

# EDGAR – Staying In Compliance

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EDUCATION SERVICE CENTER 11 – NOVEMBER 1, 2018

- Micro-Purchase Guidance
- Internal Controls
- Procurement
- Obligation of Funds



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Event Code: **B289**

Event Name: **ESC 11 EDGAR Training**

# Micro-Purchase Guidance

# New Procurement Thresholds



Commissioner Mike Morath

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August 28, 2018

TO THE ADMINISTRATOR ADDRESSED:

SUBJECT: Implementing Statutory Changes to Micro-Purchase and the Simplified Acquisition Thresholds under the Education Department General Administrative Regulations (EDGAR)

Recent federal statutory changes have resulted in increases to the thresholds for micro-purchases and small purchases under the procurement rules in EDGAR. The increased

## **What is a micro-purchase?**

A micro-purchase is a purchase of supplies or services using simplified acquisition procedures, the aggregate amount of which does not exceed the micro-purchase threshold.

Micro-purchase procedures comprise a subset of an LEA's small purchase procedures. The LEA can use micro-purchases to expedite the completion of its lowest-dollar small purchase transactions and minimize the associated administrative burden and cost.

## Micro-Purchase Threshold Increase

The micro-purchase threshold was previously \$3,500 but has now been increased to **\$10,000**, effective July 1, 2018.

“...the threshold of \$10,000 must be considered in the aggregate over the entire period of applicable federal grants. Therefore, the cost of items purchased using the micro-purchase method is cumulative across the grant year and cannot exceed a total of \$10,000.”

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## ***New*** TEA Guidance Effective Immediately

- New Flexibility – Defining Aggregate for Micro-Purchasing Purposes Only
- Aggregate will be defined at the item level, defined by “like type”
- Will use LEA-defined subcategories with the Commodity Codes
  - “like type” of purchase does not equal the commodity code itself

## **New** TEA Guidance Effective Immediately

- LEA must define in policy how it defines the “like type” of item being purchased within the following TEA guidelines
- “Like type” is **NOT** defined as:
  - A single purchase order
  - A single vendor
- A statewide letter will be issued soon

## Micro-Purchase Threshold

- \$10,000
- Aggregate, once you meet the threshold, price quotes must be collected for the next same “like type” of purchase
- Across all federal funds
- Per year

## **New** TEA Monitoring of Micro-Purchase

- TEA Audit staff will require the written policy to be submitted
- Will audit the micro-purchase based on the LEA's definition (in written policy) for aggregate of "like type" of purchases

## Required Number of Price Quotes

- Adequate = two or local policy, whichever is greater
- TEA does recommend three quotes as best practice
- Internet searches qualify as price quotes, an official vendor quote is not required



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# Internal Controls

## EDGAR Citations

- 2 CFR §200.61 Internal controls (definition)
- 2 CFR §200.62 Internal control over compliance requirements for Federal awards (definition)
- 2 CFR §200.303 Internal controls

**Resource: TEA Internal Controls Handbook**



# Internal Controls Handbook

- **2 CFR 200.303** requires grantees to implement internal controls for the administration of federal grants.
- Grantees must establish and maintain effective internal control over federal grants and provide **reasonable assurance** that they comply with all laws, regulations and requirements related to the grants they receive.

Additionally, grantees must:

- Evaluate and monitor their own compliance with grant requirements.
- Quickly address any noncompliance identified, including any found in audit or monitoring findings.
- Take reasonable measures to protect sensitive or personally identifiable information (in accordance with laws regarding privacy and confidentiality).

2 CFR 200.303 also advises that internal controls should be in compliance with GAO standards and COSO's Internal Control—Integrated Framework:

- The *Standards for Internal Control in the Federal Government (Green Book)* is published by the Government Accountability Office (GAO).
- The *Internal Control—Integrated Framework* guidance document was developed by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

## **A strong internal control system:**

- Has ongoing processes that are built into the overall operations of your organization
- Provides reasonable (not absolute) assurance that your organization objectives will be met
- Requires the participation of all levels of an organization

**An effective system of internal controls allows you to determine that:**

- Records are accurate
- Operations are efficient
- Policies and procedures are followed by all staff

# Effective Control Activities

Control activities are the checks and balances that are necessary to ensure that everyone is following the rules and no one person is given too much authority or control over federal grant funds.

***What is required at your LEA in order for federal funds to be expended? Who is involved? What could go wrong?***

# Effective Control Activities

## **Some of the key ways that you can establish controls:**

- Segregating responsibilities so that one employee does not have full control or carry out all fiscal duties
- Ensuring that proper security is in place for systems and records, such as requiring passwords and restricted authorizations
- Keeping equipment and other assets secured

# Effective Control Activities

## **Some of the key ways that you can establish controls:**

- Maintaining clear documentation of all procedures, including approvals and record retention
- Protecting and securing personally identifiable information





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# Procurement

# Procurement Under EDGAR

2 CFR 200.318

General Procurement Standards

2 CFR 200.319

Competition

2 CFR 200.320

Methods of Procurement to be followed

2 CFR 200.213

Suspension and Debarment

# Suspension and Debarment

Verification must be done by either:

- Checking SAM.gov; or
- Collecting a certification from the vendor



# Methods of Procurement

Micro-purchase

Small Purchase

Sealed Bids or  
Competitive  
Proposals

Noncompetitive  
Proposals

# Methods of Procurement

## Micro- purchase



Aggregate cost not to exceed **\$10,000**

Price must be reasonable

Distributed among qualified vendors,  
as applicable

Intent is to reduce administrative  
burden for purchase of small items

# Methods of Procurement

## Small Purchase



Simple and informal method for purchases above **\$10,000** but less than **\$250,000**

Price or rate quotations from adequate number of sources (minimum of two or LEA policy)

Use a selection matrix to document decision on vendor

Choose the vendor that is most advantageous to the LEA (best fit)

# Methods of Procurement



## State Rules Apply

For purchases of **\$50,000 or more**, **competitive procurement** is required

See the *Financial Accountability Resource Guide (FASRG)* Purchasing Module for competitive procurement options

Small  
Purchase





# Methods of Procurement

Sealed Bids or  
Competitive  
Proposals



Under EDGAR, purchases at **\$250,000** and above require competition

A federal cost or price analysis is required

State procurement rules in FASRG also apply

# Methods of Procurement

## Noncompetitive Proposals

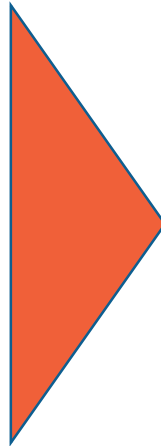


Can only be used when one or more of the following apply:

1. The item is available only from a single source (sole source)
2. The public exigency or emergency for the requirement will not permit a delay resulting from competitive solicitation. (Example: Hurricane Harvey)

# Methods of Procurement

## Noncompetitive Proposals



3. TEA expressly authorizes noncompetitive proposals in response to a written request from the subgrantee
4. After solicitation of a number of sources, competition is determined inadequate

# Common Procurement Findings

- Did not maintain adequate policies and procedures to comply with procurement standards
- Did not identify the method of procurement for purchases
- Purchases did not adhere to appropriate procurement standards

# Common Procurement Findings

- Did not obtain adequate number of quotations to support expenditures made with Small Purchase Procedures
- Procurement by Noncompetitive Proposal did not meet one of the four allowed circumstances
- Lack of executed agreement or contract with the vendor

# Common Procurement Findings

- Documentation not provided to demonstrate compliance with Suspension and Debarment
- Purchase made through purchasing cooperative without an agreement
- Purchase made through purchasing cooperative did not comply with federal procurement requirements



## When are you required to use one of the methods of procurement in EDGAR?

- A. Once you have reached the \$10,000 threshold using federal grant funds
- B. Whenever you are purchasing good or services with federal grant funds
- C. Only when state purchasing rules do not apply
- D. Anytime federal grant funds are spent



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# Obligation of Funds

# Obligation of Federal Funds

## Obligations

When used in connection with a non-Federal entity's utilization of funds under a Federal award, **obligations** means orders placed for property and services, contracts and subawards made, and similar transactions during a given period that require payment by the non-Federal entity during the **same** or a **future** period.

Source: [www.grants.gov](http://www.grants.gov)

# When Can You Obligate Federal Funds?

34 CFR 76.707

## Personal Services

by an **employee** of the subgrantee

When the services are performed

## Personal Services

by a **contractor** of the subgrantee

## Performance of work

other than personal services

On the date on which the subgrantee makes a binding written commitment to obtain the services (signed contract)

## Travel

When travel is taken

## Rental

of real or personal property

When the subgrantee uses the property

# When Can You Obligate Federal Funds?

## 34 CFR 76.707

### Personal Services

by a **contractor** of the subgrantee

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### Travel

When travel is taken

# When Can You Obligate Federal Funds?

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## Performance of work

other than personal services

On the date on which the subgrantee makes a binding written commitment to obtain the services (signed contract)





**Is it allowable to obligate federal funds prior to receiving deliverables by having a signed contract by both parties?**

Yes. In accordance with 34 CFR 76.707, *contracts* obligate to a federal grant when the contract is executed (i.e. signed by both parties). However, payment cannot be made until the work is actually done.



Your LEA will use Title I, Part A funds to pay for a full day professional development workshop on December 14, 2018, for all teachers. Using the appropriate procurement method, you have selected a trainer for the workshop from an outside company and you sign a contract with the company on September 3, 2018. What is the earliest date you can **obligate** the funds?

- A. The day before the trainer conducts the workshop
- B. July 1, 2018, the date you submitted your ESSA grant application
- C. September 3, 2018
- D. December 14, 2018





Your LEA will use Title I, Part A funds to pay for a full day professional development workshop on December 14, 2018, for all teachers. Using the appropriate procurement method, you have selected a trainer for the workshop from an outside company and you sign a contract with the company on September 3, 2018. What is the earliest date you can **obligate** the funds?

- A. The day before the trainer conducts the workshop
- B. July 1, 2018, the date you submitted your ESSA grant application
- C. September 3, 2018**
- D. December 14, 2018



Your LEA will use Title I, Part A funds to pay for a full day professional development workshop on December 14, 2018, for all teachers. Using the appropriate procurement method, you have selected a trainer for the workshop from an outside company and you sign a contract with the company on September 3, 2018. What is the earliest date you can **pay the trainer**?

- A. The day before the trainer conducts the workshop
- B. July 1, 2018, the date you submitted your ESSA grant application
- C. September 3, 2018
- D. December 14, 2018



Your LEA will use Title I, Part A funds to pay for a full day professional development workshop on December 14, 2018, for all teachers. Using the appropriate procurement method, you have selected a trainer for the workshop from an outside company and you sign a contract with the company on September 3, 2018. What is the earliest date you can **pay the trainer**?

- A. The day before the trainer conducts the workshop
- B. July 1, 2018, the date you submitted your ESSA grant application
- C. September 3, 2018
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# When Can You Obligate Federal Funds?

**Travel** → When travel is taken





## **Can an LEA purchase airline tickets in advance with federal funds?**

No, travel does not obligate to a federal grant until travel is taken. Airline tickets purchased in advance have to be paid initially with state or local funds and cannot be charged to the federal program until the travel is taken.



**You are attending a Title III conference in four months in Washington, DC. In order to get a good price, you need to purchase your airplane ticket now. When can the airplane ticket be obligated (not purchased) to the Title III grant?**

- A. On the date you were approved to attend the conference
- B. On the date you take the flight to Washington, DC
- C. On the date the airplane ticket is purchased
- D. On the date you check-in online for your flight



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**For the Title III conference in Washington, DC, you need to make hotel reservations ahead of time. You have been approved to pay the hotel costs with Title III funds. Can you make the reservation?**

It depends. If the reservation requires a deposit or the payment of a fee if cancelled, Title III funds cannot be used to pay the charges. Nor can Title III funds be **obligated** on the date of the reservation. Federal funds can only be obligated for travel once it is taken.



# Travel – Conference Registration Fees

## **Can federal funds be used to pay for conference registration fees prior to the conference?**

Yes, if it is an allowable expense under the grant program. TEA allows registration fees to be considered like contracts, so you can obligate or pay with federal funds when the registration is made. Some States include registration fees as a travel expense; however, TEA allows this flexibility so that LEAs can use federal funds to pay registration fees prior to a conference.



**My LEA is exempt from paying sales tax on lodging, but sometimes hotels charge taxes and other fees, such as city taxes or parking at the hotel. Can federal funds be used to reimburse taxes that do not qualify for exemption by the state of Texas?**

Yes, employees may be reimbursed for applicable taxes and fees with federal funds as long as the travel costs are allowable under the grant program and EDGAR and are not in conflict with local policy.



**If an employee seeks reimbursement from a federal grant for a meal that includes sales tax from an establishment that did not accept/honor the tax exempt certificate, may the full cost of the meal be reimbursed with federal funds?**

According to the Texas Comptroller's Office, educational organizations can apply for exemption from certain taxes, such as Texas sales tax, hotel occupancy tax and franchise tax, if applicable. However, not all organizations are exempt from these taxes. Check with your LEA's exemption status. Federal funds can be used to reimburse the actual amount expended on meals per day, but cannot exceed the maximum allowable. Tips and gratuities are not reimbursable. Always check local travel policies on reimbursements.

# Pre-Payment of Travel Costs

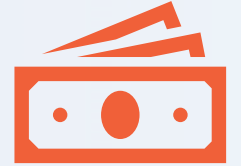
**Can an LEA use federal grant funds to pay for travel costs prior to the date of travel if it requires employees to sign a form that states that if they do not actually take the travel, obtain a full refund or find a replacement, then they will need to repay the LEA for the federal grant funds expended?**

No. EDGAR does not allow obligation of federal funds until travel is taken. There is nothing an LEA can do to work around this regulation. Any travel expenses charged or obligated to a federal grant prior to the travel being taken could be considered an unallowable expense, even if the employee takes the travel as planned.

# Travel – Supplement Not Supplant

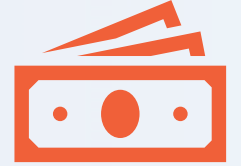
**If we use local funds to pay for travel initially and then use federal funds to reimburse the cost once the travel is taken, could this be considered a supplant?**

When federal funds are used for travel, state or local funds must be initially used. Federal funds can reimburse those charges once the travel is taken. Documentation should reflect how the funds were intended to be charged and then how they were actually charged in that fiscal year. The grant application must accurately reflect how the funds will be used. Any changes to the budget must be done through the submission of an amendment to the application prior to the obligation of the funds.



According to EDGAR, it is allowable to use federal funds to reimburse meals and lodging on a **per diem** basis. However, Texas rules require reimbursement of **actual costs** for travel, up to the per diem amount. Which requirement do you follow?

- A. If using federal funds for travel, you can reimburse the full per diem amount, even if the actual cost was lower
- B. You must follow the most restrictive policy, which is the State policy
- C. You can use the requirement that provides the most flexibility
- D. It depends on what your local policy says



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