

S412A130045
Terry Tolan
Office of the Governor, State of Kentucky
700 Capitol Avenue
Suite 100
Frankfort, KY 40601

S412A130045

Steven Beshear
Office of the Governor, State of Kentucky
700 Capitol Avenue Suite 100
Frankfort, KY 40601



**US Department of Education
Washington, D.C. 20202**

S412A130045

GRANT AWARD NOTIFICATION

1	RECIPIENT NAME Office of the Governor, State of Kentucky 700 Capitol Avenue Suite 100 Frankfort, KY 40601	2	AWARD INFORMATION PR/AWARD NUMBER S412A130045 ACTION NUMBER 1 ACTION TYPE New AWARD TYPE Discretionary						
3	PROJECT STAFF RECIPIENT PROJECT DIRECTOR Terry Tolan (502) 782-0200 terry.tolan@ky.gov EDUCATION PROGRAM CONTACT Tammy Barnhill-Proctor (202) 260-7803 tammy.proctor@ed.gov EDUCATION PAYMENT HOTLINE G5 PAYEE 888-336-8930 HELPDESK edcaps.user@ed.gov	4	PROJECT TITLE 84.412A Race to the Top - Early Learning Challenge						
5	KEY PERSONNEL <table border="0"> <thead> <tr> <th><u>NAME</u></th> <th><u>TITLE</u></th> <th><u>LEVEL OF EFFORT</u></th> </tr> </thead> <tbody> <tr> <td>Terry Tolan</td> <td>Project Director</td> <td>25 %</td> </tr> </tbody> </table>			<u>NAME</u>	<u>TITLE</u>	<u>LEVEL OF EFFORT</u>	Terry Tolan	Project Director	25 %
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GRANT AWARD NOTIFICATION

Table with 11 columns: FUND CODE, FUNDING YEAR, AWARD YEAR, ORG. CODE, CATEGORY, LIMITATION, ACTIVITY, CFDA, OBJECT CLASS, AMOUNT. Row 1: 0204M, 2013, 2014, ES000000, B, UH2, 000, 412, 4101C, \$44,348,482.00

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PR/AWARD NUMBER: S412A130045
RECIPIENT NAME: Office of the Governor, State of Kentucky

TERMS AND CONDITIONS

- (1) The Office of Management and Budget requires all Federal agencies to assign a Federal Award Identifying Number (FAIN) to each of their financial assistance awards. The PR/AWARD NUMBER identified in Block 2 is your FAIN.

If you subaward under this grant, you must document the assigned PR/AWARD NUMBER (FAIN) identified in Block 2 of this Grant Award Notification on each subaward made under this grant. The term subaward means:

- 1. A legal instrument to provide support for the performance of any portion of the substantive project or program for which you received this award and that you as the recipient award to an eligible subrecipient.
2. The term does not include your procurement of property and services needed to carry out the project or program (for further explanation on the principles that can be used in identifying a procurement as distinct from a subaward, see Sec.210(b)-(d) of OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations").
3. A subaward may be provided through any legal agreement, including an agreement that you or a subrecipient considers a contract.

- (2) THE FOLLOWING ITEMS ARE INCORPORATED IN THE GRANT AGREEMENT:
(1) THE RECIPIENT'S APPLICATION (BLOCK 2),
(2) THE APPLICABLE EDUCATION DEPARTMENT REGULATIONS (BLOCK 8), AND
(3) THE SPECIAL TERMS AND CONDITIONS SHOWN AS ATTACHMENTS (BLOCK 8).

IN ACCORDANCE WITH 34 CFR 74.25(c)(2), OR 34 CFR 80.30(d)(3) CHANGES TO KEY PERSONNEL IDENTIFIED IN BLOCK 5 MUST RECEIVE PRIOR APPROVAL FROM THE DEPARTMENT.

THE RECIPIENT IS REQUIRED TO SUBMIT ALL NECESSARY REPORTS TO THE DEPARTMENT OF EDUCATION WITHIN 90 DAYS AFTER THE END OF FEDERAL SUPPORT (BLOCK 6).

- (3) This grant is subject to the terms and conditions identified in Attachment T.

AUTHORIZING OFFICIAL

DATE

EXPLANATION OF BLOCKS ON THE GRANT AWARD NOTIFICATION

For Discretionary, Formula and Block Grants (See Block 2 of the Notification)

1. RECIPIENT NAME - The legal name of the recipient, name of the primary organizational unit that

2. AWARD INFORMATION - Unique items of information that identify this notification.

PR/AWARD NUMBER - A unique, identifying number assigned by the Department to each application. On funded applications, this is commonly known as the "grant number" or "document number."

ACTION NUMBER - A numeral that represents the cumulative number of steps taken by the Department to date to establish or modify the award through fiscal or administrative means. Action number "01" will always be "NEW AWARD"

ACTION TYPE - The nature of this notification (e.g., NEW AWARD, CONTINUATION, REVISION, ADMINISTRATIVE)

AWARD TYPE - The particular assistance category in which funding for this award is provided, i.e., DISCRETIONARY, FORMULA, or BLOCK.

3. PROJECT STAFF - This block contains the names and telephone numbers of the U.S. Department of Education and recipient staff who are responsible for project direction and oversight.

***RECIPIENT PROJECT DIRECTOR** - The recipient staff person responsible for administering the project. This person represents the recipient to the U.S. Department of Education.

EDUCATION PROGRAM CONTACT - The U.S. Department of Education staff person responsible for the programmatic, administrative and business management concerns of the Department.

EDUCATION PAYMENT CONTACT - The U.S. Department of Education staff person responsible for payments or questions concerning electronic drawdown and financial expenditure reporting.

4. PROJECT TITLE AND CFDA NUMBER - Identifies the Catalog of Federal Domestic Assistance (CFDA) subprogram title and the associated subprogram number.

5.* KEY PERSONNEL - Name, title and percentage (%) of effort the key personnel identified devotes to the project.

6. AWARD PERIODS - Project activities and funding are approved with respect to three different time periods, described below:

BUDGET PERIOD - A specific interval of time for which Federal funds are being provided from a particular fiscal year to fund a recipient's approved activities and budget. The start and end dates of the budget period are shown.

PERFORMANCE PERIOD - The complete length of time the recipient is proposed to be funded to complete approved activities. A performance period may contain one or more budget periods.

***FUTURE BUDGET PERIODS** - The estimated remaining budget periods for multi-year projects and estimated funds the Department proposes it will award the recipient provided substantial progress is made by the recipient in completing approved activities, the Department determines that continuing the project would be in the best interest of the Government, Congress appropriates sufficient funds under the program, and the recipient has submitted a performance report that provides the most current performance information and the status of budget expenditures.

7. AUTHORIZED FUNDING - The dollar figures in this block refer to the Federal funds provided to a recipient during the award periods.

***THIS ACTION** - The amount of funds obligated (added) or de-obligated (subtracted) by this notification.

***BUDGET PERIOD** - The total amount of funds available for use by the grantee during the stated budget period to this date.

***PERFORMANCE PERIOD** - The amount of funds obligated from the start date of the first budget period to this date.

RECIPIENT COST SHARE - The funds, expressed as a percentage, that the recipient is required to contribute to the project, as defined by the program legislation or regulations and/or terms and conditions of the award.

RECIPIENT NON-FEDERAL AMOUNT - The amount of non-federal funds the recipient must contribute to the project as identified in the recipient's application. When non-federal funds are identified by the recipient where a cost share is not a legislation requirement, the recipient will be required to provide the non-federal funds.

8. ADMINISTRATIVE INFORMATION - This information is provided to assist the recipient in completing the approved activities and managing the project in accordance with U.S. Department of Education procedures and regulations.

DUNS/SSN - A unique, identifying number assigned to each recipient for payment purposes. The number is based on either the recipient's assigned number from Dun and Bradstreet or the individual's social security number.

***REGULATIONS** - *REGULATIONS - The parts of the Education Department General Administrative Regulations (EDGAR), specific program regulations (if any), and other titles of the Code of Federal Regulations that govern the award and administration of this grant.

***ATTACHMENTS** - Additional sections of the Grant Award Notification that discuss payment and reporting requirements, explain Department procedures, and add special terms and conditions in addition to those established, and shown as clauses, in Block 10 of the award. Any attachments provided with a notification continue in effect through the project period until modified or rescinded by the Authorizing Official.

9. LEGISLATIVE AND FISCAL DATA - The name of the authorizing legislation for this grant, the CFDA title of the program through which funding is provided, and U.S. Department of Education fiscal information.

FUND CODE, FUNDING YEAR, AWARD YEAR, ORG.CODE, PROJECT CODE, OBJECT CLASS -

The fiscal information recorded by the U.S. Department of Education's Grant Administration and Payment System to track obligations by award.

AMOUNT - The amount of funds provided from a particular appropriation and project code. Some notifications authorize more than one amount from separate appropriations and/or project codes. The total of all amounts in this block equals the amount shown on the line, "THIS ACTION" (See "AUTHORIZED FUNDING" above (Block 7)).

10. TERMS AND CONDITIONS - Requirements of the award that are binding on the recipient.

***AUTHORIZING OFFICIAL** - The U.S. Department of Education official authorized to award Federal funds to the recipient, establish or change the terms and conditions of the award, and authorize modifications to the award

FOR FORMULA AND BLOCK GRANTS ONLY:

(See also Blocks 1, 2, 4, 6, 8, 9 and 10 above)

3. PROJECT STAFF - The U.S. Department of Education staff persons to be contacted for programmatic and payment questions.

7. AUTHORIZED FUNDING

CURRENT AWARD AMOUNT - The amount of funds that are obligated (added) or de-obligated (subtracted) by this action.

PREVIOUS CUMULATIVE AMOUNT - The total amount of funds awarded under the grant before this action.

CUMULATIVE AMOUNT - The total amount of funds awarded under the grant, this action included.

* This item differs or does not appear on formula and block grants.

UNITED STATES DEPARTMENT OF EDUCATION
OFFICE OF THE CHIEF FINANCIAL OFFICER
& CHIEF INFORMATION OFFICER

Terry Tolan
Office of the Governor, State of Kentucky
700 Capitol Avenue Suite 100

Frankfort, KY 40601

SUBJECT: Payee Identification for Grant Award S412A130045

This is to inform you that the United States Department of Education does not have a payee and bank account of record designated for the above listed grant award. You will not be able to request funds for this grant award until a payee and bank account of record are established.

- 1) All SF-1199A, Direct Deposit and Fedwire Sign-Up forms must be mailed to the Department of Education. The SF-1199A must contain original signatures for both the recipient and bank officials.
- 2) First time recipients establishing a bank account for a new award must include a copy of the grant award document with the cover letter and SF-1199A, Direct Deposit or Fedwire Sign-Up forms.
- 3) The Grant Administration and Payment System (GAPS) has been enhanced to produce an automated notification when bank account data has been changed or deleted. This automated notification is transmitted via e-mail to Payees having e-mail capacity or mailed to recipients without an e-mail address.
- 4) All banking information requests, including establishing a new bank account, modifying an existing bank account or deleting a bank account must be accompanied with a cover letter requesting the specific action. The cover letter must be on the letterhead of the requesting payee. The cover letter must contain the following information:
 - DUNS Number
 - e-mail address (if available) for the person to receive automated notification
 - signature and phone number of the person requesting the bank information change

Mail Cover Letters and accompanying forms to:

U.S. Department of Education
400 Maryland Ave, SW, Rm. 4C146
Washington, DC 20202-4110
Attn: Financial Management Operations

If you have any questions or require assistance concerning establishing a payee record for a bank account please contact the G5 Hotline at 1-888-336-8930.

Dear G5 Payee:

To obtain your G5 Login ID, you will need to complete the G5 External User Access Request Form and return it notarized to the U.S. Department of Education. Attached are the instructions for accessing and completing the form. Upon receiving the notarized form, the Department will send you an email with your new G5 Login ID.

Please mail the form to:

U.S. Department of Education
Office of the Chief Information Officer
Mail Stop - 4110
400 Maryland Avenue S.W.
Washington, DC 20202
Attn: Functional Applications Team

Thank you for your continued support of the U.S. Department of Education's G5 Grant Management System. Please contact the G5 Hotline (888-336-8930) if you have any

Sincerely,
G5 Administration

Instructions for Completing the G5 External User Access Request Form

To establish direct access to your U.S. Department of Education G5 Grant Management System account, please complete the G5 External User Access Request Form attached, have it notarized, and mail the completed form to the address below.

Steps for Completing the G5 External User Access Request Form -

1. Go to <http://www.g5.gov> and click on the link, "Not Registered? Sign up".
2. Complete each data element of the form including the following elements:
 - a. User Type (Select Payee unless you are specifically a Servicer)
 - b. Dun and Bradstreet Number (DUNS)
 - b. Desired Role (Select Full Access to enable you to continue to draw funds, or View Only if you will only need to review account activity).
3. Print the form and then Submit your online registration.
4. You will immediately receive an email asking you to activate your account.
5. Click on the link in the email and select your password and Secret Question and Answer.
6. Congratulations! You now have an active account. Only one more step!!
7. Sign the printed (from step 3) G5 External User Access Request Form as the Authorized Payee in the presence of a Notary Public.
8. Assure the G5 External User Access Request Form is notarized with appropriate seal and signature and expiration date.
9. Mail the completed, notarized G5 External User Access Request Form to the following address:

U.S. Department of Education
Office of the Chief Information Officer
Mail Stop - 4110
400 Maryland Avenue S.W.
Washington DC 20202
Attn: Functional Applications Team
10. Allow two weeks for delivery and account updates.
11. You will receive Email notification that your G5 External User Access Request Form has been processed and your roles have been assigned.
12. Congratulations, You're now able to access G5 directly.

As always, please contact the G5 Hotline (888-336-8930) with any questions.

INSTRUCTIONS
ACH DIRECT DEPOSIT SIGN-UP FORM
SF-1199A

Recipients can obtain an SF-1199A (Figure D-1) from their financial institution. The preprinted instructions on the reverse side of the SF-1199A should be disregarded and the following instructions should be followed in completing the SF-1199A.

The recipient is to complete Sections 1 and 2 of the SF-1199A. The recipient's financial institution is to complete Section 3 and mail the completed form to the Department of Education. The financial institution will mail a copy of the completed SF-1199A to the recipient.

INSTRUCTIONS - SECTION 1

- | | | |
|---------------------------|--|--|
| ITEM A | Name of Payee
Address
Telephone Number | Enter the name and address of payee's organization.
Enter telephone number of person authorized to certify the payment request. |
| ITEM B | Name of Person(s) Entitled to Payment | Leave Blank. |
| ITEM C | Claim or Payroll ID Number | Enter the following information
Prefix: 9 digit D-U-N-S Number,
Suffix: 11 character Grant Award nUmber. |
| ITEM D | Type of Depositor | Place an "X" in the Appropriate Box. |
| ITEM E | Depositor Account | Enter the payee's account number at the financial institution in which funds are to be deposited. Include blanks or dashes when entering the account number. |
| ITEM F | Type of Payment | Enter "X" in the "Other" box. |
| ITEM G | Box for Allotment of Payment Only | Leave Blank. |
| Payee/Joint Certification | | Authorized Certifying Official for the payee is to sign the form. |

INSTRUCTIONS - SECTION 2

- | | | |
|---------------------------|--------|---|
| Government Agency Name | Enter: | U.S. Department of Education |
| Government Agency Address | Enter: | 400 Maryland Avenue, SW
Room 4C138
Washington, DC 20202 |

INSTRUCTIONS - SECTION 3

To be completed by financial institution.

Director, Financial Payment Group
U.S. Department of Education
400 Maryland Avenue, SW
Washington, DC 20202 - 4331

Ref: PR/Award No. S412A130045

Dear Sir:

Please transfer FEDWIRE payments for Office of the Governor, State of Kentucky to the following financial institution and depositor account beginning on this date: Month_____, Day_____, Year_____.

Information regarding the financial institution to which payments for D-U-N-S_____ are to be transferred is provided below.

Financial Institution

Name:_____
Street:_____
City:_____
State:_____
Zip:_____

ABA Number:_____
Account Number:_____
Contact Name:_____
Telephone No:_____

Corresponding Bank (if applicable):

Name:_____
Street:_____
City:_____
State:_____
Zip:_____

ABA Number:_____
Telegraphic
Abbrev.:_____

Please update my account with the information as indicated above. If you have any questions, I may be reached at (____) _____.

Sincerely,

Chief Financial Officer

SPECIAL GRANT CONDITIONS FOR PAYMENTS

THE G5 PAYMENTS MODULE

Payments under this award will be made through the G5-Payments module of, the U.S. Department of Education's (Department) electronic payments.. The G5paymentmodule and other web-based grant systems (e-Application, e-Reader, e-Reports,) (modules) within the Education Central Automated Processing Systems (EDCAPS) are administered by the Office of the Chief Information Officer, Financial Systems Services.

The internet address for G5 is <https://www.g5.gov>. To access the G5 Payments module, you must first have a G5 User Id and Password. You'll need to request a G5 User Id and Password from the Department of Education by submitting an **External Access Security Form**. This form is electronically available during online registration under "*Not Registered? Sign Up*", when you access the website. The Department will issue G5 User Ids and Passwords to those individuals authorized by the payee to access G5 to request funds and report expenditures. User Ids and Passwords cannot be faxed or given over the phone, and may not be shared by multiple users. The External User Access Request Form must be completed and mailed to the following address:

U.S. Department of Education
Office of the Chief Information Officer
Mail Stop – 4110
Attn: G5 Functional Application Team
400 Maryland Avenue, SW
Washington, DC 20202

New grantees will be requested to provide pertinent information before they may begin requesting funds. Information to be provided includes:

- Designation of payee
- Payee contacts and mailing addresses
- Depositor account information
- Individuals authorized by the payee to access G5 to request funds - these individuals will be provided User Ids and passwords to access G5

The payee is the entity identified by the grantee to handle the financial aspects of the grant – e.g., request payments, report expenditures (the grantee and payee may be the same entity). Payees may begin requesting funds for the grantee once their award authorization is entered into G5 and the award start date is reached.

A copy of the Department of Education G5 Training Guide (*Guide*), is available on the G5 website under "Help". The guide provides detailed instructions on all electronic payment processes. If you are not Internet capable, please contact the G5/GAPS Payee Hotline at toll free 1 (888) 336-8930 to request a hard copy of the Guide.

REQUESTING FUNDS USING THE G5 MODULE

Payees can access the G5-Payments Module on-line to request funds. To access, payees need a Web browser (such as Microsoft Internet Explorer or Netscape Navigator) and Internet connectivity. Payees will request funds by award using **the PR/Award Number** found in

Block 5 of the **Grant Award Notification**. Instructions for navigating through the G5-Payments screens to make a payment request are given in the G5 Training Guide and the G5 OnDemand training located under "Help". Instructions for modifying payment requests, adjusting drawdown amounts, and viewing award and authorization histories are also included in the Guide.

Those payees who do not have the technology to access G5-Payments on-line may request funds by calling ED's G5/GAPS Payee Hotline by calling 1-888-336-8930.

AWARD INFORMATION

Payees can get information on this award (1) on-line or (2) by calling ED's G5/GAPS Payee Hotline Staff at 1-888-336-8930.

➤ On-Line:

Payees may access G5 via the Internet (<https://www.G5.gov>) to retrieve and view information on their awards, such as:

- Net authorization and authorization history
- Net draws
- Available balance
- History of pending and completed payments
- Award status
- Award history - including detailed transactions on drawdowns, returns, refunds, and adjustments

➤ ED's GAPS Payee Hotline Staff:

Payees can contact a G5/GAPS Payee Hotline Staff for information on any award. Because award information is organized in G5 by a unique identifier - the Dun & Bradstreet Number (DUNS Number) - payees should have their DUNS number, identified in **Block 8** of the **Grant Award Notification**, available when contacting a G5/GAPS Payee Hotline Staff Representative.

FINANCIAL REPORTS:

When a Payee requests a drawdown of funds by grant award, the Department records this as an expenditure against the specific grant award. This method of identifying expenditures, at the time of drawdown, and the capability to make adjustments on-line eliminates the need for the submission of the Federal Cash Transactions Report Form 272. Therefore, no additional financial reporting will be required unless required by a specific program.

(10/2009)

**An Overview of Single Audit Requirements of States,
Local Governments, and Non-Profit Organizations**

To meet audit requirements of U.S. Office of Management and Budget (OMB) Circular A-133, grantees must use the version published by OMB in the Federal Register on June 30, 1997 (62 F.R. 35278) amended June 27, 2003 (68.F.R. 38401). Grantees must submit all documents required by OMB Circular A-133, including Form SF-SAC: Data Collection Form, to:

Federal Audit Clearinghouse
1201 East 10th Street
Jeffersonville, Indiana 47132
(301) 763-1551 (voice)
(800) 253-0696 (toll free)
(301) 457-1540 (fax)

Below is a summary of the single audit requirements:

- (1) Non-Federal entities that expend \$500,000 or more in a year in Federal Awards are required to have a single audit conducted for that year except when they elect under paragraph (2) to have a program specific audit conducted for that year (A-133 § __.200 (a & b)).
- (2) When an auditee expends Federal awards under only one Federal program (excluding R&D) and the Federal programs laws, regulations, or grant agreements do not require a financial statement audit of the auditee, the auditee may elect to have a program-specific audit conducted. A program-specific audit may not be elected for R&D unless all of the Federal awards expended were received from the same Federal agency, or the same Federal agency and the same pass-through entity, and that Federal agency, or pass-through entity in the case of a subrecipient, approves in advance a program-specific audit (A-133 § __.200 (c)).
- (3) Non-Federal entities that expend less than \$500,000 a year in Federal awards are exempt from Federal audit requirements under A-133 for that year, except where noted in the circular, but records must be available for review or audit by the appropriate officials of the Federal agency, pass-through entity, and General Accounting Office (GAO). If a program statute requires audits of grants under that program, either at a lower threshold or in all cases, grantees must comply with the program statute (A-133 § __.200 (d)).
- (4) A grantee must submit the audit results to the audit clearinghouse within the earlier of 30 days after the receipt of the auditors report(s), or within nine months after end of the audit period, unless a longer period is agreed to in advance by the Federal agency that provided the funding or a different period is specified in a program-specific audit guide (A-133 § __.320 (a)).

Grantees are strongly urged to obtain the “OMB Circular A-133 Compliance Supplement” and to contact their cognizant agency for single audit technical assistance.

The designated cognizant agency for single audit purposes is “the Federal awarding agency that provides the predominant amount of direct funding to the recipient.” Grantees should obtain a copy of the OMB Circular A-133 Compliance supplement. This supplement will be instructive to both grantees and their auditors. Appendix III of the supplement provides a list of Federal Agency Contacts for A-133 Audits, including addresses, phone numbers, fax numbers, and e-mail addresses for technical assistance.

If the U.S. Department of Education is the cognizant agency, grantees should contact the Non-Federal Audit Team in the Departments Office of Inspector General, at the address, phone, or fax number provided in page 2 of this attachment.

Grantees can obtain information on single audits from:

The OMB Publications Service, (202) 395-7332. (To obtain OMB Circular A-133, Circular A-133 Compliance Supplement, and Form SF-SAC: Data Collection Form)

The OMB web site. Look under OMB Documents, then OMB Circulars. (To obtain OMB Circular A-133, Circular A-133 Compliance Supplement, and Form SF-SAC: Data Collection Form)

The Federal Audit Clearinghouse, 1-888-222-9907. (to obtain Form SF-SAC: Data Collection Form), or The American Institute of Certified Public Accountants (AICPA). AICPA has illustrative OMB Circular A-133 report examples that might be of interest to accountants, auditors, or financial staff. The examples can be obtained by their fax hotline: (202) 938-3797, request document number 311; or from their Internet page. The Internet address is <http://www.aicpa>.

If the U.S. Department of Education is the cognizant agency for the grantee organization, the following chart shows, according to the location of the grantee entity, which location of the Office of Inspector General to contact for single audit-related questions. For programmatic questions, grantees should contact the Education Program Contact shown on the Departments Grant Award Notification

U.S. Department of Education Non-Federal Audit Teams

Director, Non-Federal Audits

Office of Inspector General

U.S. Department of Education

Wanamaker Building

100 Penn Square East., Suite 502

Philadelphia, PA 19107

Phone: Voice (215) 656-6900

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05/04

ENCLOSURE1

TO: Project Directors and Fiscal Management Staff for ED
Discretionary Grants

FROM: Philip A. Maestri
Director, Risk Management Service

SUBJECT: Key Financial Management Requirements for Discretionary
Grants Awarded by the Department of Education (ED)

As part of the Department's on-going efforts to make you aware of your responsibilities associated with managing Federal funds, I am writing to remind you of important financial management requirements that apply to discretionary grant awards.

In general, the Department expects that you will administer ED grants in accordance with generally accepted business practices, exercising prudent judgment so as to maintain proper stewardship of taxpayer dollars. This includes using fiscal control and fund accounting procedures that insure proper disbursement of and accounting for Federal funds. In addition, you may use grant funds only for obligations incurred during the funding period.

The Education Department General Administrative Regulations (EDGAR) contain the general requirements for administering discretionary grants made by this Department. The most recent version of the regulations [34 CFR 74-99] may be accessed at the website the Government Printing Office (GPO) has established for the Code of Federal Regulations (CFR), at the following URL:

http://www.access.gpo.gov/nara/cfr/waisidx_08/34cfrv1_08.html

Please note that this URL shows ALL the parts associated with Volume One of 34 CFR. EDGAR is comprised ONLY of Parts 74 - 99. In addition, the following link to the Federal Register issue of December 7, 2007, contains a final regulation that modified certain sections of Part 75 (Direct Grants) regarding indirect cost rates:

<http://edocket.access.gpo.gov/2007/pdf/E7-23817.pdf>

The attached document, "Selected Topics in Administering ED Discretionary Grants," highlights major administrative requirements of EDGAR in parts 74 and 80. Part 74 applies to institutions of higher education, non-profit organizations, and hospitals. Part 80 applies to States, local governments, and federally recognized Indian tribal governments. In addition, a few of the topics discuss requirements that this Department imposes on its discretionary grantees under Part 75. The specific sections of EDGAR that address the topics discussed are shown in parentheses. I urge you to read the full text of these and other topics in EDGAR.

Please keep in mind that a particular grant might be subject to additional requirements of the authorizing statute for the program that awarded the grant and/or any regulations issued by the program office. You should become familiar with those requirements as well, because program-specific requirements might differ from those in EDGAR.

In closing, I recommend that the project director and the fiscal management staff of a grantee organization communicate frequently with each other about the grant budget. Doing so will help to assure that you use Federal funds only for those expenditures associated with activities that conform to the goals and objectives approved for the project.

You should direct any questions you might have about the topics discussed in the attached document or about any other aspect of administering your grant award to the ED program staff person named in Block 3 of the Grant Award Notification.

Attachment

Selected Topics in Administering ED Discretionary Grants

I. Financial Management Systems (§74.21, §80.20)

In general, grantees are required to have financial management systems that:

- * provide for accurate, current, and complete disclosure of results regarding the use of funds under grant projects;
- * provide adequate source documentation for Federal and non-Federal funds used under grant projects;
- * contain procedures to determine the allowability, allocability, and reasonableness of obligations and expenditures made by the grantee; and
- * enable the grantee to maintain effective internal control and fund accountability procedures, e.g., requiring separation of functions so that the person who makes obligations for the grantee is not the same person who signs the checks to disburse the funds for those obligations.

State systems must account for funds in accordance with State laws and procedures that apply to the expenditure of and the accounting for a State's own funds. A State's procedures, as well as those of its subrecipients and cost-type contractors, must be sufficient to permit the preparation of reports that may be required under the award as well as provide the tracing of expenditures to a level adequate to establish that award funds have not been used in violation of any applicable statutory restrictions or prohibitions.

II. Payment (§74.22, 80.21)

Under parts 74 and 80,--

- * the Department pays grantees in advance of their expenditures if the grantee demonstrates a willingness and ability to minimize the time between the transfer of funds to the grantee and the disbursement of the funds by the grantee;
- * grantees repay to the Federal government interest earned on advances; and
- * grantees subject to Part 74 deposit grant funds in interest-bearing accounts (grantees subject to part 80 are encouraged to also deposit grant funds in interest-bearing accounts).

In general, grantees should make payment requests frequently, only for small amounts sufficient to meet the cash needs of the immediate future.

The Department has recently encountered situations where grantees failed to request funds until long after the grantee actually expended its own funds for the costs of its

grant. Grantees need to be aware that, by law, Federal funds are available for grantees to draw down for only a limited period of time, after which the funds revert to the U.S. Treasury. In some cases grantees have requested funds too late for the Department to be able to pay the grantees for legitimate costs incurred during their project periods. The Department urges financial managers to regularly monitor requests for payment under their grants to assure that Federal funds are drawn from the ED G5 Payment System at the time those funds are needed for payments to vendors and employees.

III. Personnel (§§74.27, 75.511-75.519 and 80.22)

The rules in Part 75 cover issues such as paying consultants with grant funds, waiving the requirement for a full-time project director, making changes in key project staff, and prohibiting dual compensation of staff. General rules governing reimbursement of salaries and compensation for staff working on grant projects are addressed in the cost principles located in Title 2 of the Code of Federal Regulations (2 CFR) (See **Cost Principles**, below). In all cases, payments of any type to personnel must be supported by complete and accurate records of employee time and effort. For those employees that work on multiple functions or separately funded programs or projects, the grantee must also maintain time distribution records to support the allocation of employee salaries among each function and separately funded program or project.

IV. Cost Principles (§74.27, §80.22)

All costs incurred under any grant are subject to cost principles found in 2 CFR that are applicable to particular types of organizations that serve as grantees under Federal grant programs. The applicable cost principles provide lists of selected items of allowable and unallowable costs, and can be found on the Web at the following URLs:*)

2 CFR, Part 220 - Cost Principles for Educational Institutions (relocated to 2 CFR, Part 220 from **OMB Circular A-21**):

http://www.whitehouse.gov/omb/fedreg/2005/083105_a21.pdf

2 CFR, Part 225 - Cost Principles for State, Local and Indian Tribal Governments (relocated to 2 CFR, Part 225 from **OMB Circular A-87**):

http://www.whitehouse.gov/omb/fedreg/2005/083105_a87.pdf

2 CFR, Part 230 - Cost Principles for Non-Profit Organizations (relocated to 2 CFR, Part 230 from **OMB Circular A-122**):

http://www.whitehouse.gov/omb/fedreg/2005/083105_a122.pdf

V. Procurement Standards (§§74.40-48, §80.36)

Under §80.36, States are required to follow the procurement rules the States have established for purchases funded by non-Federal sources. Under both parts 74 and 80, when procuring goods and services for a grant purposes, all other grantees may follow their own procurement procedures, but only to the extent that those procedures meet the minimum requirements for procurement specified in the regulations. These requirements include written competition procedures and codes of conduct for grantee staff, as well as requirements for cost and price analysis, record-keeping and contractor compliance with certain Federal laws and regulations. These regulations also require grantees to include certain conditions in contracts and subcontracts, as mandated by the regulations and statutes.

VI. Indirect Costs (§§75.560-564)

A. A grantee must have a current indirect cost rate agreement to charge indirect costs to a grant. However, if a grantee does not have a federally recognized indirect cost rate agreement on the date ED awards its grant, ED generally will authorize the grantee to use a temporary rate, of 10% of budgeted salaries and wages subject to the following limitations:

1. The grantee must submit an indirect cost proposal to its cognizant agency within 90 days after ED issues the GAN.
 - i. The cognizant agency is generally the Federal department or agency providing the grantee with the most direct Federal funding subject to indirect cost support (or an agency otherwise designated by OMB).
 - ii. If an organization receives most of its Federal funding indirectly as a sub-recipient via another entity (for example, a State Education Agency [SEA]), the conduit organization that provides the most pass-through Federal funding is responsible for establishing indirect cost rates for the sub-recipient.
2. If after the 90-day period, the grantee has not submitted an indirect cost proposal to its cognizant agency, the grantee may not charge its grant for indirect costs until it has negotiated an indirect cost rate agreement with its cognizant agency. However, under exceptional circumstances, ED may allow the grantee to continue using the temporary indirect cost after the end of the 90-day period even though the grantee did not submit an indirect cost proposal within the 90-day period. Before ED approves continued use of the temporary rate, the grantee must provide documentation satisfactory to ED that exceptional circumstances exist.
3. Once a grantee that has used a temporary rate obtains a federally recognized cost rate, the grantee may use the federally recognized rate to claim indirect costs reimbursement. The recovery is subject to the following limitations:
 - i. The grantee may only recover indirect costs incurred on or after the date it submitted its indirect cost rate proposal to its cognizant agency or at the start of the of the project period, whichever of the two occurs later.

- ii. The total amount of funds recovered by the grantee under the federally recognized indirect cost rate is reduced by the amount of indirect costs previously recovered under the temporary indirect cost rate on or after the date specified in subparagraph 3 (i).
- iii. The grantee must obtain prior approval from the Secretary to shift direct costs to indirect costs in order to recover indirect costs at a higher negotiated indirect cost rate.
- iv. The grantee may not request additional funds to recover indirect costs that it cannot recover by shifting direct costs to indirect costs.

4. If an organization receives a combination of direct Federal funding and pass-through funding as a sub-recipient, and the entity does not have a rate established by some other cognizant agency, the Federal agency providing the most direct funding (or otherwise designated by OMB) is the cognizant agency for cost negotiation.

The only exceptions to the general rules about which agency is the cognizant agency for a grantee are indirect cost negotiations with institutions of higher education that are subject to 2 CFR, Part 220, G.11.a., "Cognizant agency assignments" (relocated to 2 CFR, Part 220 from OMB circular A-21, "Cognizant agency assignments").

B. ED imposes limitations on indirect cost rates for certain types of grants, depending on the nature of the grant or the program under which the grant was funded. For example, grantees in specific programs with legislation containing "supplement-not-supplant" provisions are subject to a "restricted" indirect cost rate. Restricted indirect cost rates are lower than the negotiated indirect cost rates because the restricted rate excludes certain general management and fixed costs that would otherwise be included in the standard indirect cost rate calculation. Sections 75.563 and 76.564-569 in EDGAR describe how to calculate restricted rates in more detail. The ED program officer for any grant program can verify whether that program is covered by restricted rate requirements. See Attachment D of this GAN for more specific information.

C. Section 75.562 of EDGAR limits the indirect cost rate to 8% for training grants, regardless of the rate negotiated with the cognizant agency. (This 8% limitation does not apply to federally recognized Indian tribes or agencies of States or local governments.) The difference between the 8% limit and the grantee's negotiated rate may not be used for cost sharing or matching purposes, charged to direct cost categories, or charged to another Federal award.

D. Some programs contain prohibitions against recovery of any indirect costs. Under grants received from one of these programs, a grantee may not charge to a direct cost category in its budget a cost that would be treated as an indirect cost in other situations, nor may those unrecovered indirect costs be charged to other Federal awards.

E. In connection with reporting indirect costs under a grant, grantees will need to review the cover sheet of the ED Grant Performance Report (ED 524B). The section, "Indirect Costs," contains four questions related to claiming indirect costs under a grant.

Grantee personnel should be sure to answer these questions accurately so that the Department can exercise properly its responsibility for fiscal oversight of its grant awards.

More extensive discussion of indirect cost rates and their relationship to ED grants can be found on the website of the Office of the Chief Financial Officer (OCFO) at:

<http://www.ed.gov/about/offices/list/ocfo/fipao/icgindex.html>

VII. Audit Requirements (§74.26, §80.26)

The Single Audit Act requires that grantees obtain a non-Federal audit of their expenditures under their Federal grants if the grantee expends more than \$500,000 in Federal funds in one fiscal year. OMB Circular A-133 contains the requirements imposed on grantees for audits done in connection with the law. The full text of the most recent version of the circular can be found at:

<http://www.whitehouse.gov/omb/circulars/a133/a133.html>

The Department recommends hiring auditors who have specific experience in auditing Federal awards under the circular and the Compliance Supplement, which can be found at:

http://www.whitehouse.gov/omb/circulars/a133_compliance/01/01toc.html

OTHER CONSIDERATIONS

Some other topics of financial management covered in EDGAR that might affect particular grants include program income (§§74.24, 80.25), cost sharing or matching (§§74.23, 80.24), property management requirements for equipment and other capital expenditures (§§74.34, 80.32).

11/08

*) Those who have difficulty accessing these Web pages directly may go to the main Web page (<http://www.whitehouse.gov/omb/circulars/>) for all OMB circulars, listed in numerical sequence, and use the links shown to access a particular circular.

UNITED STATES DEPARTMENT OF EDUCATION
Office of the Chief Financial Officer

MEMORANDUM to ED DISCRETIONARY GRANTEES

You are receiving this memorandum to remind you of Federal requirements, found in Parts 74 and 80 of the Education Department General Administrative Regulations (EDGAR), regarding cash drawdowns under your grant account.

For any cash that you draw from your Department of Education grant account, you must:

- draw down only as much cash as is necessary to meet the immediate needs of the grant project;
- keep to the minimum the time between drawing down the funds and paying them out for grant activities; and
- return to the Government the interest earned on grant funds deposited in interest-bearing bank accounts except for a small amount of interest earned each year that your entity is allowed to keep to reimburse itself for administrative expenses).

In order to meet these requirements, you are urged to:

- take into account the need to coordinate the timing of drawdowns with prior internal clearances (e.g., by boards, directors, or other officials) when projecting immediate cash needs so that funds drawn down from ED do not stay in a bank account for extended periods of time while waiting for approval;
- monitor the fiscal activity (drawdowns and payments) under your grant on a continuous basis;
- plan carefully for cash flow in your grant project during the budget period and review project cash requirements before each drawdown; and
- pay out grant funds for project activities as soon as it is practical to do so after receiving cash from the Department.

Keep in mind that the Department monitors cash drawdown activity for all grants on a weekly basis. Department staff will contact grantees who appear to have drawn down excessive amounts of cash under one or more grants during the fiscal quarter to discuss the particular situation. For the purposes of drawdown monitoring, the Department will contact grantees who have drawn down 50% or more of the grant in the first quarter, 80% or more in the second quarter, and/or 100% of the cash in the third quarter of the budget period. However, even amounts less than these thresholds could still represent excessive drawdowns for your particular grant activities in any particular quarter. Grantees determined to have drawn down excessive cash will be required to return the excess funds to the Department, along with any associated earned interest, until such time as the money is legitimately needed to pay for grant activities. If you need assistance with returning funds and interest, please contact ED's G5/GAPS Payee Hotline by calling 1-888-336-8930.

Grantees that do not follow Federal cash management requirements and/or consistently appear on the Department's reports of excessive drawdowns could be:

- designated "high-risk" grantees [EDGAR 74.14, 80.12], which could mean being placed on a "cash-reimbursement" payment method (i.e., a grantee would experience the inconvenience of having to pay for grant activities with its own money and waiting to be reimbursed by the Department afterwards);
- subject to further corrective action;
- denied selection for funding on future ED grant applications [EDGAR 75.217(d)(3)(ii)]; and/or
- debarred or suspended from receiving future Federal awards from any executive agency of the Federal government.

Depending on which type of entity your organization is, you are urged to read either §74.22 or §80.21 of EDGAR to learn more about Federal requirements related to grant payments. If you are a state or local educational agency with a grant covered by Part 80, please check with the ED staff person named in Block 3 of your Grant Award Notification to determine how to apply these requirements to any subgrantees. You are urged to make copies of this memorandum and share it with all affected individuals within your organization.

09/09

MEMORANDUM

ENCLOSURE 4
June 15, 2010

To: Recipients of grants and cooperative agreements

From: Thomas Skelly, Delegated to Perform Functions of Chief Financial Officer

Subject: Department of Education Cash Management Policies for Grants and Cooperative Agreements

The purpose of this memorandum is to remind the Department of Education's (the Department's) grant and cooperative agreement recipients (recipients) of existing cash management requirements regarding payments. The Department expects that recipients will ensure that subrecipients are also aware of these policies by forwarding a copy of this memorandum to them.

There are two different sets of payment requirements that apply to the draw of funds from recipient accounts at the Department. Payments to a State under programs covered by a State's Treasury State Agreement (TSA) are subject to the requirements of the *Cash Management Improvement Act of 1990 (CMIA)* as published in 31 United States Code 6503.

All other payments to States and all payments to other types of recipients are subject to the requirements in either 34 Code of Federal Regulation (CFR) Part 74, applicable to nongovernmental entities, or 34 CFR Part 80, applicable to State, local, and Indian tribal governments. These regulations are part of the Education Department General Administrative Regulations (EDGAR) and are available on the Web at http://www.access.gpo.gov/nara/cfr/waisidx_08/34cfrv1_08.html.

CMIA Requirements

States that draw funds under programs subject to the *CMIA* must draw funds as required under the TSA for the State. If a State draws funds under one of these programs to make payments to a subrecipient, the payment request to the Department should only be made at the request of the subrecipient, which must make draw requests to the State as required under the requirements in EDGAR, as described below.

EDGAR Requirements

Payments to States under programs not covered by the State's TSA and payments to other governments are subject to the requirements in Part 80 of EDGAR. These payment requirements also apply to all other types of recipients under Part 74 of EDGAR, which applies to nonprofit organizations, institutions of higher education, hospitals, and commercial organizations. States that draw funds on behalf of subrecipients under programs not covered by a TSA should remind subrecipients that they may only request funds from the State under the payment standards in Part 74 or Part 80, as applicable.

For any cash drawn from your program or project account at the Department:

- Recipients must minimize the time between the recipient's draw down of funds from its grant account at the Department and the time the recipient disburses those funds to payees via

electronic transfer, check redemption or other means of transfer. See 34 CFR 74.22(a) and 80.21(b). Specifically, recipients may only draw funds to meet the immediate cash needs of the grant or cooperative agreement.

- For recipients subject to Part 74 of EDGAR, unless the conditions described in 34 CFR Part 74 Section 22(k) exist, these recipients must deposit advances of Federal funds in interest bearing accounts.
- Recipients subject to Part 74 of EDGAR must return to the U.S. Department of Health and Human Services (HHS) the interest earned on advances of grant funds except that the recipient may retain up to \$250 of interest earned on the account each year to pay for the costs of maintaining the account. These requirements also apply to subrecipients subject to Part 74 Section 22 (l) which requires these recipients and subrecipients to annually remit interest earned on advances of funds. The address for interest remittances to HHS is:

U.S. Department of Health and Human Services
P.O. Box 6120
Suite 1133
Rockville, MD 20852

The remittance should be accompanied by a letter stating that the remittance is for “interest earned on Federal funds” and should include the DUNS number.

- Recipients subject to Part 80 of EDGAR must return to the Department the interest earned on advances of grant funds except that the recipient may retain up to \$100 of interest earned on the account each year to pay for the costs of maintaining the account. Section 80.21(i) requires these recipients to promptly (at least quarterly) remit interest earned on advances to the Department. These requirements also apply to subrecipients subject to Part 80. The address for interest remittances to the Department is:

U.S. Department of Education
P.O. Box 979053
St. Louis, MO 63197-9000

The remittance should be accompanied by a letter stating that the remittance is for “interest earned on Federal funds” and should include the DUNS number.

- Recipients must use grant funds only for obligations incurred during the funding period.
- Recipients must distribute Federal funds to subrecipients only when requested by the subrecipient and as needed to pay program costs.

Recipients have other responsibilities regarding the use of Federal funds. We highlight the following practices related to the draw of Federal funds that are either required by EDGAR or will assist recipients in meeting their responsibilities under EDGAR.

- Recipients must regularly monitor the payment requests made by their subrecipients to ensure that those requests conform to the same payment requirements that apply to the recipient. See 34 CFR Part 80 Section 20(b)(7);
- Recipients must regularly monitor the fiscal activity of their subrecipients on a continuous basis and ensure that their subrecipients return interest earned;
- If expenditures under the program or project require the recipient's board or specified officials to approve expenditures, the recipient should obtain that approval before making the payment request for any expenditure, thus minimizing the period of time that funds remain in the recipient's bank account pending disbursement of the funds for expenditures under the program or project. See 34 CFR 74.21(b)(5) and 80.22(a); and
- Plan carefully for cash flows for your grant project and review projected cash requirements before each drawdown. See 34 CFR 74.21 and 74.22 or 80.20 and 80.21, as applicable.

Recipients that do not follow the cash management requirements applicable to their grants could be:

- Placed on a “cash-reimbursement” payment method, i.e., a recipient would have to pay for grant activities with its own money and submit documentation of the expenditures to the Department before receiving reimbursement from the Department;
- Designated a “high-risk” recipient under 34 CFR 74.14 or 80.12, as applicable, which may involve the imposition of conditions in addition to that of being placed on a reimbursement payment system;
- Subjected to further corrective action, including withholding of funds, suspension, and termination of the award. See 34 CFR 74.62 or 80.43, as applicable;
- Denied funding under future Department discretionary grant competitions. See 34 CFR Part 75 Section 217(d)(3)(ii); and
- Debarred or suspended under 34 CFR Part 85 from receiving future Federal awards from any executive agency of the Federal government.

A small number of ED grant programs have program-specific cash management and payment requirements based on the authorizing legislation or program regulations. These program-specific requirements may supplement or override the general EDGAR cash management or payment requirements. If you have any questions about your specific grant, please contact the program officer, whose contact information is on your Grant Award Notification (GAN).

ED's Office of the Chief Financial Officer will provide ongoing outreach efforts regarding cash management and payment requirements, including supplementary webinars, URL links and Frequently Asked Question sheets.

Thank you for your attention to this matter. If you have any questions, please contact Cynthia Heath at (202) 245-8043 or cynthia.heath@ed.gov

**Recipients of ED Grants and Cooperative Agreements
Frequently Asked Questions**

Q What are the Federal Laws and Regulations on cash management?

A The *Cash Management Improvement Act of 1990 (CMIA)* is the overriding public law for cash management. It was enacted by Public Law 101-453, 31 U.S.C. 3335 and 6503. The implementing regulations are in Title 31 of the Code of Federal Regulations (CFR), Part 205, <http://www.fms.treas.gov/fedreg/31cfr205final.pdf>. In addition, the Education Department General Administrative Regulations (EDGAR) defines the CFR specific to administering the U.S. Department of Education's (the Department's) grants in 34 CFR, Part 74 and Part 80, http://www.access.gpo.gov/nara/cfr/waisidx_08/34cfrv1_08.html.

Q What are the CMIA requirements?

A States that draw funds under programs subject to the *CMIA* must draw funds as required under the Treasury-State Agreement (TSA) for the State. If a State draws funds under one of these programs to make payments to a subrecipient, the payment request to the Department should only be made at the request of the subrecipient, which must make draw requests to the State as required under the requirements in EDGAR.

Q What are the Education Department General Administrative Regulations (EDGAR) requirements?

A Payments to States and other governments under programs not covered by the State's TSA and payments to other governments are subject to the requirements in Part 80 of EDGAR. These payment requirements also apply to all other types of recipients under Part 74 of EDGAR, which applies to nonprofit organizations, institutions of higher education, hospitals, and commercial organizations. States that draw funds on behalf of subrecipients under programs not covered by a TSA should remind subrecipients that they may only request funds from the State under the payment standards in Part 74 or Part 80, as applicable. The EDGAR is available on the Web at http://www.access.gpo.gov/nara/cfr/waisidx_08/34cfrv1_08.html.

Q What is a Treasury-State Agreement (TSA)?

A A TSA documents the accepted funding techniques and methods for calculating interest agreed upon by the U.S. Department of the Treasury (Treasury) and a State. It also identifies the Federal assistance programs. The *CMIA*'s implementing regulations at 31 CFR 205 will govern if there are any inconsistencies. A TSA will be effective until terminated, unless Treasury and a State agree to a specific termination date. Treasury or a State may terminate a TSA with 30 days written notice.

Q What if there is no TSA?

A When a State does not have a TSA in effect, default procedures will be prescribed to implement 34 CFR, subpart A. The default procedures will prescribe efficient funds transfer procedures consistent with State and Federal law and identify the covered Federal assistance programs and designated funding techniques. When the Department and a State reach agreement on some but not all Federal assistance programs administered by the State, the Department and the State may enter into a TSA for all programs on which we are in agreement and we may prescribe default procedures governing those programs on which we are unable to reach agreement.

Q What is a Federal-State Agreement?

A A Federal-State Agreement is an agreement between a State and a Federal Program Agency specifying terms and conditions for carrying out a Federal assistance program or group of programs. This is different from a TSA.

Q Who is responsible for Cash Management?

A The Department’s grant and cooperative agreement recipients (recipients) are charged with the administration of Federal funds. In addition, recipients are responsible for ensuring that subrecipients are aware of cash management policies. For more information, see the recently issued Memorandum from the Chief Financial Officer on Cash Management which is posted on the ed.gov “ED Memoranda to Grantees” page at <http://www2.ed.gov/policy/fund/guid/gposbul/gposbul.html>.

Q Who is responsible for monitoring cash drawdowns to ensure compliance with cash management policies?

A Recipients must monitor their cash drawdowns **and** their subrecipients to assure substantial compliance to the standards of timing and amount of advances. Additionally, when considered necessary and feasible by the Federal agency, recipients may be required to report the amount of cash advances in excess of three days’ needs in their hands **and** of their subrecipients and to provide short narrative explanations of actions taken by the recipient to reduce the excess balances.

Q How soon may I draw down funds from the G5 grants management system (G5 replaced E-Payments in December 2007)?

A Grantees are required to minimize the amount of time between the drawdown and the use of funds from their bank accounts. (See EDGAR §74.21-22 and §80.20-21.) Funds must be drawn only to meet a grantee’s immediate cash needs for each individual grant. Each time you use the G5 system to draw down a payment you check a box certifying that you are adhering to cash management requirements and that the funds will be spent within 3 days. The G5 screen displays the following message: *I certify, by processing this payment request and/or re-allocation, that the funds are being expended within three business days of receipt for the purpose and condition of the agreement.*

Q How may I use Federal funds?

A Federal funds must be used as specified in the Grant Award Notification (GAN).

Q What if I used Federal funds for other than the specific purpose for which it was given?

A This will be deemed a disallowed expenditure, and funds (including any earned interest) must be returned to the Department.

Q What are excess cash balances?

A Excess cash balances are funds maintained at the recipient/subrecipient’s level in excess of immediate (usually 3 days) needs. Excess cash balances must be promptly withdrawn from account and returned to the Department.

Q What are the consequences to recipients/subrecipients for not complying with terms of the grant award?

A If a recipient or subrecipient materially fails to comply with any term of an award, whether stated in a Federal statute or regulation, EDGAR, an assurance, a cooperative agreement, a TSA, an application, a notice of award, or elsewhere, the awarding agency may take one or more of the following actions:

- (1) Temporarily withhold cash payments pending correction of the deficiency by the recipient or subrecipient or more severe enforcement action by the awarding agency,
- (2) Disallow (that is, deny both use of funds and matching credit for) all or part of the cost of the activity or action not in compliance,
- (3) Wholly or partly suspend or terminate the current award for the recipient’s or subrecipient’s program,
- (4) Withhold further awards for the program, or
- (5) Take other remedies that may be legally available.

Q Who is responsible for determining the amount of interest owed to the Department?

A As set forth in 31 CFR 205.9, a TSA must include the method a State uses to calculate and document interest liabilities. A State must calculate and report interest liabilities on the basis of its fiscal year. A State must ensure that its interest calculations are auditable and retain a record of the calculations. A non-State entity must keep track of any interest earned on Federal funds and promptly remit it to the government. Also, see the June 15, 2010, memorandum from the Department's Chief Financial Officer on *Department of Education Cash Management Policies for Grants and Cooperative Agreements* posted at <http://www2.ed.gov/policy/fund/guid/gposbul/gposbul.html>.

Q How is interest earned on Federal funds calculated?

A If you earn interest on Federal funds, you must return the actual amount earned to the Department. If the disbursement arrangement is subject to a TSA, then the recipient must adhere to the interest calculation method specified in the TSA. Recipients that are not subject to a TSA (non-TSA recipients), along with subrecipients, must return actual interest earned on cash balances to the Department.

In some cases, non-TSA recipients or subrecipients may not be able to readily identify the actual amount and must calculate the interest earned on Federal cash balances. For these cases, here are some guiding principles for non-TSA recipients and subrecipients to consider when performing interest calculations:

- Non-TSA recipients and subrecipients should calculate interest earned on Federal cash balances using the same method that was used to determine their interest earnings on cash balances from all sources. For example, Federal interest should be calculated using the average daily balance method if this method was used to calculate interest on Federal and non-Federal cash balances (all sources).
- Federal interest should be calculated using the same interest rate at which the non-TSA recipient or subrecipient earned interest on cash balances from all sources. Because interest earned on Federal cash balances must be calculated and remitted quarterly, the rate used in these calculations should be the applicable rate for that quarter.
- The amount of interest earnings remitted to the Department should not be reduced in order to compensate for the temporary use of other non-Federal cash resources to pay Federal program costs. This is true whether the non-TSA recipient or subrecipient normally receives Federal funds through an advance or reimbursement funding method.

Q May we keep interest earned on Federal funds?

A A recipient/subrecipient subject to EDGAR 34 CFR Part 74 may keep up to \$250/year of interest earned on excess Federal fund advances to cover administrative costs. All other amounts must be returned to the Department of Health and Human Services.

A recipient/subrecipient subject to EDGAR 34 Part 80 may keep up to \$100/year of interest earned on excess Federal fund advances to cover administrative costs. All other amounts must be returned to the Department of Education.

Q Where should I return interest earned on Federal funds?

A Recipients subject to Part 74 of EDGAR must return to the U.S. Department of Health and Human Services (HHS) the interest earned on advances of grant funds except that the recipient may retain up to \$250 of interest earned on the account each year to pay for the costs of maintaining the account. These requirements also apply to subrecipients subject to Part 74 Section 22 (I), which requires these recipients and subrecipients to annually remit interest earned on advances of funds. The address for interest remittances to HHS is:

U.S. Department of Health and Human Services

P.O. Box 6120, Suite 1133
Rockville, MD 20852

Recipients subject to Part 80 of EDGAR must return to the Department the interest earned on advances of grant funds except that the recipient may retain up to \$100 of interest earned on the account each year to pay for the costs of maintaining the account. Section 80.21(i) requires these recipients to promptly (at least quarterly) remit interest earned on advances to the Department. These requirements also apply to subrecipients subject to Part 80. The address for interest remittances to the Department is:

U.S. Department of Education
P.O. Box 979053
St. Louis, MO 63197-9000

Q What information should accompany my interest payment?

A Recipient/subrecipient should note their DUNS number as well as any other identifiable information specific to the award and the recipient/subrecipient.

Q Are grant recipients/subrecipients automatically permitted to draw funds in advance of the time they need to disburse funds in order to liquidate obligations?

A No. Section 80.21 of the EDGAR prescribes several methods a recipient may use to make payments to subrecipients. The State educational agency as the recipient, however, has the authority to determine which method it will use to make payments to its subrecipients within the State.

Q For formula grant programs such as ESEA Title I, for which States distribute funds to LEAs, may States choose to pay LEAs on a reimbursement basis?

A Yes. Section 80.21 of the EDGAR authorizes States to implement a payment system in which LEAs are reimbursed monthly; quarterly; or, in some cases, semi-annually. A reimbursement process is a State choice and not mandated by ED. Section 80.21 of EDGAR also allows recipients and subrecipients to be paid in advance, provided they maintain or demonstrate the willingness and ability to maintain procedures to minimize the time elapsing between the transfer of the funds and their disbursement by the recipient or subrecipient.

Q What are the exceptions to adhering to cash management requirements?

A A small number of ED grant programs have program-specific cash management and payment requirements based on the authorizing legislation or program regulations. These program-specific requirements may supplement or override the general EDGAR cash management or payment requirements. If you have any questions about your specific grant, please contact the program officer, whose contact information is on your Grant Award Notification (GAN).

Q Will the Department issue special procedures in advance if G5 plans to shut down for 3 days or more?

A Yes, the Department will issue special guidance for drawing down funds during a G5 shut down period of 3 days or more. The guidance will include cash management improvement act procedures for States and certain State institutions of higher education and procedures for grants (including Pell grants) that are not subject to CMIA. Early notice is provided to all grantees to plan accordingly.

EDGAR Advisory to Grantees

The Education Department General Administrative Regulations (EDGAR) are a compilation of regulations applicable to ED grantees, composed of Parts 74-99 of Title 34 in the U.S. Government's Code of Federal Regulations (CFR). The CD-ROM of EDGAR distributed with Grant Award Notifications since early 2009 contains the version of Part 99 [Family Educational Rights and Privacy] issued by the Department in December 2008, as well as nonprocurement debarment and suspension regulations at Part 85, issued in 2003.

Last year, the Department published a revised version of Part 99, containing numerous amendments and updates, which was effective on January 3, 2012. The revised Part 99 will be formally codified in the CFR in the last half of 2012. In the meantime, grantees are directed to the version of the revised Part 99 that can currently be found online at the Government Printing Office's e-CFR website. The e-CFR is a regularly updated, unofficial, non-legal edition of the CFR, created in partnership with the Office of the Federal Register.

In addition, the Department revised its regulations for nonprocurement debarment and suspension in March, 2012. This revision removed Part 85 from EDGAR and relocated the nonprocurement debarment and suspension regulations to another Title of the CFR, specifically 2 CFR 3485.

The Department's website contains links to the e-CFR version of the revised EDGAR Part 99, all the other parts of EDGAR, and the new 2 CFR 3485 at:

<http://www2.ed.gov/policy/fund/reg/edgarReg/edgar.html>

Grantees wishing to review the background and discussion of the changes made to in the revised Part 99 can find a link for the Department's *Federal Register* issuing notice on at the same web page. The *Federal Register* notice updates the previous notice shown in Appendix B on the EDGAR CD-ROM and contains the name and contact information for the ED staff member who can respond to inquiries about the revised Part 99.

The web page also contains a link to the *Federal Register* notice that issued the new nonprocurement debarment and suspension regulations at 2 CFR 3485.

08/2012

UNITED STATES DEPARTMENT OF EDUCATION
Office of the Chief Financial Officer

MEMORANDUM to ED GRANTEEES REGARDING THE USE OF GRANT FUNDS FOR CONFERENCES AND MEETINGS

You are receiving this memorandum to remind you that grantees must take into account the following factors when considering the use of grant funds for conferences and meetings:

- Before deciding to use grant funds to attend or host a meeting or conference, a grantee should:
 - Ensure that attending or hosting a conference or meeting is consistent with its approved application and is reasonable and necessary to achieve the goals and objectives of the grant;
 - Ensure that the primary purpose of the meeting or conference is to disseminate technical information, (e.g., provide information on specific programmatic requirements, best practices in a particular field, or theoretical, empirical, or methodological advances made in a particular field; conduct training or professional development; plan/coordinate the work being done under the grant); and
 - Consider whether there are more effective or efficient alternatives that can accomplish the desired results at a lower cost, for example, using webinars or video conferencing.
- Grantees must follow all applicable statutory and regulatory requirements in determining whether costs are reasonable and necessary, especially the Cost Principles for Federal grants set out at 2 CFR Part 225 (OMB Circular A-87, State, Local, and Indian Tribal Governments), (<http://www.gpo.gov/fdsys/pkg/CFR-2011-title2-vol1/xml/CFR-2011-title2-vol1-part225.xml>); 2 CFR Part 220 (OMB Circular A-21, Educational Institutions), (<http://www.gpo.gov/fdsys/pkg/CFR-2011-title2-vol1/xml/CFR-2011-title2-vol1-part220.xml>); and 2 CFR 230 (OMB Circular A-122, Non-Profit Organizations) (<http://www.gpo.gov/fdsys/pkg/CFR-2011-title2-vol1/xml/CFR-2011-title2-vol1-part230.xml>). In particular, remember that:
 - Federal grant funds cannot be used to pay for alcoholic beverages; and
 - Federal grant funds cannot be used to pay for entertainment, which includes costs for amusement, diversion, and social activities.
- Grant funds may be used to pay for the costs of attending a conference. Specifically, Federal grant funds may be used to pay for conference fees and travel expenses (transportation, per diem, and lodging) of grantee employees, consultants, or experts to attend a conference or meeting if those expenses are reasonable and necessary to achieve the purposes of the grant.
 - When planning to use grant funds for attending a meeting or conference, grantees should consider how many people should attend the meeting or conference on their behalf. The number of attendees should be reasonable and necessary to accomplish the goals and objectives of the grant.
- A grantee hosting a meeting or conference may not use grant funds to pay for food for conference attendees unless doing so is necessary to accomplish legitimate meeting or conference business.
 - A working lunch is an example of a cost for food that might be allowable under a Federal grant if attendance at the lunch is needed to ensure the full participation by conference attendees in essential discussions and speeches concerning the purpose of the conference and to achieve the goals and objectives of the project.

UNITED STATES DEPARTMENT OF EDUCATION

Office of the Chief Financial Officer

- A meeting or conference hosted by a grantee and charged to a Department grant must not be promoted as a U.S. Department of Education conference. This means that the seal of the U.S. Department of Education must not be used on conference materials or signage without Department approval.
 - All meeting or conference materials paid for with grant funds must include appropriate disclaimers, such as the following:

The contents of this (insert type of publication; e.g., book, report, film) were developed under a grant from the Department of Education. However, those contents do not necessarily represent the policy of the Department of Education, and you should not assume endorsement by the Federal Government.
- Grantees are strongly encouraged to contact their project officer with any questions or concerns about whether using grant funds for a meeting or conference is allowable prior to committing grant funds for such purposes.
 - A short conversation could help avoid a costly and embarrassing mistake.
- Grantees are responsible for the proper use of their grant awards and may have to repay funds to the Department if they violate the rules on the use of grant funds, including the rules for meeting- and conference-related expenses.

June 2012

Attachment F

Request for Approval of Program Income

In projects that generate program income ¹⁰⁾, the recipient calculates the amount of program income according to the guidance given in:

- 34 CFR 74.20(f) [institutions of higher education, nonprofit organizations, and hospitals];
or
- 34 CFR 80.25(c) [State and local governments and Federally recognized Indian tribes].

***** IF YOU RECEIVED YOUR GRANT AWARD NOTIFICATION ELECTRONICALLY AND YOU ARE SUBJECT TO ANY OF THE RESTRICTIONS IDENTIFIED BELOW, THE RESTRICTION(S) WILL APPEAR IN BOX 10 ON YOUR GRANT AWARD NOTIFICATION AS A GRANT TERM OR CONDITION OF THE AWARD. *****

Unless checked below as NOT ALLOWED, the recipient may exercise any of the options or combination of options, as provided in EDGAR ¹¹⁾, for using program income generated in the course of the recipient's authorized project activities:

- _____ Not Allowed Adding program income to funds committed to the project by the Secretary and recipient and using it to further eligible project or program objectives;
- _____ Not Allowed Using program income to finance the non-Federal share of the project or program; and
- _____ Not Allowed Deducting program income from the total project or program allowable cost in determining the net allowable costs on which the Federal share of costs is based.

¹⁰⁾ As defined in §74.2 and §80.25(b) of the Education Department General Administrative Regulations (EDGAR)

¹¹⁾ 34 CFR 74.24(a)-(h) [Institutions of higher education, nonprofit organizations, and hospitals]; or
34 CFR 80.25(a)-(h) [State and local governments and Federally-recognized Indian tribes]

Trafficking in Persons

The Department of Education adopts the requirements in the Code of Federal Regulations at 2 CFR 175 and incorporates those requirements into this grant through this condition. The grant condition specified in 2 CFR 175.15(b) is incorporated into this grant with the following changes. Paragraphs a.2.ii.B and b.2.ii. are revised to read as follows:

“a.2.ii.B. Imputed to you or the subrecipient using the standards and due process for imputing the conduct of an individual to an organization that are provided in 34 CFR part 85.”

“b.2.ii. Imputed to the subrecipient using the standards and due process for imputing the conduct of an individual to an organization that are provided in 34 CFR part 85.”

Under this condition, the Secretary may terminate this grant without penalty for any violation of these provisions by the grantee, its employees, or its subrecipients.

Reporting Prime Awardee Executive Compensation Data

The Federal Funding Accountability and Transparency Act (FFATA) is designed to increase transparency and improve the public's access to Federal government information. To this end, FFATA requires that executive compensation data be reported for all new Federal grants funded at \$25,000 or more with an award date on or after October 1, 2010. As such, grants awarded by the U.S. Department of Education are required to report executive compensation data as addressed in this grant award term:

a. Reporting Total Compensation of Recipient Executives:

1. *Applicability and what to report.* You must report total compensation for each of your five most highly compensated executives for the preceding completed fiscal year, if—

i. the total Federal funding authorized to date under this award is \$25,000 or more;

ii. in the preceding fiscal year, you received--

(A) 80 percent or more of your annual gross revenues from Federal procurement contracts (and subcontracts) and Federal financial assistance subject to the Transparency Act, as defined at 2 CFR 170.320 (and subawards); and

(B) \$25,000,000 or more in annual gross revenues from Federal procurement contracts (and subcontracts) and Federal financial assistance subject to the Transparency Act, as defined at 2 CFR 170.320 (and subawards); and

iii. The public does not have access to information about the compensation of the executives through periodic reports filed under section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m(a), 78o(d)) or section 6104 of the Internal Revenue Code of 1986. (To determine if the public has access to the compensation information, see the U.S. Security and Exchange Commission total compensation filings at <http://www.sec.gov/answers/excomp.htm>.)

2. *Where and when to report.* You must report executive total compensation described in paragraph b.1. of this award term as part of your System for Award Management (SAM) registration profile at <http://www.sam.gov>.

A. If this is the first award you have received that is subject to the reporting requirements in paragraph b.1., you must report by the end of the month following the month in which this award is made, and on each anniversary of this award.

B. If you have already received an award this year that is subject to the reporting requirements in paragraph b.1., you must report executive compensation on the anniversary of the first award you received that was subject to the reporting requirement in paragraph b.1. of this condition.

b. Definitions. For purposes of this award term:

1. *Entity* means all of the following, as defined in 2 CFR part 25:

- i.** A Governmental organization, which is a State, local government, or Indian tribe;
- ii.** A foreign public entity;
- iii.** A domestic or foreign nonprofit organization;
- iv.** A domestic or foreign for-profit organization;
- v.** A Federal agency, but only as a subrecipient under an award or subaward to a non-Federal entity.

2. *Executive* means officers, managing partners, or any other employees in management positions.

3. *Total compensation* means the cash and noncash dollar value earned by the executive during the recipient's or subrecipient's preceding fiscal year and includes the following (for more information see 17 CFR 229.402(c)(2)):

- i.** Salary and bonus.
- ii.** Awards of stock, stock options, and stock appreciation rights. Use the dollar amount recognized for financial statement reporting purposes with respect to the fiscal year in accordance with the Statement of Financial Accounting Standards No. 123 (Revised 2004) (FAS 123R), Shared Based Payments.
- iii.** Earnings for services under non-equity incentive plans. This does not include group life, health, hospitalization or medical reimbursement plans that do not discriminate in favor of executives, and are available generally to all salaried employees.
- iv.** Change in pension value. This is the change in present value of defined benefit and actuarial pension plans.
- v.** Above-market earnings on deferred compensation which is not tax-qualified.
- vi.** Other compensation, if the aggregate value of all such other compensation (e.g. severance, termination payments, value of life insurance paid on behalf of the employee, perquisites or property) for the executive exceeds \$10,000.

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**SPECIAL CONDITIONS FOR DISCLOSING
FEDERAL FUNDING IN PUBLIC ANNOUNCEMENTS**

When issuing statements, press releases, requests for proposals, bid solicitations and other documents describing projects or programs funded in whole or in part with Federal money, all grantees receiving Federal funds included in this Act, including but not limited to State and local governments and recipients of Federal research grants, shall clearly state —

- 1) the percentage of the total costs of the program or project which will be financed with Federal money;
- 2) the dollar amount of Federal funds for the project or program; and
- 3) percentage and dollar amount of the total costs of the project or program that will be financed by non-governmental sources.

Recipients must comply with these conditions under Sections 1101(a)(4), 1105, and 1106 of Division F, Title I, of Public Law 113-6, Consolidated and Further Continuing Appropriations Act, 2013, which incorporates by reference the requirements set out in Section 505 of Division F, Title V, of Public Law 112-74, Consolidated Appropriations Act, 2012.

**Grant Conditions
For RTT-ELC FY 2013 Grantees**

- A. All commitments contained in the Grantee's (or State) Application, including the structure of its Race to the Top – Early Learning Challenge Program Grant Project (Grant Project) and the proposed uses of Race to the Top – Early Learning Challenge Grant (Grant) funds, are and will remain fully binding on the Grantee and its Participating State Agencies (PSAs). Grant Funds may only be used for activities proposed in the State's approved Grant application, unless otherwise approved by the Grantor. The Grantee and its PSAs are responsible for implementing and adhering to the Scopes of Work, including the Timelines, and Budgets, referenced in condition B below. The Grantee may request a revision of its approved Grant Project, including goals, activities, timelines, budget, or annual targets, provided that:
- 1) Such revisions do not result in the Grantee's failure to comply with the terms and conditions of this Grant award or the Program's statutory and regulatory provisions; and
 - 2) The Grantor and the Grantee mutually agree in writing to any such revisions or modifications and that the Grantor shall have the sole discretion to determine whether or not to agree to such revisions or modifications.

In the event that the Grantee is not meeting its Grant goals, activities, timelines, budget, or annual targets or is not fulfilling other applicable Grant requirements, or in the event that the Grantee determines that one or more of its PSAs are not meeting their Grant goals, activities, timelines, budgets, or annual targets or are not fulfilling other applicable Grant requirements, the Grantor (or in the event that a failure is on the part of a PSA the Grantee, in consultation with the Grantor) will take appropriate enforcement action(s), which could include initiating a collaborative process between the Grantor and the Grantee, the Grantee and a PSA, or any of the enforcement measures that are set forth in 34 CFR section 80.43 in the Education Department General Administrative Regulations (EDGAR), including putting the Grantee on reimbursement payment status, withholding Grant funds, disallowing costs, or exercising any other available legal remedy.

- B. As soon as possible, but no later than 90 calendar days from the date of the Grant award, the Grantee must submit:
- 1) Detailed final scopes of work for all of its PSAs (including the Lead Agency), which must contain work plans that are consistent with the preliminary scopes of work and with the Grantee's application, and must include each PSA's specific goals, activities, timelines, detailed budgets, key personnel, and annual targets for key performance measures. If final scopes of work are not submitted for all PSAs that are included in the State's approved application and/or all of the agencies that administer the State programs listed in the definition of Participating State Agency, as included in the Notice Inviting Applications (78 FR 53991), the Grantor may pursue available enforcement remedies, as set forth in 34 CFR section 80.43 in EDGAR, including full

or partial termination of the grant award.

The Grantee's PSA Memoranda of Understanding (MOU) or other binding agreements may be amended only by written agreement signed by each of the parties involved, and in consultation with the Grantor.

- 2) A detailed scope of work for the entire State Plan that is consistent with the Grantee's application. This scope of work should also include the State Grantee's specific goals, activities, timelines, detailed budgets, key personnel, and annual targets for key performance measures.

Through the scope of work process, the Grantee will work with the Grantor to clarify and finalize any areas where additional information is needed to determine whether costs are allowable in the budget, including by providing clarification on funds to be distributed to localities, Early Learning Intermediary Organizations, Participating Programs, and other partners through MOUs, interagency agreements, contracts, or other mechanisms authorized by State procurement laws.

- C. The Grantee may draw down no more than 10 percent of the Grant until all of the required State and PSA scopes of work, including PSA information, detailed timelines, and budgets referenced in condition B, are submitted to and approved by the Grantor.
- D. All Grant funds must be used in accordance with the Grantee's approved application and any revisions approved by the Grantor; the detailed final scopes of work, including timelines and budgets, referenced in condition B; the Notice of Final Priorities (78 FR 53964); the Notice Inviting Applications (78 FR 53992) (Program NIA); the requirements of section 14005 and 14006 of the American Recovery and Reinvestment Act (ARRA), as authorized under P.L. 111-5, as amended by section 1832(b) of the Department of Defense and Full-Year Continuing Appropriations Act, 2011 and the Department of Education Appropriations Act, 2012 (Title III of Division F of Public Law 112-74, the Consolidated Appropriations Act, 2012); and applicable regulations including 34 CFR Parts 74, 75, 77, 79, 80 (except section 80.30 (c)), 81, 82, 84, 86, 97, 98, and 99, and the Education Department debarment and suspension regulations in 2 CFR Part 3485.

Consistent with the Program NIA's absolute priority and eligibility requirements, all States receiving RTT-ELC grants must design and implement a common, statewide Tiered Quality Rating and Improvement System (TQRIS).

- E. The Grantee and its PSAs must comply with all the assurances and certifications that the Grantee submitted with its Grant application, including OMB Standard Form 424B (Assurances for Non-Construction Programs) and the certifications in ED Form 80-0013 Certification regarding Lobbying.
- F. With respect to 34 CFR section 80.30(c) "Budget changes" provisions, the Grantee and PSAs must obtain prior written approval from the Grantor for any Grant fund transfers

among direct cost categories and among separately budgeted programs, projects, functions, or activities that exceed \$500,000 of the current total approved budget.

- G. The Grantee and its PSAs must conduct all procurement transactions for services or goods with Grant funds in a manner providing full and open competition, consistent with the standards in 34 CFR section 80.36. This section of EDGAR requires Grantees to use their own procurement procedures (which reflect State and local laws and regulations) to select contractors, provided that those procedures meet certain standards described in EDGAR.

In addition, the Grantee must maintain and enforce its State procurement laws and procedures regarding standards of conduct governing the performance of its employees, officers, directors, trustees, and agents engaged in the selection, award, and administration of contracts or agreements related to the Grant. The standards of conduct must, at a minimum, be consistent with the requirements in 34 CFR section 75.525.

- H. Consistent with 34 CFR 80.20(a), the Grantee must expend and account for grant funds in accordance with State laws and procedures and, among other things, provide fiscal control and accounting procedures sufficient to permit the tracing of Grant funds to a level of expenditures adequate to establish that such funds have been used for allowable costs. As such, the Grantee will not commingle Grant funds with other funds under control of the Grantee, even if such other funds are used for similar purposes. Similarly, the Grantee will ensure that its PSAs adhere to this same standard and that all Grant and PSA costs incurred using Grant funds are necessary and reasonable. The burden of proof is upon the Grantee to establish that any Grant costs incurred are necessary and reasonable.

In addition, consistent with 34 CFR section 80.20, the Grantee and its PSAs are required to establish procedures to minimize the time elapsing between the receipt of Federal funds and their actual disbursement. When advances are made by letter-of-credit or electronic transfer of funds methods, the Grantee must make drawdowns of Grant funds as close as possible to the time of disbursement and must ensure that PSAs adhere to a similar standard. Additionally, as required by 34 CFR section 80.20 and applicable OMB Cost Circular A-87, the Grantee must keep adequate records of all salaries and wages charged to the Grant.

- I. The Grantee agrees to cooperate with and to assist the Grantor in performing any financial, performance or compliance reviews or audits conducted of the Grant Project, as the Grantor may determine to be necessary, and to comply with all program reporting requirements.

Specifically, the Grantee will cooperate with the Grantor by providing information relative to this program, including information on the steps that the Grantee is taking to ensure accountability for the use of Grant funds by all entities. Consistent with 34 CFR

section 80.40, Grant performance reports will contain, at a minimum, information on the following:

- 1) A comparison of actual Grant Project accomplishments to the objectives established for the period;
- 2) The reasons for any established objectives not being met; and
- 3) Additional pertinent information including, when appropriate, analysis and explanation of any cost overruns or high unit costs. Consistent with 34 CFR section 80.41, grant financial reports must be in the form and at the frequency that the Grantor prescribes for each fiscal year that the Grantee's obligation to the Grantor remains in effect.

Additionally, the Grantee agrees to cooperate with audits conducted by the General Accountability Office (GAO), and will arrange for non-federal audits, as required by 34 CFR section 80.26.

- J. Grant funds may be used for construction or major renovation if it is detailed in the Grantee's approved grant application. Any laborers and mechanics employed by contractors or subcontractors on minor remodeling (as defined in 34 CFR section 77.1) projects over \$2,000 assisted with these funds must be paid in accordance with prevailing wage requirements in the Davis-Bacon Act. If the Grantee or a PSA plans to use Grant funds for any of these types of projects, the Grantee must first consult with the Grantor before proceeding.
- K. Consistent with 34 CFR section 80.40, the Grantee is responsible for managing the day-to-day operations of grant-supported tasks and activities, including ensuring compliance with all Grant program requirements (attached to this document for reference purposes).
- L. The Grantee must monitor Grant-supported activities to assure compliance with applicable Federal requirements and to assure that Grant performance goals are being achieved throughout the whole Grant Project period. This includes ensuring that:
 - 1) PSA personnel work together with all applicable Grantee personnel to determine appropriate timelines for Grant Project updates and status reporting throughout the whole Grant Project period; and
 - 2) Grantee and PSA personnel negotiate in good faith to continue to achieve the overall goals of the Grantee's Grant Project, even when the State Plan requires modifications that affect PSAs, or when the PSAs' scopes of work require modifications.

As soon as possible, but no later than 180 calendar days from the grant award, the Grantee must submit in writing a plan, protocols, and a schedule for monitoring localities, Early Learning Intermediary Organizations, Participating Programs, or

other partners, including faith-based organizations that receive grant funds, including both programmatic and fiscal issues.

- M. The Grantee State may choose either to allow each PSA to use its own approved indirect cost rate or may use the same approved indirect cost rate for all of its PSAs. If the State chooses to use a single indirect cost rate, the State must ensure that it is using the lowest approved rate from among the rates of its PSAs. If the State chooses to use different approved indirect cost rates for different PSAs, the State must provide copies of the indirect cost rate agreements for each PSA within 90 days of receipt of Grant award.

If the Grantee indicated in its Grant application that it does not have an approved indirect cost rate: (a) The Grantee may charge the 10 percent provisional rate for up to 90 days; (b) The Grantee must submit an indirect cost proposal to its cognizant agency within 90 days after the Grant award notification is issued and, if it does so, may continue charging the 10 percent provisional rate until the cognizant agency has provided the Grantee with a negotiated indirect cost rate; and (c) If after the 90-day period, the Grantee has not submitted an indirect cost proposal to its cognizant agency, the Grantee may not charge its Grant for indirect costs until it has negotiated an indirect cost rate agreement with its cognizant agency.

The Grantee may apply its approved indirect cost rate only against the first \$25,000 of each contract on a yearly basis, and not against the full amount of each contract.

XI. RTT-ELC PROGRAM REQUIREMENTS

(Attached for reference from the RTT-ELC NIA published in the *Federal Register* on August 30, 2013, 78 FR 53991 at page 53994)

Program Requirements: If a State is awarded an RTT-ELC grant, it must meet the following requirements:

(a) The State must have an operational State Advisory Council on Early Childhood Education and Care that meets the requirements described in section 642B(b) of the Head Start Act (42 U.S.C. 9837(b)). In addition, the State Advisory Council on Early Childhood Education and Care must include the State's Child Care and Development Fund (CCDF) administrator, State agency coordinators from both Part B section 619 and Part C of the Individuals with Disabilities Education Act (IDEA), and State agency representatives responsible for health and mental health.

(b) The State must continue to participate in the programs authorized under section 619 of Part B of IDEA and Part C of IDEA and in the CCDF program.

(c) States must continue to have an active Maternal, Infant, and Early Childhood Home Visiting (MIECHV) program (pursuant to section 511 of Title V of the Social Security Act, as added by section 2951 of the Affordable Care Act of 2010 (Public Law 111-148)) for the duration of the grant, whether operated by the State or by an eligible non-profit organization.

(d) The State is prohibited from spending funds from the grant on the direct delivery of health services.

(e) The State must participate in RTT–ELC grantee technical assistance activities facilitated by ED or HHS, individually or in collaboration with other State grantees in order to share effective program practices and solutions and collaboratively solve problems, and must set aside \$400,000 from its grant funds for this purpose.

(f) The State must--

(1) Comply with the requirements of any evaluation sponsored by ED or HHS of any of the State's activities carried out with the grant;

(2) Comply with the requirements of any cross-State evaluation--as part of a consortium of States--of any of the State's proposed reforms, if that evaluation is coordinated or funded by ED or HHS, including by using common measures and data collection instruments and collecting data necessary to the evaluation;

(3) Together with its independent evaluator, if any, cooperate with any technical assistance regarding evaluations provided by ED or HHS. The purpose of this technical assistance will be to ensure that the validation of the State's Tiered Quality Rating and Improvement System and any other evaluations conducted by States or their independent evaluators, if any, are of the highest quality and to encourage commonality in approaches where such commonality is feasible and useful;

(4) Submit to ED and HHS for review and comment its design for the validation of its Tiered Quality Rating and Improvement System (as described in selection criterion (B)(5)) and any other evaluations of activities included in the State Plan, including any activities that are part of the State's Focused Investment Areas, as applicable; and

(5) Make widely available through formal (e.g., peer-reviewed journals) or informal (e.g., newsletters) mechanisms, and in print or electronically, the results of any evaluations it conducts of its funded activities.

(g) The State must have a longitudinal data system that includes the 12 elements described in section 6401(e)(2)(D) of the America COMPETES Act by the date required under the State Fiscal Stabilization Fund (SFSF) grant and in accordance with Indicator (b)(1) of its approved SFSF plan.

(h) The State must comply with the requirements of all applicable Federal, State, and local privacy laws, including the requirements of the Family Educational Rights and Privacy Act, the Health Insurance Portability Accountability Act, and the privacy requirements in IDEA, and their applicable regulations.

(i) The State must ensure that the grant activities are implemented in accordance with all applicable Federal, State, and local laws.

(j) The State must provide researchers with access, consistent with the requirements of all applicable Federal, State, and local privacy laws, to data from its Tiered Quality Rating and Improvement System and from the Statewide Longitudinal Data System and the State's coordinated early learning data system (if applicable) so that they can analyze the State's quality improvement efforts and answer key policy and practice questions.

(k) Unless otherwise protected as proprietary information by Federal or State law or a specific written agreement, the State must make any work (e.g., materials, tools, processes, systems) developed under its grant freely available to the public, including by posting the work on a Web site identified or sponsored by ED or HHS. Any Web sites developed under this grant

must meet government or industry-recognized standards for accessibility (www.section508.gov/).

(l) Funds made available under an RTT-ELC grant must be used to supplement, not supplant, any Federal, State, or local funds that, in the absence of the funds awarded under this grant, would be available for increasing access to and improving the quality of Early Learning and Development Programs.

(m) For a State that is awarded an RTT-ELC grant, the State will have up to 90 days from the grant award notification date to complete final scopes of work for each Participating State Agency. These final scopes of work must contain detailed work plans that are consistent with their corresponding preliminary scopes of work and with the State's grant application, and must include the Participating State Agency's specific goals, activities, timelines, budgets, key personnel, and annual targets for key performance measures for the portions of the State's proposed plans that the Participating State Agency is agreeing to implement.

ATTACHMENT U

PROHIBITION OF TEXT MESSAGING AND EMAILING WHILE DRIVING DURING OFFICIAL FEDERAL GRANT BUSINESS

Federal grant recipients, sub recipients and their grant personnel are prohibited from text messaging while driving a government owned vehicle, or while driving their own privately owned vehicle during official grant business, or from using government supplied electronic equipment to text message or email when driving.

Recipients must comply with these conditions under Executive Order 13513, "Federal Leadership On Reducing Text Messaging While Driving," October 1, 2009.

12/09

ATTACHMENT V

Registration of Data Universal Numbering System (DUNS) Number and Taxpayer Identification Number (TIN) in the System for Award Management (SAM)

The U.S. Department of Education (Education) Grants Management System (G5) will begin disbursing payments via the U.S. Department of Treasury (Treasury) rather than directly through the Federal Reserve as in the past. The U.S. Treasury requires that we include your Tax Payer Identification Number (TIN) with each payment. Therefore, in order to do business with Education you must have a registered DUNS and TIN number with the SAM, the U.S. Federal Government's primary registrant database. If the payee DUNS number is different than your grantee DUNS number, both numbers must be registered in the SAM. Failure to do so will delay the receipt of payments from Education.

A TIN is an identification number used by the Internal Revenue Service (IRS) in the administration of tax laws. It is issued either by the Social Security Administration (SSA) or by the IRS. A Social Security number (SSN) is issued by the SSA whereas all other TINs are issued by the IRS.

The following are all considered TINs according to the IRS.

- Social Security Number "[SSN](#)"
- Employer Identification Number "[EIN](#)"
- Individual Taxpayer Identification Number "[ITIN](#)"
- Taxpayer Identification Number for Pending U.S. Adoptions "[ATIN](#)"
- Preparer Taxpayer Identification Number "[PTIN](#)"

If your DUNS number is not currently registered with the SAM, you can easily register by going to www.sam.gov. Please allow 3-5 business days to complete the registration process. If you need a new TIN, please allow 2-5 weeks for your TIN to become active. If you need assistance during the registration process, you may contact the SAM Federal Service Desk at 866-606-8220.

If you are currently registered with SAM, you may not have to make any changes. However, please take the time to validate that the TIN associated with your DUNS is correct.

If you have any questions or concerns, please contact the G5 Hotline at 888-336-8930.

7/2012

System for Award Management and Universal Identifier Requirements

A. Requirement for System for Award Management (SAM)

Unless you are exempted from this requirement under 2 CFR 25.110, you as the recipient must maintain the currency of your information in the SAM until you submit the final financial report required under this award or receive the final payment, whichever is later. This requires that you review and update the information at least annually after the initial registration, and more frequently if required by changes in your information or another award term.

B. Requirement for Data Universal Numbering System (DUNS) Numbers

If you are authorized to make subawards under this award, you:

1. Must notify potential subrecipients that no entity (see definition in paragraph C of this award term) may receive a subaward from you unless the entity has provided its DUNS number to you.
2. May not make a subaward to an entity unless the entity has provided its DUNS number to you.

C. Definitions

For purposes of this award term:

1. System for Award Management (SAM) means the Federal repository into which an entity must provide information required for the conduct of business as a recipient. Additional information about registration procedures may be found at the SAM Internet site (currently at <http://www.sam.gov>).
2. Data Universal Numbering System (DUNS) number means the nine-digit number established and assigned by Dun and Bradstreet, Inc. (D&B) to uniquely identify business entities. A DUNS number may be obtained from D&B by telephone (currently 866-705-5711) or the Internet (currently at <http://fedgov.dnb.com/webform>).
3. Entity, as it is used in this award term, means all of the following, as defined at 2 CFR part 25, subpart C:
 - a. A Governmental organization, which is a State, local government, or Indian Tribe;
 - b. A foreign public entity;
 - c. A domestic or foreign nonprofit organization;
 - d. A domestic or foreign for-profit organization; and
 - e. A Federal agency, but only as a subrecipient under an award or subaward to a non-Federal entity.
4. Subaward:
 - a. This term means a legal instrument to provide support for the performance of any portion of the substantive project or program for which you received this award and that you as the recipient award to an eligible subrecipient.
 - b. The term does not include your procurement of property and services needed to carry out the project or program (for further explanation, see Sec. II.210 of the attachment to OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations").
 - c. A subaward may be provided through any legal agreement, including an agreement that you consider a contract.
5. Subrecipient means an entity that:
 - a. Receives a subaward from you under this award; and
 - b. Is accountable to you for the use of the Federal funds provided by the subaward.

7/2012