Funds, the notification and collections process will begin ONLY when all disbursed funds have been released by Illinois Office of the Comptroller for the specific project.
- The division will follow federal granting agency directions for recovery or write-off of applicable federal funds.

Notification and Collection Process

1. A “First Notice” refund due letter will be mailed to grantees identified as having unexpended or improperly held funds. The letter will be sent on or close to the first working day of the month following receipt of the final expenditure report, application of an audit or for state grants, when all funds disbursed have been released by the Illinois Office of the Comptroller. Grantees will have a total of 50 calendar days (i.e., 45 days per the Grant Funds Recovery Act plus five days for receipt of notice) to return the funds due.
2. A “Second Notice” refund due letter will be mailed at the beginning of the following month if a check has not been received from the grantee within the first 30 days.
3. The grantee may request an informal hearing in accordance with the First or Second Notice refund due letters.
4. An “Intent to Collect” letter will be mailed 50 calendar days from the First Notice refund due letter or on the next business day if day 50 falls on a weekend or holiday. The grantee has 40 days from the receipt of the Intent to Collect notice (i.e., 35 days plus five days for receipt of notice) to either pay the debt in full, request an installment payment agreement, or request a formal hearing to show why recovery is not justified or proper.
5. In the event that a grantee has failed to remit payment and the debt is 90 days past due, the division may offset the unexpended funds involuntarily against the recipient’s grant project the following fiscal year. In the case of a district or Regional Office of Education, involuntary offset may be applied against Evidence-Based Funding. The division will provide notification via email or written correspondence to the grantee once the offset is applied. Grantees that do not have a grant project to apply the debt will be referred to the Office of the Comptroller for offset.

6. Grantees that have no further grants with state for which the debt can be applied will be referred to the Department of Revenue's Debt Collection Bureau or the attorney general, as appropriate.

A copy of the correspondence must be included with checks made payable to the Illinois State Board of Education to ensure the proper deposit of funds.

Checks must be remitted to:

Illinois State Board of Education
Division of Funding and Disbursement Services (E-320)
100 North First Street
Springfield, IL 62777-0001

Return of Interest

See the Interest Income section that starts on page 18.

GRANT FUNDS RECOVERY ACT

[30 ILCS 705](#)

Definition/Description

The Grant Funds Recovery Act is an act relating to the use and disbursement of grant funds dispensed by agencies of state government that provides for the recovery of misspent or improperly held grant funds.

All funds remaining at the end of the grant agreement or at the expiration of the period of time grant funds are available for expenditure or obligation by the grantee shall be returned to the state within **50 calendar** days. (See Return of Grant Funds on page 54.)

Such returned funds shall be deposited into the fund from which the original grant disbursement to the grantee was made.

(30 ILCS 705/6) Recovery of Grant Funds

Sec. 6. Recovery of Grant Funds. Any grant funds that have been misspent or are being improperly held are subject to recovery by the grantor agency that made the grant or, alternatively, by the attorney general. The grantor agency making the grant shall take affirmative and timely action to recover all misspent or improperly held grant funds. In order to effectuate the recovery of such grant funds, the grantor agency making the grant is authorized to use any one or a combination of the following:

- a) Offset against existing grants of, or future grants to be made by, the grantor agency making the recovery;
- b) Authorize the offset from existing grants or grants to be made by other grantor agencies;

- c) Authorize the comptroller to offset any payment from any funds administered by the comptroller for payment to the grantee, including, but not limited to, distributions of appropriated funds and payment of refunds;
- d) Initiate any debt collection method authorized by law to any private person; or
- e) Remove the grantee from any of the grantor agency's programs and forbid the grantee's participation in any such future grant programs for a period not to exceed two years.

(30 ILCS 705/7) Informal Hearing

Whenever a grantor agency believes that grant funds are subject to recovery, the grantor agency shall provide the grantee the opportunity for at least one informal hearing to determine the facts and issues and to resolve any conflicts as amicably as possible before taking any formal recovery actions.

The grantor agency shall provide the grantee of the funds a written notice of the intended recovery. This notice shall identify the funds and the amount to be recovered and the specific facts that permit recovery. (This notice shall be generated from the Illinois State Board of Education Funding and Disbursement Services Division.)

(30 ILCS 705/8) Formal Procedures for Recovery

- a) If a grantor agency determines that certain grant funds are to be recovered, then, prior to taking any action to recover the grant funds, the grantor agency shall provide the grantee of the funds a written notice of the intended recovery. This notice shall identify the funds and the amount to be recovered and the specific facts that permit recovery.
- b) A grantee shall have 35 days from the receipt of the notice required in paragraph (a) of this section to request a hearing to show why recovery is not justified or proper.
- c) If a grantee requests a hearing pursuant to paragraph (b) of this section, then:
 - (1) The grantor agency shall hold a hearing at which the grantee (or his representative) may present evidence and witnesses to show why recovery should not be permitted; and
 - (2) After the conclusion of the hearing, the grantor agency shall issue a written final recovery order and send a copy of the order to the grantee.
- d) A grantee may seek judicial review of any final recovery order, pursuant to the provisions of the Administrative Review Law.
- e) If a grantee requests a hearing pursuant to paragraph (b) of this section, then the grantor agency may not take any action of recovery until at least 35 days after the grantor agency has issued a final recovery order pursuant to the requirements of paragraph (c) of this section.

If a grantee does not request a hearing as permitted in paragraph (b) of this section, then the grantor agency may proceed with recovery of the grant funds identified in the notice issued pursuant to the requirements of paragraph (a) of this section, at any time after the expiration of the 35-day request period established in paragraph (b) of this section.

- f) Any notice or mailing required or permitted by this section shall be deemed received five days after the notice or mailing is deposited in the U.S. mail, properly addressed with the grantee's current business address and with sufficient U.S. postage affixed.
(Source: P.A. 83-640.)

(30 ILCS 705/9) Recovery of Grant Funds by Attorney General

Except as otherwise provided by Section 14, the attorney general, on his/her own volition, may act to recover any grant funds that have been misapplied or are being improperly held and, when doing so, has all the powers of collection established in this act in addition to any other powers authorized by law or the Constitution.

(Source: P.A. 87-1262.)

Core Functions of Administrative Districts Acting as a Fiscal Agent for Joint Applications or Cooperatives/Joint Agreements

In some federal and state programs, two or more school districts or entities submit one application and select an administrative district to serve as the fiscal agent on behalf of the joint application participants. These may be referred to as joint applications, partnerships, consortiums, or multi-district applications. In other federal or state programs, applications are submitted by a cooperative or joint agreement that requires a legal entity to serve as the fiscal and legal agent on behalf of the cooperative or joint agreement.

Administrative districts are normally school districts that are chosen and approved by the joint applicants or the governing board of the cooperative/joint agreement. In some cases, Regional Offices of Education have been designated as the administrative and fiscal agent. The Illinois State Board of Education recognizes the administrative district as the fiscal and legal agent for the joint application or cooperative/joint agreement.

This section defines the core functions and duties for administrative districts appointed as the fiscal agent on behalf of joint applicants, cooperatives, and joint agreements. There may be additional requirements for the designated fiscal agent based on individual program rules or regulations.

The key statutes prescribed in the Illinois School Code that allow for the formation of cooperatives and joint agreements and the related duties of administrative districts are located in Special Education [105 ILCS 5/10-22.31]; Joint Educational Programs [105 ILCS 5/10-22.31a]; Cooperative Educational Programs [105 ILCS 5/3-15.14]; and Intergovernmental Cooperation Act [5 ILCS 220/1].

The administrative district is recognized as the entity primarily responsible for receiving and administering all funds that flow from ISBE to the joint application participants or all funds for the cooperative/joint agreement. As such, the administrative district must perform the following primary functions and responsibilities as the fiscal and legal agent:

1. Obtain signed Certifications and Assurances, and Terms of the Grant forms from each entity or individual participating in the grant and return the forms to ISBE prior to award of the grant.
2. Communicate grant requirements and fiscal information to the joint application participants.
3. Have a recognized bonded treasurer, whose bond is on file with the Regional Office of Education [105 ILCS 5/8-2]. In the case of a Regional Office of Education operating as the fiscal agent, a bond must be on file with the office of the county clerk [105 ILCS 5/3-2].
4. Prepare, display, provide notice, and conduct hearings on the budget of the cooperative/joint agreement [105 ILCS 5/17-1].

5. Maintain separate accounts and ledgers for the cooperative/joint agreement in accordance with Title 23 Illinois Administrative Code-Part 100. The accounting of all revenue and expenditures for the cooperative/joint agreement must clearly be posted in the cooperative/joint agreement accounts by the fiscal agent. Revenue for the cooperative/joint agreement should be posted to state or federal sources according to the Title 23 Illinois Administrative Code-Part 100 (e.g., IDEA Discretionary 4630). Revenue should not be recorded as flow-through funds from the fiscal agent to the cooperative/joint agreement since it is posted directly to the cooperative/joint agreement accounts and ledgers. All expenditures made on behalf of the cooperative/joint agreement with the cooperative/joint agreement board's approval should be properly posted in the appropriate expenditure account of the cooperative/joint agreement [105 ILCS 5/2-3.27], [105 ILCS 3-15.1], [105 ILCS 3-15.14].

Fiscal agents for joint applications should record grant project revenue to be disbursed to the joint application participants as 2100 (Flow-Through Revenue from State Sources) or 2200 (Flow-Through Revenue from Federal Sources). Fiscal agents should report grant project expenditures of the flow-through funds as 4000 – Payments to Other Districts and Public Governmental Units and those expenditures should be based on actual expenditure/obligation data from the participating joint applicants. Any revenue that is to remain with the fiscal agent and be expended for the purposes of the grant project would be recorded as revenue and expenditures from state or federal sources according to the Title 23 Illinois Administrative Code-Part 100 (e.g., 4971 – 1000 – Education Through Technology - Salaries). Joint application participants receiving funds from their fiscal agent should record revenue and expenditures from state or federal sources according to the Title 23 Illinois Administrative Code-Part 100 (e.g., 4971 -1000 – Education Through Technology – Instruction - Salaries).

6. Be responsible for the accountability, documentation, and cash management of the grant; the approval and payment of all expenses, obligations, contracts, and hiring of personnel in accordance with the grant agreement; or with decisions and payment orders made by the governing board of the cooperative/joint agreement. This would include, but not be limited to:
 - Disbursement of all funds to joint application participants based on information (payment schedules) from joint application participants showing anticipated cash needs in each month of operation. (The composite payment schedule submitted to ISBE should reflect monthly cash needs for the fiscal agent and the joint application participants.)
 - Requirement of all joint application participants to report expenditures to the fiscal agent based on actual expenditures/obligation data and documentation. Reports submitted to ISBE should reflect project expenditure/obligations for the fiscal agent and the data obtained from the joint application participants.

7. Be accountable for interest income earned on excess cash on hand by all joint application participants of the grant project and return applicable interest earned on advances to the Illinois State Board of Education as required. (See the Interest Income section starting on page 18 of this handbook.)
8. Make financial records available to outside auditors and ISBE personnel, as requested by ISBE. The financial accounting records maintained by the fiscal agent should be audited annually and reported on the Illinois School District/Joint Agreement Annual Financial Report in accordance with the requirements applicable to such audit reports [105 ILCS 5/3-7], [105 ILCS 3-15.1], [105 ILCS 3-15.14].
9. Be responsible for the payment of any funds that are to be returned to ISBE.
10. Have a recovery process in place with all joint application participants for collection of any funds to be returned to the Illinois State Board of Education. Any recovery process from joint application participants by the fiscal agent for overpayment of funds must be provided for in accordance with the grant agreement and/or the fiscal policies and procedures of the articles of the cooperative/joint agreement.
11. Adopt policies of the cooperative/joint agreement and take all other actions that are legally necessary to carry out the directions of the governing board of the cooperative/joint agreement.

Payment of grant project funds for a joint application or cooperative/joint agreement must be made to the designated administrative district when distributed by an intermediary (i.e. the Regional Office of Education or a township treasurer). Joint application or cooperative/joint agreement project payments should never be sent directly to a joint application participant or cooperative/joint agreement office.

Maintenance of Effort (MOE)

Many federal programs contain Maintenance of Effort provisions in order to ensure that expenditures of state and local funds for certain educational services are not reduced because of the availability of federal funds for that purpose.

An application for federal funds may not be approved unless the grantee has shown that it has met the MOE requirement. The grantee must show that the combined fiscal effort, as measured either by the current expenditures per pupil or by the aggregate current expenditures of the grantee and of the state, for free public education in the preceding year is not less than the combined fiscal effort in the second preceding year.

For federal Title I, II, and III programs, the regulations do permit a grantee to qualify for a grant if either measure of fiscal effort for the first preceding fiscal year is at least 90 percent of the same measure for the second preceding year. For additional information on how MOE affects various programs and grants, consult the specific program area.

Federal Funding Accountability and Transparency Act (FFATA)

The Federal Funding Accountability and Transparency Act -FFATA (P.L. 109-282, as amended by Section 6202 (a) of P.L. 110-252) requires a prime awardee, such as a state agency, to report an award of \$25,000 or more made to a grantee as of October 1, 2010. To keep the grants consistent, all federal grants will complete the FFATA form, but only those with grants equal to or greater than \$25,000 will be reported to the FFATA site.

To fulfil the reporting requirements, the LEA must provide a brief but succinct description of how the funding that will be received will support your activities and actions to meet the purpose and goals of the federal grant.

Also required, IF in the previous fiscal year, the LEA (including parent organization, all branches, and all affiliates worldwide) receive a) 80 percent or more of the annual gross revenues in U.S. federal contracts, subcontracts, loans, grants, subgrants, and/or cooperative agreements; AND b) \$25,000,000 or more in annual gross revenues from U.S. federal contracts, subcontracts, loans, grants, subgrants, and/or cooperative agreements, then the LEA must provide the names and the total compensation package (using the preceding fiscal year's compensation) of the top five highest-paid individuals within the organization (regardless of the funding source).

The public may see the reported information from ISBE at www.usaspending.gov.