

Allowed Costs & How *Supplement not Supplant* Provisions Impact Allowability

WI Federal Funding Conference
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Session Objective

To provide an understanding of allowed and unallowed costs and how factors such as Time and Effort and Supplement, not Supplant Requirements impact allowability.



Allowed Costs

- ◆ Uniform Grant Guidance
- ◆ Statutes
- ◆ Regulations
- ◆ Non-Regulatory Guidance
- ◆ LEA Policies and Procedures



Uniform Grant Guidance

- ◆ Put into law on July 1, 2015.
- ◆ Applies to all federal grants.
- ◆ Focus shifted away from recommending best practice preventative monitoring and then relying on “after-the-fact” auditing to instead mandating best practices be implemented by subrecipients.



Written Procedures

- ❖ Written procedures help LEAs meet compliance by outlining the steps necessary to ensure allowable grant costs and required methodologies are implemented
- ❖ LEA must have written procedures for:
 - ✓ Verifying allowable costs
 - ✓ Cash management
 - ✓ Conflict of interest



POLICY & PROCEDURES

They are not the same

POLICY

- Why you administer things a certain way
- The goal or objective

PROCEDURE

- How you perform the functions necessary to conform to your policy
- Step by step process to meet the objective

**Financial
Management**

§200.302(b)(7)

ALLOWABILITY OF COSTS

Required written procedures must address how the subrecipient is ensuring that costs on the federal grant, and ultimately claimed, are allowed under the individual Federal program *and* in accordance with the cost principles established in the Uniform Grant Guidance.

Technical Assistance for Allowable Costs:

<https://dpi.wi.gov/wisegrants/uniform-grant-guidance/allowablecosts>

**Uniform
Grant
Guidance**

**Subpart E –
Cost
Principles**

- ❖ Addresses 55 “items of cost” that receive clarification regarding allowability, *in general*, for using federal funds.
- ❖ Subpart E is not an exhaustive or minutely detailed list, so...Provides guidance on “Basic Considerations” to apply to all costs, listed or not listed.

Factors affecting allowability of costs

- ❖ Is the cost **allowed** under the specific federal grant program?
- ❖ Is the cost **necessary** to meet the program objectives? §200.403(a)
- ❖ Is the amount of the cost **reasonable**? §200.404
 - ✓ *Did the subrecipient follow sound business practices?*
 - ✓ *Would the cost be considered a fair market price?*

Factors affecting allowability of costs

- ❖ Is the cost **consistent** with policies and procedures among funding sources? §200.403 (c) and (d)
 - ✓ *Would the cost be the same if it was funded with local dollars?*
 - ✓ *Is the cost excluded from the agency's indirect cost rate?*
- ❖ Is there **supporting documentation** for charges to the grant? §200.403 (g)

Federal Program Regulations

Even if it is allowed under the Uniform Grant Guidance, it may not be an allowable cost under a Federal program.

It's important to know the difference between the federal programs (and the why)...



Costs Deemed Unallowed

When a cost is determined unallowed, the subrecipient must return the amount of grant funds to DPI and reclassify the costs on its ledger.

Depending on the situation, the subrecipient may also need to engage in corrective actions.



Allowed

Necessary

Reasonable

- ❖ If the expense is allowed (or not addressed) in the Uniform Grant Guidance, is it allowed under the Federal program's regulations?
- ❖ If the cost is allowed under both, will the expense directly support the LEA's work towards meeting the goals set forth by the federal program?
- ❖ If the case is made that the cost is necessary, would the purchase be considered economical by most standards?

Necessary & Reasonable Example

Using IDEA formula funds to purchase touchscreen devices for students with IEPs to conduct specialized instruction.

If the "Why" is that the previously purchased devices' operating system no longer supports the Speech and Language software, then the new purchase is both necessary and reasonable (and allowed).

Allocable to the Federal Award

Is the cost allocable to the federal award? §200.405 (a)

A cost is allocable to a particular Federal award if the goods/services involved are assignable to that Federal award in accordance with relative benefits received.

To what extent are the expenditures charged to a particular grant program benefiting the program?

Allocable to the Federal Award

When a subrecipient charges 100 percent of an expenditure to a federal program, the LEA must ensure that the program is receiving the entire benefit of those costs.

100 supplemental reading program site licenses are purchased with IDEA flow-through formula funds.

The LEA uses 75 site licenses for the special education program and 25 site licenses for “any student who needs it.”

This is not allocable. The cost of 25 site licenses would be considered an unallowed cost.

A teacher spends 25% of her time working on the federal program objectives; therefore, 25% of the teacher's salary is charged to the federal award.

**Allocable
with supporting
Time and Effort
documentation**

Staff funded by a large federal grant utilize the Internet, so the LEA charges 3% of its network costs to the federal award as a direct cost.

**Not Allocable -
not based on actual
recorded usage or cost**

Time & Effort



Time & Effort Documentation

§200.430 (i) Standards for Documentation of Personnel Expenses

Charges to federal awards must be based on records that accurately reflect the work performed. These records must:

- Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated.
- Be incorporated into the official records of the subrecipient.



Time & Effort Documentation

§200.430 (i) Standards for Documentation of Personnel Expenses

- ❖ *Reasonably* reflect the total activity for which the employee is compensated by the subrecipient, not exceeding 100% of compensated activities.
- ❖ Include all activities of the employee, both federally and non-federally funded.
- ❖ Comply with the subrecipient's established accounting policies and practices.

Time & Effort Documentation

§200.430 (i) Standards for Documentation of Personnel Expenses

Support the distribution of the employee's salary among cost objectives if the employee works on multiple, unrelated activities (per grant guidelines).

- ❖ *How, for employees not working on a single cost objective, will the subrecipient determine what amount gets charged to the grant?*
- ❖ *The subrecipient determines process.*

Grant Objectives = Cost Objectives

Cost objectives drive the level of detail that must be kept as “supporting documentation” for personnel grant charges.

- ❖ *Dependent on the objectives of Federal funding source.*
- ❖ *Does not have anything to do with how the position is funded.*

Single or Multiple Objectives

Single Objective = Singular Purpose

- ❖ A position dedicated to a singular purpose

Multiple Objectives = Variety of Assignments

- ❖ A position in which the work can be delineated:
 - Providing services to students with and without IEPs
 - General instruction as well as providing academic interventions
 - School Psychologist and Multi-Levels of Support Coordinator

Procedures/Personnel Costs

- ❖ Subrecipient develops the procedures.
- ❖ Use same procedure for all federal grants, as it must be incorporated into the official documents.
- ❖ Identify “single cost objective” staff per grant – meaning 100% of the person’s time could be charged to a particular grant (based on the grant’s objectives).
- ❖ For all others, determine how the business office will know the accurate amount to claim.

**Supplement,
not Supplant
(SnS)
(S/nS)**

Many federal education programs are built on the premise that an LEA has in place a solid core educational program for all students.

- ❖ This core education program is to be funded with state and local monies.
- ❖ The expectation is that federal funds are never used to pay for costs that are considered the LEA's core educational program.

Supplement, not Supplant (SnS)

The philosophy that federal funds should be used for costs earmarked to provide 'above and beyond' services usually targeted towards specific student needs and not to replace local or state investments.

How this concept is tested varies among the Federal programs.



Supplement, not Supplant & Audits

If the auditor requests that costs be reclassified, but you feel that this will jeopardize either funding or other fiscal compliance, contact DPI during the audit.

It is much easier to resolve issues before the fiscal year is formally closed and audit reports submitted.



IDEA – Supplement, not Supplant

Unlike many federal programs that use a form of “Particular Cost Testing” (examining individual costs to see how they were previously funded or how the same cost is funded in a different program or school), IDEA regulations take a step back and looks at an LEA’s special education investment broadly rather than at individual costs.

IDEA – Excess Cost

- ◆ All LEAs are mandated to provide a Free Appropriate Public Education to students with disabilities.
- ◆ Under IDEA, excess cost refers to the expenditures generated by providing special education instruction and related services to students with Individualized Education Plans (IEP) attending the LEA.
- ◆ The LEA must provide IEP-documented services regardless of funding availability.

34 C.F.R. §300.202(a)(2)

IDEA – Excess Cost

- ◆ Expenditures that meet the definition of excess cost are eligible for federal funding under IDEA as well as Wisconsin's special education state categorical aid.
- ◆ To easily identify excess costs, LEAs code these expenditures to "Fund 27" – separating them between general and special education ensures federal funds are not used for costs that may be part of the LEA's core educational program.

IDEA – Supplement, not Supplant

- ◆ Under IDEA, the supplement not supplant test is monitored through “maintenance of effort,” or verifying that the LEA invests the same amount of local funds into its special education program from year to year.
- ◆ All expenditures in Fund 27 coded to project 011 (state aidable) and project 019 (non-aidable) are used in the comparison methodology.

IDEA – Supplement, not Supplant

Since IDEA maintenance of effort comparison looks at the sum of local special education expenditures, the individual costs within that sum are not examined for S/nS.

This provides flexibility for an LEA to shift costs from local funding to federal funding back to local - as long as the sum of local expenditures does not dip below a prior year.

IDEA S/nS Audit Example

During a state audit, an auditor informed an LEA they were required to reclassify the compensation of a special education teacher with an expired life license from Fund 27 (Special Education Excess Cost) to Fund 10 (General Education).

IDEA - Auditor's Rationale

“Unallowed” Costs –

Because the special education teacher's life license had lapsed, the cost was no longer eligible for state special education categorical aid or federal IDEA funding.

The auditor further felt that without the valid license, it no longer qualified as a special education cost.

IDEA S/nS Audit Example

What did this mean for the LEA?

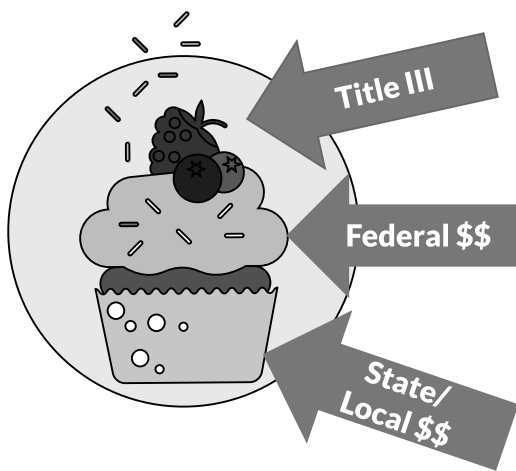
- ❖ By reclassifying the cost from Fund 27 to Fund 10, the LEA lowered their local special education costs between fiscal years (by the amount of the teacher's salary and benefit) and subsequently failed IDEA maintenance of effort compliance.

IDEA - DPI's Response

When DPI determined this was the cause of the LEA's MOE compliance failure, an administrative exception was added to the IDEA MOE compliance report – HOWEVER, the LEA should never have moved those costs from Fund 27 to Fund 10.

Even in a situation when a special education staff person has an invalid license, the cost is still considered special education and still part of Fund 27 (and IDEA MOE compliance). It would be coded to project 019 as a non-aidable cost.

ESEA Supplemental Funds Example



Title III-A funding to provide professional learning for all teachers and principals to enhance the EL program.

Title II-A funding to pay for a coach to support a first year EL teacher.

State and local funds support the LEA's core English Learner program as required under Title VI of the Civil Right Act and the Equal Education Opportunities Act (EEOA)

ESEA – Supplement, not Supplant

ESEA Title	Provision
Title I, Part A	LEAs are required to: identify the methodology used to allocate state and local funds to Title I schools AND demonstrate that these schools receive all the state and local funds they would be entitled to, even if they were not Title I schools
Title II	“SnS Presumption Tests”
Title III	“SnS Presumption Tests” Plus
Title IV, Parts A & B	“SnS Presumption Tests”
Title V	“SnS Presumption Tests”

SnS Presumptions Test

- 1. Is the service (or cost) required under other federal, state or local laws?**
- 2. Was the same service (or cost) paid for with nonfederal funds in the prior year?**
- 3. For Title III, Part A – Was the same service (or cost) cost paid for with other federal funds in the prior year?**

The SnS Presumptions Test is not applicable to IDEA or Title I, Part A.

ESEA Allowed Costs

In order for a cost to be allowed for Titles II-A, III-A, IV-A and B, and V, the cost must:

- 1. Meet the intents and purpose of the law.**
- 2. Adhere to the UGG, EDGAR, and LEA Policies.**
- 3. Pass the SnS Presumptions Test.**

ESEA Example – School Counselor

An LEA would like to use Title IV-A funds to pay for the salary of a school counselor in its Title I middle school.

1. Does this meet the intents and purpose of the law?

- ✓ Yes, the LEA's needs assessment demonstrate this need in the middle schools and connects to the "Safe and Healthy Students" provision.

2. Does this cost adhere to the UGG, EDGAR, and LEA Policies?

- ✓ Yes, for the purposes of this example we'll assume so 😊

ESEA Sections 1118(b); 2301; 3115(g); 4140; 4204(b)(2)(G); and 5232

ESEA Example – School Counselor

3. Does this pass the SnS Presumptions Test?

- ✓ If the position was supported by local funds in the prior year – **NO, and would not be an allowed cost under Title IV-A.**
- ✓ If the position was supported by federal funds (i.e., Title I-A, ESSER funds, etc.) in the prior year; or is a brand new position – **YES.**
- ✓ If the position was supported by local funds in the prior year and the LEA can demonstrate the position would not exist without the support of Title IV, Part A – **YES.**

ESEA Sections 1118(b); 2301; 3115(g); 4140; 4204(b)(2)(G); and 5232

Title I – Methodology for SnS

LEAs must ensure that the Title I schools received all of the state and local funds and/or resources they would have received if they did not participate in Title I.

Methodology examples are available on DPI Webpage:
<https://dpi.wi.gov/title-i/fiscal-information#Supplement%20Not%20Supplant>

LEAs cannot take away state/local funds from Title I schools because they are Title I schools.

Title I – Methodology Exemptions

An LEA may not be required to have a methodology for all grade spans.

A grade span is exempt if it contains:

- ❖ one school,
- ❖ only non-Title I schools, or
- ❖ only Title I schools.

An LEA is not required to have a methodology if:

- ❖ it has only one school
- ❖ it has only Title I schools, or
- ❖ all of its grade spans are exempt.

Title I SnS & Determining Allowed Costs

Did the LEA's allocation methodology ensure the school received its full share of state and local funds?

OR

If school is not required to have a methodology or if this is a district-level cost (reservations), did the Title I school(s) receive all of the state and local funds it would have received in the absence of Title I funding?

Title I SnS & Determining Allowed Costs

Does the cost:

- ◆ align with the school's schoolwide or targeted assistance plan,
- ◆ address the needs of Title I students, and
- ◆ adhere to the Uniform Grant Guidance, EDGAR, and LEA policies (Allowable Costs Checklist)?

Title I - Example 1

For the purpose of this example, assume:

- ✓ that the school received its full share of state/local funds based on the LEA's methodology.
- ✓ that the costs adhere to the LEA policies.

A Title I targeted assistance school provides reading intervention during the school day. The school uses Title I funds for identified Title I students and local funds for other participating students.

- ◆ Is this supplanting? **No**
- ◆ Is this allowable? **Yes**

Title I - Example 1

- ✓ The school received its full share of local/state funds based on the LEA's methodology.
- ✓ The proposed budget item addresses the needs of Title I students.
- ✓ The cost adheres to the Uniform Grant Guidance, EDGAR, and the LEA policies.

Title I - Example 2

For the purpose of this example, assume:

- ✓ that each Title I school received its full share of state/local funds.
- ✓ that the costs adhere to the LEA policies.

An LEA is hosting an event to engage parents in the LEA's needs assessment process. It will use the Title I Family Engagement Reservations to cover the cost of supplies and the contract for the external facilitator.

❖ Is this supplanting?

No

❖ Is this allowable?

It Depends

Title I - Example 2

- ✓ Title I district-level reservations may only be used to serve Title I students
 - All students attending a Title I Schoolwide School
 - Only identified students in a Title I Targeted Assistance School
- ✓ The district could use Title I funds to cover the cost of parent of Title I students and another funding source to cover the costs of non-Title I students.
- ✓ The cost adheres to the Uniform Grant Guidance, EDGAR, and the LEA policies.

Title I - Example 3

For the purpose of this example, assume:

- ✓ that the school received its full share of state/local funds based on the LEA's methodology.
- ✓ that the costs adhere to the LEA policies.

A school implementing a Title I schoolwide program used Title I funds to provide services to meet a student's individualized educational program (IEP).

❖ Is this supplanting? **No**

❖ Is this allowable? **No**

The cost is prohibited by Title I, Part A Sections 1114(a)(2)(B) and 1115 (c)(3).

The Uniform Grant Guidance requires all costs to be allowable under the federal program.

Title I - Example 3

IDEA requires that an LEA serving students with disabilities develop an IEP to ensure that the student with a disability receives a free appropriate public education. The IEP functions as a framework for the services the LEA is required to provide to each student to meet the requirements of IDEA.

In the absence of Title I funds, it is presumed that the LEA would use other funds or it would be in violation of IDEA.

An LEA could use Title I funds to provide additional supplemental services to students with disabilities, as long as those services were not IEP-driven.

Stimulus Funds-Supplement, not Supplant

Some grants do not have a “SNS” clause, but it does not remove the factors regarding the allowability of costs

- ◆ Is it NECESSARY for the program, is it reasonable?
- ◆ Did the LEA consider its responsibilities to the LEA, its students, the public, and government?

Cross-Cutting Example 1

A district, in consultation with a private school, wants to use Title III and Title I to provide an afterschool school reading program for ELs attending the private school. The private school serves grades K-12.

The district would like to use Title I funds to serve the EL students in grades K-8 and Title III funds to serve the EL students in grades 9 -12. (Four of the seven of the elementary/middle schools, serving grades K-8, in the district receive Title I funds, but the high schools, grades 9-12, do not.)

- ◆ Is this allowed?
- ◆ Is the district required to keep time and effort documentation?

Cross-Cutting Example 1

Is it allowed?

Title I Funds could be used to pay for teachers running the afterschool program for EL students in the elementary school if the EL students are the students with the greatest needs (top of the rank order for the private school) AND if the Title I live in a Title I attendance area.

Title III Funds could be used to pay for teachers running the afterschool program for the EL high school students because the high school students would not be eligible for Title I services. Additionally, Title III funds could be used for EL elementary and middle students who do not receive the Title I services.

Cross-Cutting Example 1

Is the LEA required to keep time and effort documentation?

- ❖ If the staff providing the services are district employees, then yes.
- ❖ If the district contracts with a vendor, then no.

Cross-Cutting Example 2

Our district is hosting three districtwide in-services on evidenced based family engagement strategies, one for each grade level (elementary, middle, and high). *Note: All the elementary schools are Title I schoolwide schools.*

- ◆ What considerations should the district take when determining funding?
- ◆ What funding sources are possibilities? Why?
- ◆ What funding sources *would not* be allowed to fund this project?

Thank You!

