

## State Coordinators' Handbook

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## **Section G. Fiscal Oversight**

Each year, ED allocates funds to each SEA on a formula basis. The SEA must use funds to conduct state activities identified in Section 722(f) Functions of the Office of Coordinator and award not less than 75 percent of the funds to LEAs in a competitive subgrant process (not less than 50 percent for minimum-funded states).

Federal monitoring is an important part of the SEA's accountability for McKinney-Vento funds. You should be familiar with federal and state finance policies and be able to connect all expenses related to the homeless education program at the state level to services for homeless children and youth.

In addition, as the state coordinator, you are responsible for overseeing the expenses of LEA McKinney-Vento subgrants and should include a careful review of subgrant expenses in end-of-year reports from LEAs with subgrants and in monitoring visits. State coordinators are frequently asked to provide guidance to LEAs with subgrants on what types of expenditures are allowable with McKinney-Vento funds. Section G provides information on federal fiscal management policies, state program planning and budgeting, considerations for state-level expenditures, and considerations for determining allowable expenditures for subgrants. Suggestions are also provided for coordinating with the Title I program to ensure that appropriate Title I, Part A funds are set aside for homeless students in LEAs.

Section G will equip state coordinators with the understanding of fiscal policies and expectations to ensure that the SEA and LEAs – both with and without subgrants – are accountable for all expenditures related to the McKinney-Vento program.

### **G.1 State fiscal responsibilities outlined in the McKinney-Vento Act**

Section 722(d), the McKinney-Vento Act lists state-level activities that support the implementation of the Act, including the designation of an Office of Coordinator for Education of Homeless Children and Youths in the SEA.

A significant portion of the funding for state-level activities may be used to support the salary of the state coordinator and other staff for data collection, state plan implementation,

needs assessment, cross-program and cross-agency coordination and collaboration, and technical assistance to and monitoring of LEAs.

The SEA must distribute not less than 75 percent in subgrants to LEAs [Sec. 722(e)]. The remaining 25 percent supports the salary and work of the state coordinator and other state-level activities. (Minimum funded states must distribute not less than 50 percent in subgrants and may reserve up to 50 percent of the funds for state-level activities.)

## **G.2 Federal fiscal management policies**

This section identifies the key policies that you should know related to fiscal management.

Federal administrative requirements are found in: [Education Department General Administrative Regulations \(EDGAR\), 34 CFR Part 80](#) (Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments).

The Code of Federal Regulations (CFR) provides general and permanent rules published in the Federal Register related to federal grants management. Title 34 of the CFR pertains to the U.S. Department of Education and related federal entities. Parts 74-99 of that title are collectively known as the Education Department General Administrative Regulations (EDGAR). EDGAR contains regulations for administering discretionary and formula grants awarded by ED. Included are topics like contract administration, record keeping, financial reporting, and fiscal accountability. EDGAR not only pertains to the administration of McKinney-Vento funds allocated for state-level activities, but should guide administration of McKinney-Vento subgrants. Most finance departments at the state and local level are familiar with EDGAR.

Federal policies related to cost principles are found in: [OMB Cost Circular A-87, Cost Principles for State, Local and Indian Tribal Governments \(relocated to 2 CFR, Part 225\)](#).

OMB Cost Circular A-87 established principles and standards for determining costs for federal awards carried out through grants, cost reimbursement contracts, and other agreements with state and local governments and federally-recognized Indian tribal governments. Particularly pertinent to the fiscal management of the McKinney-Vento state-

level activities and subgrants, are the policies related to the allowability and reasonability of costs. Click here to access Appendix G-1, Allowability and Reasonability of Costs.

The Tydings Amendment, section 421(b) of the General Education Provisions Act (GEPA). The Tydings Amendment, adopted by Congress and incorporated in GEPA, provides education agencies additional time to spend the Federal funds they receive. Based on the Tydings Amendment, EDGAR allows grantees to carryover for one additional year any Federal education funds that were not obligated in the period for which they were appropriated. For grants that are forward-funded, grantees can have up to 27 months to obligate appropriated funds beginning as early as July 1 of the Federal fiscal year. Unless an extension is approved, grantees must liquidate obligations within 90 days of the end of the funding period. To provide an example, funds awarded by ED to your state for McKinney-Vento during summer 2010 can be used for expenses encumbered July 1, 2010 through September 30, 2012 and all financial processing should be finished before the end of 2012.

### **G.3 Indirect costs**

Funds for the EHCY program must use a restricted indirect cost rate because there is a supplement, not supplant, provision for subgrants under Section 723(a)(3). Restricted indirect costs rates are likely to be only a small percent but in some LEAs it can be nearly ten per cent and the indirect cost rate can be close to 20 percent. ED approves the restricted and unrestricted cost rates for every LEA through its indirect cost rate group. Further information related to related policies on indirect costs are found at the [Office of the Chief Financial Officer](#).

It is also important to separate indirect cost for overhead with administrative costs, which some SEAs allow but usually no more than five per cent or less. Finally, many authorized activities are administrative in nature, e.g., records transfer, and it would be better to list these costs as budget items.

### **G.4 Program planning and budgeting**

State coordinators should develop an annual plan for state-level activities based on statewide needs assessment and program evaluation data, responsibilities outlined in the law,

and federal expectations detailed in monitoring indicators. See Section B – Charting the Course. The state coordinator should prioritize needs based on those identified in the needs assessment and based on findings and recommendations from federal monitoring. In much the same way as one would develop a grant proposal, the state coordinator should develop annual goals, objectives, and activities in preparation for developing an annual budget that includes expenses, staff, travel, indirect, etc. Each budget item should connect to the annual plan so that it can be justified as supporting an activity related to the education of homeless children and youth. This approach, while common to grant-funded projects, is relatively new for federal formula grants, but one that is encouraged by the federal program office. (See Section B for an example of an annual plan for state-level activities.) These state plans, with annual goals and activities, are an important justification for the use of the SEA reservation for state-level coordination activities and for prioritizing criteria for LEA subgrant awards.

#### **G.5 Record keeping**

Section 74.53 of the CFR includes specific requirements for record retention and access.

The section states that:

Financial records, supporting documents, statistical records, and all other records pertinent to an award shall be retained for a period of three years from the date of submission of the final expenditure report or, for awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, as authorized by the Secretary.

Therefore, all records should be kept for a minimum of three years after each end of year report (unless a longer time is specified by state policy).

Section 76.30 of the CFR specifies the type of information that should be included in the records:

A state and a subgrantee shall keep records that fully show:

- (a) The amount of funds under the grant or subgrant;
- (b) How the state or subgrantee uses the funds;

- (c) The total cost of the project;
- (d) The share of that cost provided from other sources; and
- (e) Other records to facilitate an effective audit.

Recent federal monitoring protocols require state coordinators to provide budget sheets that are detailed and transparent to account for how all state activity funds are spent and how and when all subgrant funds are disbursed to LEAs. State coordinators must ensure that all funds are spent on activities allowed by the McKinney-Vento Act. In order to do this, state coordinators should submit an annual budget for state activities for approval to SEA administration and follow up periodically to ensure accountability.

#### **G.6 Use of funds for state-level activities**

In developing an annual budget and determining if expenses are allowable and appropriate, consider the following questions:

- Does the expense support the responsibilities of state-level coordination and administration outlined in law?
- Does this expense cover services that apply only to the homeless education program and are connected to the educational needs specifically of homeless children and youth?
- Does the expense align with federal grant and state budget administrative guidelines?
- Does the expense fit within goals articulated in the state plan and annual plan?
- Does the expense address a need that was identified as a priority based on a comprehensive needs assessment?
- Is the expense included, and was it approved, in the annual budget proposal developed as part of the annual plan?
- Is the expense necessary for efficient operation of the homeless education program at the state level?
- Is there reasonability in proportion of specific budget items?
- Is the cost for a particular service reasonable?

Following is a list of some of the more common uses of state-level activity funds:

- Salary for the state coordinator and other homeless education staff
- State or regional trainings for local liaisons
- State conferences
- Individualized technical assistance
- State level collaborations (advisory boards, cross-agency task forces)
- Homeless education websites
- Awareness materials
- Training materials
- State coordinator professional development (conference and meeting attendance)
- Monitoring LEAs
- Conducting the McKinney-Vento subgrant process
- Policy review and revision
- Data collection

Other uses of state-level activity funds may include:

- Contracted services when available time is an issue, or when additional expertise is needed
- Mini-grants to LEA homeless projects (identification activities in districts with few or no homeless students identified, transportation support, local liaison conference attendance)
- Statewide needs assessment and program evaluation activities
- Activities that focus on homeless preschool and/or unaccompanied youth
- Regional technical assistance projects

### **G.7 Fiscal oversight of LEAs**

All LEAs are required to implement the McKinney-Vento Act whether or not they receive subgrant funds. Certain requirements in the law necessitate that LEAs provide resources and support serving homeless children and youth. Although LEAs are not required to report district expenses related to the McKinney-Vento Act to the state coordinator, documenting time and effort and salary for the local liaison and for expenses such as transportation or academic support is helpful for needs assessment purposes to determine the level of need for serving

homeless students in the district and for positioning the LEA to successfully apply for a subgrant. Moreover, the LEA should document community resources that are contributed to serve homeless students. In trainings, the state coordinator should encourage LEAs to document expenses related to homeless children and youth.

#### **G.8 Fiscal oversight of the Title I, Part A homeless set aside**

The state coordinator should provide guidance for local liaison coordination with their Title I coordinators to determine an appropriate Title I, Part A set aside amount for homeless students. The state coordinator, along with the state Title I staff, should provide information and training on how local liaisons and local Title I coordinators should determine an appropriate set aside amount, develop a budget for expenses, and implement a process to ensure that the funds are spent on homeless students.

There are various methods, and no one prescribed method, for determining a suitable LEA reservation to provide comparable services to homeless students in non-Title I schools as well as to provide additional educationally-related support services to homeless students served by Title I programs and at shelters and other places where they may reside. Some state coordinators have recommended that subgrant districts set aside Title I, Part A funds for homeless students in amounts that equal or exceed the subgrant amount since those awards were based on LEA needs assessments. Some states have developed formula-based methods of determining the Title I, Part A set aside amount, with several being in the range of \$200-\$300 per homeless student identified. Even for LEAs without McKinney-Vento subgrants, an increasingly popular method entails conducting a comprehensive needs assessment and utilizing the results to make decisions on the appropriate amount for the homeless set aside. Link to [\*Educating Homeless Children and Youth: Conducting Needs Assessments and Evaluating Services – A Guide for SEAs, LEAs, and Local Schools.\*](#)

At the state level, SEA Title I program staff, in coordination with the McKinney-Vento the state coordinator should annually review the Title I set aside amount for each LEA and coordinate with the state Title I staff to provide technical assistance to those LEAs that have no Title I, Part A set aside funds for homeless students, have insufficient set aside funds, or are not

spending funds that have been set aside for homeless students. The McKinney-Vento state coordinator should include an indicator that addresses the amount and use of the Title I, Part A homeless set aside in the monitoring of LEAs, and coordinate with the state Title I director to have a similar indicator in the Title I monitoring of LEAs. Link to [McKinney-Vento 2001 Law into Practice: McKinney-Vento and Title I.](#)

### **G.9 Fiscal oversight of LEAs with subgrants**

The McKinney-Vento state coordinator must oversee the budget for the McKinney-Vento subgrants, including approving amendments to the budget. This oversight will entail having access to the SEA's system for expenditure reports for the subgrants and requiring a budget sheet and/or budget narrative in the subgrantee end-of-year reports.

Discrepancies between proposed expenses and actual expenses must be addressed with the subgrantee. The state coordinator should require that the subgrantee provide an explanation for any budget amendments to the state coordinator so that the state coordinator can review and approve the amendments. This process will likely require coordination with the SEA budget office.

The state coordinator should discourage subgrantees from having significant unobligated funds to be carried over. If a subgrantee has carryover funds, the coordinator should provide an explanation in the end-of-year report and submit a plan for how the funds will be spent in the following year. Significant carry over funds could indicate that the LEA overestimated the need for homeless students in the LEA or has had difficulty committing adequate time to the program, potentially impacting subsequent funding.

### **G.10 Use of funds for McKinney-Vento subgrants**

SEAs award McKinney-Vento subgrants to LEAs to provide services to ensure the school access, retention, and success of children and youth experiencing homelessness. The McKinney-Vento Act provides explicit information on the purpose and uses of the funds; nevertheless, questions frequently arise as to the appropriate use of funds. State coordinators for homeless

education and local program coordinators in their oversight of the subgrant program must determine if certain expenditures are appropriate.

**G.10.1 The McKinney-Vento Act and federal guidelines**

See the discussion of federal requirements for McKinney-Vento subgrants in Section F: McKinney-Vento Subgrants and a list of allowable subgrant expenditures Section 723 of the McKinney-Vento Act in Appendix F-1.

In addition, subgrant expenditures are subject to the requirements for administration of federal grants and cost principles. See discussion of *EDGAR, 34 CFR Part 80* and *OMB Cost Circular A-87* above.

**G.10.2 Guiding questions for use of funds for McKinney-Vento subgrants**

When determining if a subgrant expense is appropriate, consider the questions found in Table G-1.

**Table G-1. Guiding Questions for Subgrant Use of Funds.**

Foundation	Questions
The Law	<ol style="list-style-type: none"> <li>1. Does the expense meet the intent of the law? That is, does the expense facilitate the school enrollment, attendance, and success of homeless children and youth? Moreover, is it critical to maintaining the enrollment, attendance, and success of homeless students or even just one homeless student?</li> <li>2. Does the expense fit in with one of 16 authorized activities in Section 723 of the law?</li> <li>3. Does this expense cover services that apply only to the homeless education program and are connected to the educational needs specifically of homeless children and youth? (The exception would be for services provided on school grounds; these services may include a small percentage of other at-risk students.)</li> </ol>
The Subgrant Proposal	<ol style="list-style-type: none"> <li>1. Does the expense fit within goals articulated, and approved, in subgrant proposal?</li> <li>2. Does the expense meet a need that was identified as a priority need based on a comprehensive needs assessment?</li> <li>3. Was the expense included, and approved, in the subgrant budget?</li> <li>4. Is the expense necessary for efficient operation of the homeless education program?</li> </ol>

Foundation	Questions
	<ol style="list-style-type: none"> <li>1. Is there reasonability in proportion to the rest of the program budget and how much is being spent per student? Or, if this is an expense for one student, is it proportional to other program or students' needs?</li> <li>2. Is the cost for this service reasonable?</li> </ol>
Coordination	<ol style="list-style-type: none"> <li>1. Is this expense for supplemental services, and not for services that should be paid for by the LEA as part of the regular academic program?</li> <li>2. Are there comparable services that the LEA provides to non-homeless students and should provide to homeless students?</li> <li>3. Is there evidence of coordination with Title I for use of the Title I homeless set aside?</li> <li>4. Has an effort been made to obtain this service from another source, such as business partners and service agencies?</li> <li>5. Is this expense beyond the scope of the McKinney-Vento program and would be more appropriately covered by a community service agency?</li> </ol>

### G.10.3 Discussion of categories of expenses for McKinney-Vento subgrant funds

The following discussion of subgrant expenditures is meant not to serve as guidance on what expenditures are allowable or not allowable but to illustrate a process for thinking through what expenses should be approved. All expenditures should be considered in reference to the Guiding Questions listed above.

**Supplies and Fees for Homeless Children and Youth.** In general, subgrant funds can be used to purchase supplies to enable homeless children and youth to participate fully in school activities. These supplies would include school supplies, clothing, backpacks, and calculators. However, before spending subgrant funds, the program coordinator should ensure that these supplies are (1) not already provided by the LEA to needy students and therefore should be provided to homeless students as comparable services; (2) not available through other sources, such as business partners or service agencies; and (3) reflect coordination with Title I for using the Title I homeless set aside.

**Academic Services/School Activities.** Subgrant funds may be used to pay fees for field trips, summer programs, and before- and after-school programs that have an educational purpose or component overseen by qualified staff. Day-care or after-school care would not be an appropriate use of funds, unless there is an educational component, such as tutoring, homework help, or educational enrichment overseen by a professional educator. The program

coordinator should look at comparable services – does the LEA support other students who cannot afford to participate in these activities? Or, is there a Title I-A after-school program already available in which the student may participate?

**Health Services.** Homeless education programs should make referrals for counseling, medical, and dental services. The intent of the subgrant program is not to provide ongoing medical and dental services, but to initiate collaborations for medical services and identify resources for referrals. However, subgrant funds can cover times when a homeless child needs medical or dental care in an emergency when other resources are not available.

Title I set aside funds can be used for counseling services and health services. Link to the 2009 Title IA ARRA Guidance ([Using Title I, Part A ARRA Funds for Grants to Local Educational Agencies to Strengthen Education, Drive Reform, and Improve Results for Students](#)) Section G-11 provides a list of allowable expenditures for the Title I-A homeless set aside.

**Transportation.** LEAs are required to remove educational barriers for homeless students caused by the lack of transportation. LEAs are required to provide transportation to and from the school of origin when attending the school of origin is in the best interest of the student. LEAs are also required to provide transportation services to homeless students comparable to housed students.

Subgrant funds may cover the “excess cost of transportation” for homeless students. Many school districts use some of their subgrant funds to supplement the cost of transporting homeless students when they have a large number of homeless students needing transportation to and from the school of origin, have a wide geographical area to cover, or need to provide specialized transportation services for educational activities that go beyond the comparable services the LEA provides to all students. These circumstances are what the law intended for an allowable use of a portion of subgrant funds for transportation. Subgrant funds used for transportation should be viewed in the context of the total McKinney-Vento subgrant proposal for meeting the broad range of need of homeless students. Fundable transportation strategies may include reimbursing parents for mileage, providing gas cards, and providing taxicabs.

**Emergency Services.** Emergency services are those that will alleviate a crisis that would prevent a homeless student from attending school and participating fully in school activities. These services usually require short-term expenses to resolve a crisis or to provide an interim service until a more permanent solution is attained. For example, subgrant funds could be used to obtain a birth certificate or temporarily pay for child care for a homeless teen parent to attend school until other arrangements are made.

Funds **may not** be used to pay hotel, motel, or utility bills for a student or his or her family because these expenses are outside of the scope of the purpose of the grant to support the educational needs of homeless students. Community collaborations should be in place for referrals to cover basic needs of families.

**Salaries and Program Administration.** All LEAs are required to designate a homeless liaison. However, if the need for serving homeless students is greater than what the LEA provides in its responsibility to implement the McKinney-Vento Act, then subgrant funds can support the expansion of the duties of the local liaison, and include other staff, if necessary, to carry out the authorized activities and facilitate the efficient administration of the subgrant program. Staffing included in the subgrant must be incorporated in the overall program plan to ensure that identified priorities and needs are met. Moreover, any funds provided for salaries must support duties to serve only homeless students and relate to the allowable activities.

**Training.** Professional development is one of the authorized activities for subgrants. Professional development may include training that the program provides to the LEA or community or training that McKinney-Vento program staff attends. Professional development or training activities should be justified in the subgrant proposal as they relate to stated needs, program goals, and the overall budget for the program.

## **G.11 Links to helpful documents**

[\*\*\*Education Department General Administrative Regulations \(EDGAR\), 34 CFR Part 80 \(Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments\)\*\*\*](#)

Examples of an Annual Plan for State-level Activities in Appendix B-5 and Appendix B-8

## **Appendix G-1. Allowability and Reasonability of Costs, 2 CFR Part 225, Cost Principles for State, Local, and Indian Tribal Governments (OMB Circular A-87)**

### *C. Basic Guidelines*

1. Factors affecting allowability of costs. To be allowable under federal awards, costs must meet the following general criteria:
  - a. Be necessary and reasonable for proper and efficient performance and administration of federal awards.
  - b. Be allocable to federal awards under the provisions of 2 CFR Part 225.
  - c. Be authorized or not prohibited under state or local laws or regulations.
  - d. Conform to any limitations or exclusions set forth in these principles, federal laws, terms and conditions of the federal award, or other governing regulations as to types or amounts of cost items.
  - e. Be consistent with policies, regulations, and procedures that apply uniformly to both federal awards and other activities of the governmental unit.
  - f. Be accorded consistent treatment. A cost may not be assigned to a federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the federal award as an indirect cost.
  - g. Except as otherwise provided for in 2 CFR Part 225, be determined in accordance with generally accepted accounting principles.
  - h. Not be included as a cost or used to meet cost sharing or matching requirements of any other federal award in either the current or a prior period, except as specifically provided by federal law or regulation.
  - i. Be the net of all applicable credits.
  - j. Be adequately documented.
  
2. Reasonable costs. A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost. The question of reasonableness is

particularly important when governmental units or components are predominately federally-funded.

In determining reasonableness of a given cost, consideration shall be given to:

- a. Whether the cost is of a type generally recognized as ordinary and necessary for the operation of the governmental unit or the performance of the federal award.
- b. The restraints or requirements imposed by such factors as: sound business practices; arm's-length bargaining; federal, state and other laws and regulations; and, terms and conditions of the federal award.
- c. Market prices for comparable goods or services.
- d. Whether the individuals concerned acted with prudence in the circumstances considering their responsibilities to the governmental unit, its employees, the public at large, and the Federal Government.
- e. Significant deviations from the established practices of the governmental unit which may unjustifiably increase the federal award's cost.

The Office of Management and Budget (OMB) relocated Circular A-87, "Cost Principles for State, Local, and Indian Tribal Governments," to Title 2 in the Code of Federal Regulations (2 CFR), Subtitle A, Chapter II, part 225 as part of an initiative to provide the public with a central location for Federal government policies on grants and other financial assistance and nonprocurement agreements.

[http://www.whitehouse.gov/omb/assets/omb/fedreg/2005/083105\\_a87.pdf](http://www.whitehouse.gov/omb/assets/omb/fedreg/2005/083105_a87.pdf)