

DEPARTMENT OF EDUCATION OPERATING PROCEDURES AMENDING FEDERAL SUBGRANTS

Purpose: The following procedures are to provide adequate Delaware Department of Education (DDOE) oversight of federal subgrants to local education agencies (LEAs - primarily school districts) while minimizing paperwork and administrative burden.

Procedures:

Overview: To obtain most federal subgrants, LEAs submit formal applications to DDOE for approval. The applications, once approved and signed by both parties, constitute a contractual agreement between DDOE and the LEA. These agreements consist of two elements – program implementation and budgetary activity. In approving and monitoring subgrants, DDOE is most concerned with program implementation; that the LEA's objectives and activities will effectively and reasonably accomplish federal objectives, are within the guidelines of the overall federal grant, and comply with federal laws and regulations. Accordingly, prior to approving a subgrant, DDOE program managers examine the proposed objectives and activities. Once approved, the subgrant objectives and specified activities must be accomplished and cannot be changed without formal approval from DDOE through the amendment process described below. DDOE is also concerned about budgetary activity; how the LEA plans to spend the federal dollars to accomplish the proposed objectives and activities. Accordingly, subgrant applications must include a budget sheet indicating how the money will be spent by expenditure / reporting category (i.e., salary, contractual services, travel, etc.). DDOE program managers examine the budget sheet and confirm that the proposed expenditures are practicable and align with the proposed objectives and activities. However, DDOE recognizes that a budget is simply an expenditure plan. In order to complete the approved activities and objectives of the subgrant effectively, efficiently, and most economically, it may be smarter and / or necessary to spend the money differently than originally proposed. Thus, **LEAs are not required nor encouraged to submit amendments to DDOE simply to disclose budgetary changes.** Such changes will be adequately disclosed on the annual and final expenditure reports described below.

Amendments for Changes in Program Objectives and Specified Activities: Immediately upon determining that a program objective and / or specified activity will not be accomplished or needs to be modified, the LEA program manager must submit a subgrant amendment request to DDOE for preapproval of the change. This request may be made via email or letter request to the appropriate program manager. The amendment is also required in order to add a new significant objective and / or activity. The amendment must be approved before any expenditures are made to support a modified or new activity. The amendment must thoroughly explain and justify the change. An example of a significant objective or activity change would be purchasing computers instead of hiring a teacher. When the program manager receives the request, a response will be sent back which should be filed in the grant file for future audit purposes. A copy will be kept at DDOE as well.

Requests to Extend End-Dates for Subgrants: LEAs and DDOE should place practicable end-dates on subgrant applications. Thus, extensions should rarely be needed. However, if an LEA requires a no-cost time extension in order to accomplish approved subgrant objectives and activities, a simple e-mail or letter request should be made at least 30 days prior to the original end-date. The request should explain why the extension is needed and must be approved by both the DDOE program manager and Education Associate for Federal Funds. A positive response from the program manager will constitute formal approval and provide the necessary audit trail.

Note - Each year 85% of a district's Title I funds must be expended or encumbered by September 30. A one-time waiver of this requirement may be granted under special circumstances. In such a case, the district would need to submit the waiver request to the Title I program manager for approval.

Indirect Costs: Per state and federal guidelines, certain federal grants allow LEAs to charge a prescribed percentage against subgrant expenditures, excluding capital outlay and indirect costs, to help defray the overhead associated with supporting the federal subgrant. In assessing these “indirect costs”, LEAs must be careful to charge only direct costs and to exclude capital outlay and indirect costs. This is especially important to verify when indirect charges are taken at the beginning of a subgrant and the LEA spends federal funds differently than originally budgeted. For example, a subgrant totaling \$100,000 with zero capital outlay anticipated could net \$7,407 in discretionary indirect costs assuming the LEA has an approved rate of 8%. If that LEA charges the subgrant \$7,407 for indirect costs but then actually uses some of the federal dollars for capital outlay, that LEA would have overcharged for indirect costs and would have a potential audit finding and a questioned cost. LEA business managers must carefully monitor the amount of indirect charges in light of actual expenditures.

Annual and Final Expenditure Reports: In preparing the annual and final reports for a federal subgrant, the LEA compares actual expenditures against budgeted amounts by expenditure / reporting category. If actual expenditures within any reporting category exceed the higher of 15% or \$5,000 of the budgeted amount, the LEA should briefly explain why. A similar explanation is required if expenditures of \$5,000 or more are made within a reporting category for which no expenditures were budgeted. For example, if a district anticipated using \$5,001 of payroll costs to perform staff development and had to use a contractor instead at a total cost of \$5,001, the actual increased expenditure in contracted services could be 15% or \$5,001 more than budgeted. If so, an adequate explanation would be, *“the original budget reflected approved staff development costs that we anticipated would be satisfied through district personnel using payroll dollars. However, it was more prudent to use contracted services to satisfy the approved staff development. As a result, actual expenditures in the reporting category of contracted services were \$5,001 more than originally budgeted”*. A simple footnote explanation should suffice and can be entered at the bottom of the form. If additional space is necessary, attach an extra sheet of paper to the form.