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Top Five Errors in Policies and Procedures

Bonnie Graham, Esq.

Brustein & Manasevit,
PLLC

www.bruman.com

bgraham@bruman.com

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Please stay tuned for the upcoming participation questions!!

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Agenda

- Top 5 errors in policies and procedures
 - Examples, examples, and more examples!
- Steps to avoid making errors
 - Recommendations galore!



5. Incomplete/Missing Items



ED OIG Audit- Orleans Parish School Board

- May 2018
- Audit of Orleans Parish's implementation of Title I, Part A of ESSA
- Finding: generally developed and implemented comprehensive policies and procedures *but* did not have procedures to verify services provided in nonpublic schools
- Recommendation: develop and implement policies and procedures re: verification

ED OIG Audit: TN Dept. of Ed

- March 2016
- Audit of Tennessee Department of Education's Administration of a Race to the Top Grant
- Finding: TN did not ensure that an LEA developed and implemented adequate internal control activities (such as procurement policies and procedures)
- Recommendation: Require TN to instruct the LEA to develop and implement policies and procedures to ensure:
 - Retaining adequate supporting documentation for all transactions
 - Contracts are awarded on basis of recognized competence and integrity
 - Transactions are classified correctly in the accounting system

ED OIG Report: State Oversight of LEA Single Audit Resolution

- March 2017
- Final Management Information Report- reviewed three states
- Results: all states had single audit P&P with significant weaknesses
- “Each SEA’s policies and procedures for oversight of the LEA audit resolution process should be current, complete, and contain sufficient detail so that an SEA employee with only limited training could carry out the activities”

4. Too Many Requirements



ED OIG Audit: Detroit Public Schools Community District

- March 2018
- Finding: Detroit did not effectively implement procedures for approving and documenting personnel costs
- Recommendation:
 - Update its policies and procedures and information system controls to ensure that supervisory approval for all employees' timesheets is documented before the employees are paid

ED OIG: Nationwide Audit of Oversight of Closed Charter Schools

- September 2018
- Audit of ED's oversight of SEA's charter school closure processes
- Finding: ED did not always provide adequate guidance to SEAs regarding their charter school closeout policies and procedures
- Recommendation: ED should ensure SEAs have more detailed procedures for charter school closeouts, to ensure federal funds and property are appropriately returned/disposed of
- ED Response: disagreed and said recommendations would be "inconsistent with the Federal role in education"

3. Not Updated/Not Aligned with Correct Rules



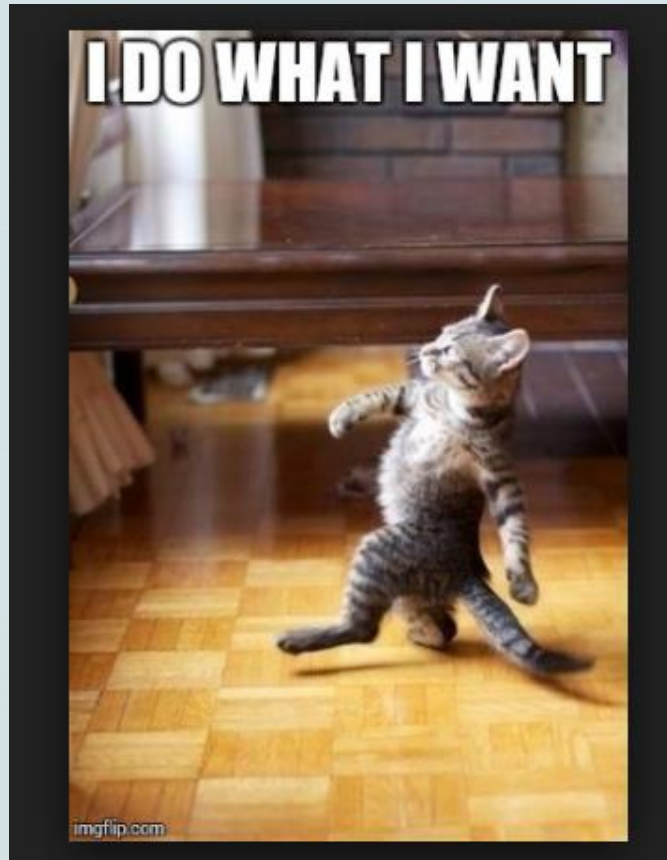
ED OIG Audit: NY and McKinney-Vento

- March 2018
- Evaluated State's and LEAs' implementation of ESSA requirements under McKinney-Vento
- Finding: could improve internal controls by better documenting P&P
- Recommendation:
 - LEAs revise their homeless policies to comply with changes made under ESSA
 - One LEA hadn't updated its policy since 2006!
 - State should update monitoring forms to help provide reasonable assurance that LEAs are in compliance with ESSA

June 2018 OMB Memo

- Aligns with changes in National Defense Authorization Act (NDAA)
- Raises micro-purchase threshold from \$3,500 to \$10,000
- Raised simplified acquisition threshold from \$150,000 to \$250,000
- **Still waiting for official changes to the Federal Acquisitions Regulations (FAR)
 - Sets the thresholds for the UGG
 - OMB granting exceptions to recipients

2. Not Followed by Staff

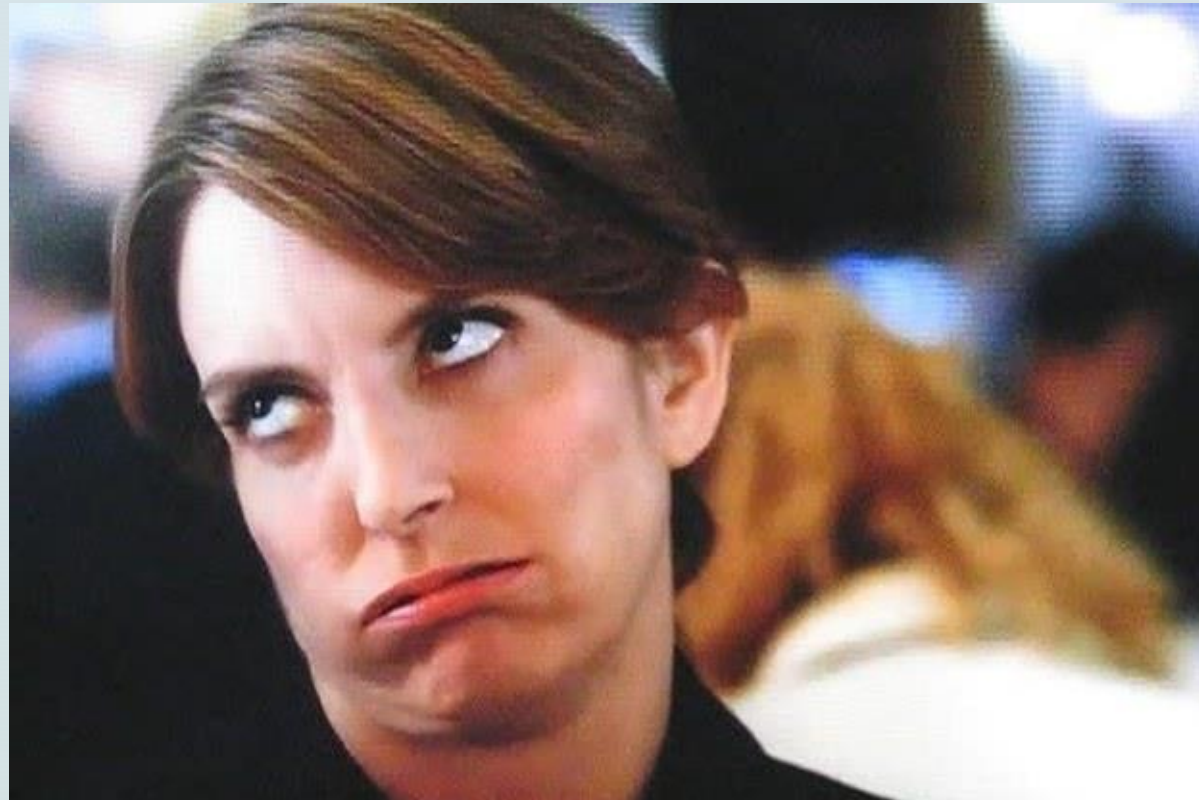


Fraud



- **Southwest Learner Centers Charter Schools**
 - Founder pled guilty to running 15-year scheme to defraud schools for his personal benefit
 - Purchased buildings under the name of one company and then charged schools very high rates for rental space
 - Diverted payments to bank accounts he controlled
- **Puerto Rico Department of Sports and Recreation**
 - Former secretary of PR Dept. of Sports and Recreation and others engaged in kickback, fraud and money laundering involved over \$9.8 million in fraudulently awarded contracts

1. Thinking Policies and Procedures Are Not Important



Why are Policies and Procedures So Important???

- Single Audits
- Monitoring
- Staff Changes and Transitions
- New EDGAR requirements
 - Uniform Grant Guidance



Single Audits and Monitoring

- Auditors and monitors ask about policies and procedures!
- Compliance supplement, Part 6: Internal Controls
 - “Control activities are the policies and procedures that help ensure the management’s directives are carried out.”
 - Clearly written
 - Clearly communicated

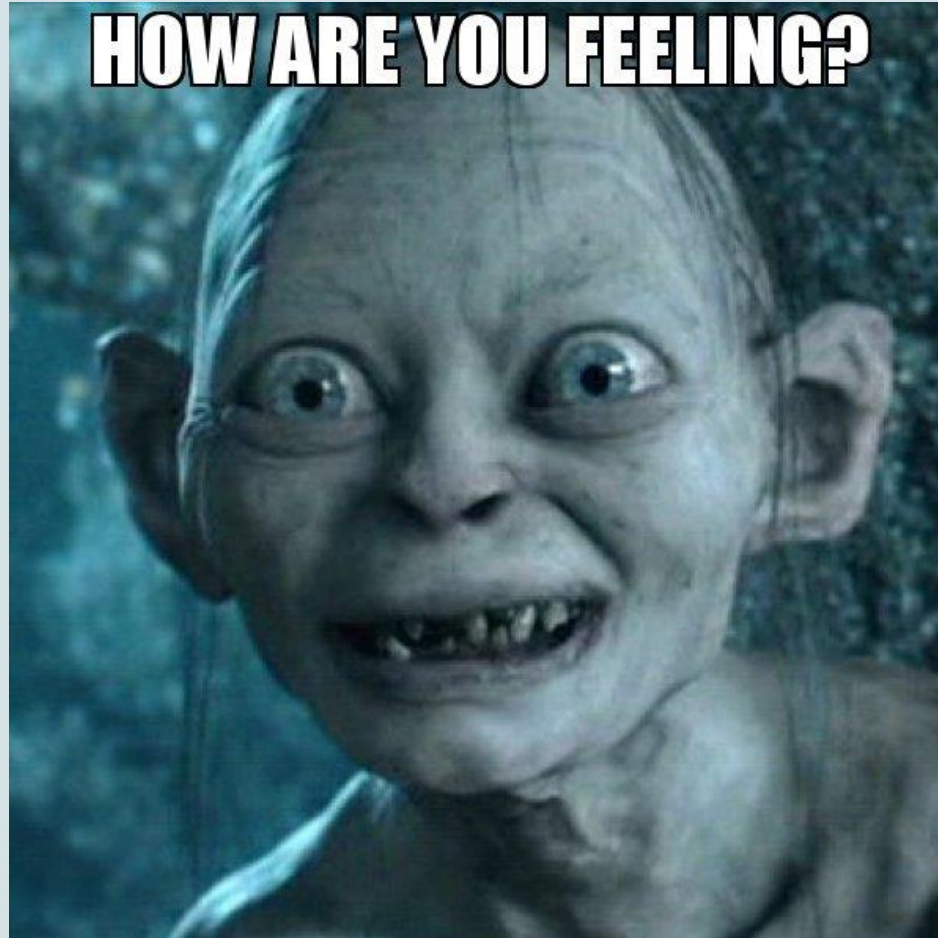
Staff Changes and Transitions

- Training tool
- Maintain consistency



Uniform Grant Guidance

- Written policies and procedures are required!
 - Written Cash Management Procedure - 200.302(b)(6) & 200.305
 - Written Allowability Procedures - 200.302(b)(7)
 - Written Conflicts of Interest Policy - 200.318(c)
 - Written Procurement Procedures - 200.319(c)
 - Written Method for Conducting Technical Evaluations of Proposals and Selecting Recipients - 200.320(d)(3)
 - Written Travel Policy - 200.474(b)
 - *Procedures for managing equipment - § 200.313(d)
 - **Time and Effort (draft Cost Allocation Guide)



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Does your entity's policies and procedures need updating?

- a. Nope, we are up to date on everything!
- b. Yes, we know the areas that we need to work on.
- c. Perhaps, we need to actually review them first.
- d. Yes, we need help on a lot ... STAT!



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What areas of your policies and procedures are you most concerned about?

- a. Financial management (cash management and allowability)
- b. Procurement
- c. Inventory/Property Management
- d. Program-specific
- e. Other



Steps to Take to Avoid Making Policies and Procedures Errors



Assessment

- Assess status of your policies and procedures
 - Do you have no policies and procedures?
 - Do you even know where your policies and procedures are located?
 - Do some need updating? Are there holes in some?
 - Did you start updating existing policies and procedures, but then something came up...

Logistics

- **What is the process?**
 - Review existing policies and procedures
 - Develop questions
 - Schedule interviews with relevant staff
 - Gather information on actual practices
 - Draft policies and procedures
 - Review internally with appropriate staff
 - Revise
 - Formally adopt and implement
 - Train staff



Where to Start???

- Determine goal
 - Internal for your own organization?
 - For subgrantees?
 - Grant specific or cross cutting?
- Create a team – include both fiscal and programmatic personnel
- Create a table of contents
- Assign subjects
- Create timeline for completion

BRACE YOURSELF

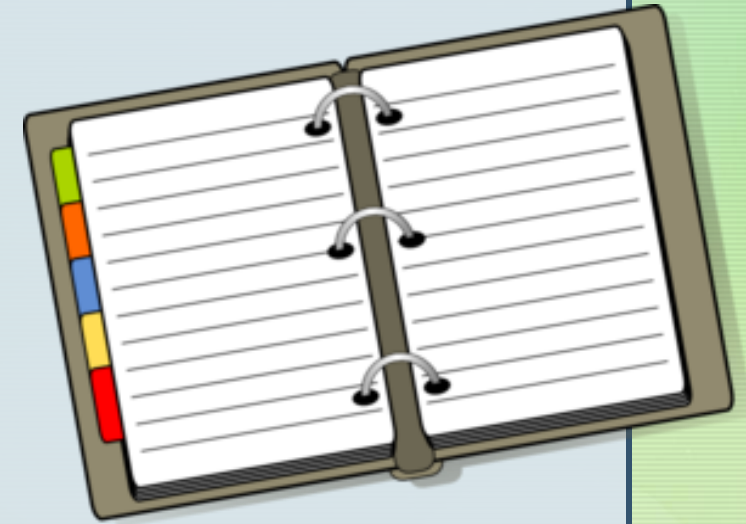
**THIS IS JUST THE
BEGINNING**

Where to Start???

- Existing documentation
 - Memos
 - Emails
 - Forms
 - Job descriptions
 - Policies and procedures from different offices
- Directly from the source – Talk to staff member(s) performing the tasks related to the policies and procedures you are creating

Suggested Sections

- Organization, Structure, and Function
- Grant Application Process
- Financial Management System
- Procurement
- Inventory/Property Management
- Time and Effort
- Record Keeping/Record Retention
- Monitoring
- Audit Resolution
- Programmatic Fiscal Requirements
- Programmatic Requirements
- Travel
- Notice of Nondiscrimination and Grievance Procedures



Checklist- Cash Management

- ✓ Include information on:
 - ✓ Your accounting system(s)
 - ✓ How budgets are loaded onto the system
 - ✓ Process for comparing budgets to expenditures
 - ✓ Process and authorizations for budget revisions
 - ✓ Period of performance and when obligations are made
 - ✓ Process for carryover
- ✓ Incorporate state/agency requirements



Checklist- Allowability

- ✓ Outline approval levels
- ✓ Add language re: questions to ask when determining allowability
- ✓ Include relevant State/local rules
- ✓ Include FAQ section on frequent types of costs
- ✓ Travel policy



Checklist- Time and Effort

- ✓ Outline process for single and multiple cost objective employees
- ✓ Link to forms
- ✓ Detail reconciliation process
- ✓ Internal controls to verify forms



Checklist- Procurement

- ✓ Separation of duties
- ✓ Specify number of required bids/quotes
- ✓ List required/accepted documentation and forms
- ✓ Contract thresholds and process for entering into contracts within each threshold amount
 - ✓ State/agency requirements are often more restrictive than federal rules
- ✓ Describe process to ensure that the terms of the contract are met



Checklist- Conflicts of Interest

- ✓ Definitions and examples of nominal items
- ✓ Include recusal process and reporting process
 - ✓ Include alternate office to report to
- ✓ Require employees to sign a form acknowledging COI requirements
- ✓ Train employees on conflict of interest policy
- ✓ Internal monitoring to ensure COI policy is being followed



Checklist- Inventory/ Property Management

- ✓ Define property classification and internal controls for each classification
- ✓ Review inventory records to ensure all required categories are maintained
- ✓ Policy regarding lost, stolen, or damaged items
- ✓ Clear disposition procedures



Checklist- Record Retention

- ✓ Describe method for:
 - ✓ Collection of records
 - ✓ Storage of records
 - ✓ Disposition of records



Checklist- Monitoring

- ✓ Process for when entity is monitored
 - ✓ Notification, preparation, responding, follow-up
- ✓ Process for monitoring subrecipients
 - ✓ How determine who gets monitored?
 - ✓ Site visits, desk reviews, self-assessments
- ✓ Office/position(s) responsible



Checklist- Audit Resolution

- ✓ Office/position(s) responsible
- ✓ Outline audit process
- ✓ How to resolve findings
- ✓ Process for reviewing subrecipient's single audits?



Checklist- Programmatic Fiscal Requirements

- ✓ Supplement not supplant
- ✓ Maintenance of effort
- ✓ Matching and cost sharing
- ✓ Hold harmless
- ✓ Documentation required to be maintained



Checklist- Programmatic Requirements

- ✓ Programmatic Compliance
 - ✓ Application Process
 - ✓ Allocations to subrecipients
 - ✓ Allowable costs under the grant program



Questions????





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