
TOTAL GRANT AMOUNT: $2,859,526

BROKEN DOWN AS FOLLOWS:

YEAR 1: 10/01/09 - 9/30/10: $566,723 ($20,000 ENDOWMENT)
YEAR 2: 10/01/10 - 9/30/11: $574,953
YEAR 3: 10/01/11 - 9/30/12: $569,312
YEAR 4: 10/01/12 - 9/30/13: $574,995
YEAR 5: 10/01/13 - 9/30/14: $573,543

AWARD NUMBER P031S090061
RFC NO. 10021030
**RECIPIENT NAME:** Los Angeles Mission College  
13356 Eldridge Avenue  
Sylmar, CA 91342

**PROJECT TITLE**  
84.031S  
Hispanic Serving Institutions Program

**PROJECT STAFF**  
**RECIPIENT PROJECT DIRECTOR**  
Susan Rhi-Kleinert  
(818) 364 - 7778

**EDUCATION PROGRAM CONTACT**  
Carnisa M. Proctor  
(202) 502 - 7606

**EDUCATION PAYMENT CONTACT**  
GAPS PAYEE HOTLINE  
(888) 336 - 8930

**AWARD INFORMATION**  
PR/AWARD NUMBER P031S090061  
ACTION NUMBER 01  
ACTION TYPE New  
AWARD TYPE Discretionary

**AWARD PERIODS**  
BUDGET PERIOD 10/01/2009 - 09/30/2010  
PERFORMANCE PERIOD 10/01/2009 - 09/30/2014

**FUTURE BUDGET PERIODS**  
<table>
<thead>
<tr>
<th>BUDGET PERIOD</th>
<th>DATE</th>
<th>AMOUNT</th>
</tr>
</thead>
<tbody>
<tr>
<td>02</td>
<td>10/01/2010 - 09/30/2011</td>
<td>$574,953.00</td>
</tr>
<tr>
<td>03</td>
<td>10/01/2011 - 09/30/2012</td>
<td>$569,312.00</td>
</tr>
<tr>
<td>04</td>
<td>10/01/2012 - 09/30/2013</td>
<td>$574,995.00</td>
</tr>
<tr>
<td>05</td>
<td>10/01/2013 - 09/30/2014</td>
<td>$573,543.00</td>
</tr>
</tbody>
</table>

**AUTHORIZED FUNDING**  
THIS ACTION $566,723.00  
BUDGET PERIOD $566,723.00  
PERFORMANCE PERIOD $566,723.00

**ADMINISTRATIVE INFORMATION**  
DUNS/SSN 781228820  
REGULATIONS CFR PART 607  
EDGAR AS APPLICABLE  
ATTACHMENTS A, B OPE-2, C, E1, E2, F, S

**LEGISLATIVE AND FISCAL DATA**  
AUTHORITY: PL 102-325 HIGHER EDUCATION ACT OF 1965 PL 102-325, AMENDED.  
PROGRAM TITLE: HIGHER EDUCATION - INSTITUTIONAL AID

| CFDA/SUBPROGRAM NO: 84.031S | FUND FUNDING AWARD ORG. CATEGORY LIMITATION ACTIVITY CFDA OBJECT AMOUNT |
|-----------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
|                             | CODE YEAR YEAR CODE      |                         |                          |                          |                          | $566,723.00              |
|                             | 0201A 2009 2009 EP000000 | B                       | J29                      | 000                      | 031                      | 4101C                    |

Ver. 1  
ED-GAP5001 (01/98)
PR/AWARD NUMBER: P031S090061

RECIPIENT NAME: Los Angeles Mission College

TERMS AND CONDITIONS

(1) 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).

THIS AWARD SUPPORTS ONLY THE BUDGET PERIOD SHOWN IN BLOCK 6. IN ACCORDANCE WITH 34 CFR 75.253, THE DEPARTMENT OF EDUCATION WILL CONSIDER CONTINUED FUNDING IF: (1) CONGRESS HAS APPROPRIATED SUFFICIENT FUNDS UNDER THE PROGRAM, (2) THE DEPARTMENT DETERMINES THAT CONTINUING THE PROJECT WOULD BE IN THE BEST INTEREST OF THE GOVERNMENT, (3) THE RECIPIENT HAS MADE SUBSTANTIAL PROGRESS TOWARD MEETING THE OBJECTIVES IN ITS APPROVED APPLICATION, AND (4) THE RECIPIENT HAS SUBMITTED REPORTS OF PROJECT PERFORMANCE AND BUDGET EXPENDITURES THAT MEET THE REPORTING REQUIREMENTS FOUND AT 34 CFR 75.118 AND ANY OTHER REPORTING REQUIREMENTS ESTABLISHED BY THE SECRETARY.

IN ACCORDANCE WITH 34 CFR 74.25(c)(2), OR 34 CFR 80.30(d)(3) CHANGES TO KEY PERSONNEL IDENTIFIED IN BLOCK 4 MUST RECEIVE PRIOR APPROVAL FROM THE DEPARTMENT.

THE SECRETARY ANTICIPATES FUTURE FUNDING FOR THIS AWARD ACCORDING TO THE SCHEDULE IDENTIFIED IN BLOCK 6. THESE FIGURES ARE ESTIMATES ONLY AND DO NOT BIND THE SECRETARY TO FUNDING THE AWARD FOR THESE PERIODS OR FOR THE SPECIFIC AMOUNTS SHOWN. THE RECIPIENT WILL BE NOTIFIED OF SPECIFIC FUTURE FUNDING ACTIONS THAT THE SECRETARY TAKES FOR THIS AWARD.

[Signature]

AUTHORIZING OFFICIAL

DATE: 9/3/09
EXPLANATION OF BLOCKS ON THE GRANT AWARD NOTIFICATION

For Discretionary, Formula, and Block Grants

(See Block 5 of the Notification)

1. RECIPIENT NAME - The legal name of the recipient, name of the primary organizational unit that will undertake the funded activity, and the complete address of the recipient. The recipient is commonly known as the "grantee."

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

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

5. 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.

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 - The parts of the Education Department General Administrative Regulations (EDGAR) and specific program 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 the 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 OF AWARD - 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, 5, 6, 8, 9 and 10 above)

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

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.
P031S090061

Judith Valles
Los Angeles Mission College
13356 Eldridge Avenue
Sylmar, CA 91342
Susan Rhi-Kleinert  
Los Angeles Mission College  
13356 Eldridge Avenue  
Sylmar, CA 91342

SUBJECT: Payee Verification for Grant Award P031S090061

This is to inform you of the payee for the above listed grant award issued by the United States Department of Education.

Grantee DUNS/SSN: 781228820  
Grantee Name: Los Angeles Mission College

Payee DUNS/SSN: 781228820  
Payee Name: Los Angeles Cmnty College Dst

If any of the above information is not correct, please contact a Payee Customer Support Representative at 1-888-336-8930. Please send all correspondence relating to payee or bank information changes to the following address:

U.S. Department of Education  
400 Maryland Ave, SW  
Room 4C138  
Washington, DC 20202  

Attn: Claudia Staplefoote  
Phone: (202) 401-1117  
Fax: (202) 260-5505
ATTACHMENT A

SPECIAL GRANT CONDITIONS FOR PAYMENTS

THE e-GRANTS WEB PORTAL AND THE e-PAYMENTS MODULE

Payments under this award will be made through the e-Payments modules of e-Grants, the U.S. Department of Education's (ED) portal site for electronic grants. The e-Grants web portal and web-based grant systems (e-Application, e-Reader, e-Reports, e-Payments) (modules) are administered by the Office of the Chief Financial Officer Financial Systems Operations Office.

A copy of the Department of Education Payee's Guide for e-Payments (Payee's Guide), is available once a user has logged into e-Payments using a valid User Id and Password. The guide provides detailed instructions on all e-Payments Processes. To access the Payees Guide, you must first have an e-Payments User Id and Password. You'll need to request an e-Payments User Id and Password from the Department of Education by submitting an External Access Security Form. This form is available at (https://e-grants.ed.gov/gapsweb/epHome.asp) under "Downloads". The Department will issue e-Payments User Ids and Passwords to those individuals authorized by the payee to access GAPS to request funds and report expenditures. All new User Ids and Passwords will be sent to such offices as the CFO or Treasurer responsible for the cash accountability of funds for your organization. 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 faxed to our offices at (202) 205-0729. If you are not Internet capable, please contact the GAPS Payee Hotline at toll free 1 (888) 336-8930 to request a hard copy of the guide.

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 e-Grants to request funds - these individuals will be provided User Ids and passwords to access e-Grants

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 e-Payments and the award start date is reached.

REQUESTING FUNDS USING THE e-PAYMENTS MODULE

Payees can access the e-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 accessing the e-Payments module on-line and navigating through the e-Payments screens to make a payment request are given in the Payee's Guide. Instructions for modifying payment requests, adjusting drawdown amounts, and viewing award and authorization histories are also included in the Payee's Guide.

Those payees who do not have the technology to access e-Payments on-line may request funds by calling ED's GAPS Payee Hotline by calling 1-888-336-8930. Instructions on requesting funds using ED's GAPS Payee Hotline Staff are also given in the Payee's Guide.

**AWARD INFORMATION**

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

**O On-Line:**

Payees may access e-Payments via the Internet on ED's web page (https://e-grants.ed.gov/gapsweb/epHome.asp) 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

**O ED's GAPS Payee Hotline Staff:**

Payees can contact a GAPS Payee Hotline Staff for information on any award. Because award information is organized in GAPS 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 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.
SPECIAL GRANT TERMS AND CONDITIONS FOR
FINANCIAL AND PERFORMANCE REPORTS

PERFORMANCE REPORTS:

ALL RECIPIENTS are required to submit a final performance report within 90 days after the expiration or termination of grant support. Refer to the item(s) checked below for other reporting requirements that may apply to this grant:

_____ 1. A performance report is due before the next budget period begins. The report should contain current performance and financial expenditure information for this grant. (34 CFR 75.118)

_____ The continuation report is due on ________________.

_____ The Department will provide recipients with additional information about this report, including due date, at a later time.

_____ 2. An interim performance report is required because of the nature of this award or because of statutory or regulatory provisions governing the program under which this award is made. The report is due:

_____ Quarterly Submit within 30 days after the end of each quarter.

_____ Semiannually Submit within 30 days after the end of each 6-month period.

_____ 3. Other Required Reports:

FINANCIAL REPORTS:

Unless the item down below is checked, a Financial Status Report (SF-269) is not required for this grant. The Department will rely on the drawdown of funds by grant award and record such drawdown as expenditures. (34 CFR 75.720)

_____ A Financial Status Report (SF-269) is required for this grant on ________________ because:

date

_____ (34 CFR 74.14 or 80.12) Special Award Conditions or Special grant or subgrant conditions for “high-risk” grantees;

_____ Statute Requirement or Other Special Condition

One original and one copy of all reports should be mailed to:

U.S. Department of Education
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)
govs.fac@census.gov

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 the 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 3 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. The Internet address is http://www.whitehouse.gov/omb/circulars/a133/a133.html. 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.org/belt/a133.htm.

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
National Office Contact
Web page: http://www.ed.gov/about/offices/list/oig/nonfed/index.html
Non-Federal Audit Team
Office of Inspector General
U.S. Department of Education
1999 Bryan St., Suite 2630
Dallas, TX 75201-6817
Phone: Voice (214) 880-3031
   FAX (214) 880-2492 For audits in Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Mississippi, New Mexico, North Carolina, Oklahoma, South Carolina, Tennessee, and Texas.
Non-Federal Audit Team
Office of Inspector General
U.S. Department of Education
8930 Ward Parkway, Suite 2401
Kansas City, MO 64114-3302
Phone: Voice (816) 268-0502
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_08/34efrv1_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 225 - Cost Principles for State, Local and Indian Tribal Governments (relocated to 2 CFR, Part 225 from OMB Circular A-87):


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.
MEMORANDUM to ED DISCRETIONARY GRANTEEES

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. You can find the procedures for returning funds and interest in the ED User's Guide, which is located on the Web at the following URL:

http://e-grants.ed.gov

(select the link for 'e-Payments')
Grantees who 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.