



Adult and Family Education

Internal Control Policy

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Internal Control Policy

Introduction

This document outlines the District of Columbia Office of the State Superintendent of Education, Adult and Family Education Internal Control Policy which provides guidelines designed to comply with local, state and federal accountability and reporting requirements. This policy is an addendum to the sub-grant agreement/contract. All local adult education programs funded by the OSSE with federal and/or district dollars are required to adhere to these policies and guidelines as established by the Education Department General Administrative Regulations (EDGAR), and Office of Management and Budget (OMB) Circular A-21 Cost Principles for Educational Institutions, Circular A-122 Cost Principles for Non-Profit Organizations, and Circular A-87 Cost Principles for State, local and Indian Tribal Governments.

Grant Awards

Local adult education programs funded by the OSSE must expend grant funds in accordance with the cost principles delineated in the Office of Management and Budget Circulars A-21 Cost Principles for Educational Institutions, A-122 Cost Principles for Non-Profit Organizations, and A-87 Cost Principles for State, local and Indian Tribal Governments. The fiscal administration of grants must also conform to Generally Accepted Accounting Principles (GAAP).

Grant funds may not be expended for:

- a. items not part of the approved budget or separately approved by the OSSE Adult and Family Education State Director;
- b. purchase or construction of land or buildings or improvements thereon, or payment of real estate mortgages or taxes, unless specifically provided for in the grant agreement;
- c. dues to organizations or federations;
- d. decorations;
- e. purchase of automobiles(s) or other automotive vehicles unless provided for in the grant agreement.

Grant funds may not be obligated prior to the effective date or subsequent to the termination date of a grant period without advance approval by the OSSE Adult and Family Education State Director. Subgrantees are responsible for notifying the State Director as soon as possible whenever it is determined that either all or part of the grant funds will not be used per the grant award or that the project will be terminated at an earlier/later date than indicated on the grant award. Subgrantees are also responsible for closing-out the grant accounting records at the end of a project and refunding to the OSSE unused grant funds that may have been advanced. Grant records must be maintained for at least three (3) years after the completion of a project or until an audit is completed (which could occur up to (5) years after the completion of a project) and all the questions rising there from are resolved.

Program Expenditures

The value of program expenditures must be based on actual costs incurred by the Subgrantee and should be supported by detailed (vouchers, receipts, invoices, etc.) documentation. Bills, invoices, or receipts must support all program expenditures (checks and cash). This applies to petty cash, miscellaneous office expenditures, and all other expenditures.

Program Income

Federal regulations at 34 CFR 80.25 apply to State-administered grant programs supported by the Adult Education and Family Literacy Act (AEFLA). They allow AEFLA State grantees to earn program income. Subsection 80.25(b) defines “program income” generally to mean “gross income received by the [State] grantee or [local] subgrantee directly generated by a grant supported activity or earned only as a result of the grant award agreement under the grant period.” Ordinarily, program income is deducted from total allowable program costs, and all program income, except for tuition and fees charged to students and employers earned by a subgrantee under this award, must be so deducted. A local subgrantee charging reasonable and necessary tuition and fees to students and employers may use that income to provide additional adult education and literacy services that would otherwise be unable to provide.

Program income from tuition and fees must be (1) governed by the terms of the agreement between the State grantee and local subgrantee to which the State provides federal funds, (2) accounted for in program records, and (3) used only for costs allowable under AEFLA.

Also applicable to a State-administered grant award is Federal Regulation 34CFR 76.534, which provides that States and subgrantees may not count tuition and fees collected from students toward meeting Federal matching, cost-sharing, or maintenance of effort requirements related to this award. Moreover, States must ensure that fees charged to students participating in an adult education program that receives Federal support are equitably administered and do not reach levels that have an adverse effect on the participation of economically disadvantaged students.

Subgrantees must report program income in Section I: Budget, Expense and Revenue Report of the Grantee Quarterly Report and provide an explanation of how the funds were expended. Documentation of expenditures must be maintained and available for review by State staff and program monitors.

Monitoring and Reporting

As part of the monitoring and reporting process, Subgrantees must provide the following evidence to the OSSE to demonstrate sound fiscal management and structure in the administration of a grant award and to ensure compliance with local, state and federal performance and reporting requirements:

- Grantee Quarterly Report that includes a Budget, Expense and Program Income Report.
- A review of the agency's accounting/booking system.
- Financial statements for the organization.
- Financial statements for the OSSE funded program that detail revenue, expenses and non-federal match.
- Evidence of a system of checks and balances that ensure financial integrity.
- An audit or independent financial assessment that is no more than 16 months old.

Audit

All OSSE programs funded with federal and/or district dollars must be audited each year at the end of the program year. All unallowable or unsupported costs, as determined either by an official audit or on-site monitoring visit, must be refunded to the OSSE.

Policy Adherence

All subgrantees must adhere to these policies and guidelines and reference Title II of the Workforce Investment Act, Education Department General Administrative Regulations (EDGAR), and the Office of Management and Budget (OMB) Circulars A-21 Cost Principles for Educational Institutions, Circular A-122 Cost Principles for Non-Profit Organizations, and Circular A-87 Cost Principles for State, local and Indian Tribal Governments for additional information on allowable and unallowable costs. This information is available from the Office of Management and Budget website - <http://www.whitehouse.gov/omb/circulars/index.html>.