



NM Higher Education Department

Adult Education Division

AE Business Policies and Procedures

2020-21 Program Year

Introduction

State and Federal Policies

Sound fiscal/business practices support Adult Education (AE) program success. This document describes the policies and procedures necessary for local AE program compliance with State and Federal regulations and guidelines. Following these policies/procedures will also help ensure that reimbursements claims are handled and processed accurately and timely.

General Policies and Procedures

Maintaining Separate Accounts

AE programs must maintain separate accounts for State and Federal funding. Failure to do so may impact program allocations.

State Funds

At the end of the fiscal year, unspent State money reverts to the General Fund for the State of New Mexico and can no longer be used for Adult Education. Please spend all of the State allocation or notify the Adult Education fiscal representative at the New Mexico Higher Education Department of unused portions in early spring for consideration of redistribution.

Any unspent state funds beyond 1% of the allocation will be deducted from the program's state allocation in the following fiscal year.

Federal Funds

Unlike State money, Federal funds carry over to the next fiscal year for AE use. The use of carryover funds is determined by the state Adult Education director and staff on a yearly basis. Federal funds can be used for instructional services to students, except for the 5% indirect costs. Beginning in FY09-10, Federal funds became an allowable expense for professional development and training.

Indirect Costs

There is a 5% cap on the use of State and Federal funds from administrative costs. These are institutional or organizational costs for overhead or indirect expenses that must come from administrative funds. Federal funds may not be used to purchase equipment. Therefore, when determining the 5% indirect costs, equipment expenses (which may be purchased only with state funds) must first be *excluded* from the total actual costs.

If it is determined that a program needs to exceed the 5% cap in order to properly function, and the program has not been pre-approved for spending over the cap, a written request must be sent via regular mail or email to the State Director of AE.

Please refer to 2 CFR § 200.414 - Indirect (F&A) costs.

If a program determines that it needs to exceed the 5% cap to function properly, the program director must submit a written request must be sent via regular mail or email to the State Director of AE.

The 5% must be charged based on monthly actual expenses and *not* requested in a lump sum.

Records Maintenance

Financial, and time and effort records must be maintained and stored for **5 years**. If records older than this are being used due to litigation, claim, audit or other similar actions, these records should be retained until all issues are resolved.

**AE Student
Charges/Fees
Program
Income**

AE programs may charge reasonable and necessary fees to be used specifically to provide additional adult education and literacy services that programs would otherwise be unable to provide (34 CFR 80.25) Collected fees must be used to assist adult students in becoming literate, obtaining knowledge and skill necessary for employment and self-sufficiency obtaining the education skills necessary to become full partners in their child's education, and completing their secondary school education (AEFLA section 200) Programs must be authorized to charge a reasonable fee with *prior* approval of the State Director. **For programs that are permitted to charge a fee, a waiver process must be in place and students must be informed of their right to petition for a waiver.**

If programs intend to charge program (e.g., registration or application) fees, they must include this in their Grant Applications or Extension Requests and must obtain prior approval from the State AE Director to ensure that:

- any fees and/or tuition charged to adult education students by the local program are equitably administered and do not reach levels that have an adverse effect on participation of economically disadvantaged students
- any fees and/or tuition charged to adult education students by the local program are maintained and used directly for the specific purpose of providing adult education services to qualified adult education students
- Collected fees are auditable. Programs must maintain an accounting of fees and associated expenditures ensuring that funds are used solely and specifically for adult education programming and not withheld and maintained in a general maintenance and operation fund or used for any other funding purpose.
- Any program income must be reported to HED to be included in the year-end Financial Status Report (FSR).

Fiscal and Reporting Practices

Monthly Reporting on Reimbursement Claims

Monthly reimbursement claims are due to NMHED on or before the **10th work day** following the close of business each month, and should be received **no later than the 15th of the following month**. E-mail copies are the acceptable form of reporting. Documentation must be attached. **Please submit check copies, invoices, receipts, purchase orders, travel authorizations, travel reimbursements, etc.** If appropriate documentation is not received, claims will *not* be processed.

All budget forms must be signed by the fiscal agent for the institution or by an authorized administrator. The person's name and title must be included.

NMHED expects the reporting/forms submitted to reflect consistent and complete spending of the program allocation. Reports must be submitted for review and approval to the AE Fiscal Officer in a timely manner.

If persistent delinquency occurs, NMHED reserves the right to redistribute the program's funds and/or impose sanctions.

Reminders:

- NMHED does *not* reimburse for negative line items. To handle this situation, a BAR (Budget Adjustment Request) needs to be submitted first.
- Unspent State funds revert to the General Fund at the end of each fiscal year, and can no longer be used for AE.

Reimbursement Timing

Payments by NMHED to sub-grantees, contractors and institutions, including reimbursements are due within thirty (30) days of receipt of the invoice by NMHED, unless specifically agreed to otherwise.

Travel

Out-of-state travel **must be pre-approved** and included in the program grant application or extension request submitted to NMHED. Any exceptions must be emailed to the State Director of AE for approval, containing all appropriate supporting documentation. The approval request must be made *before* the travel occurs. **All** receipts must accompany any request for travel reimbursement.

Equipment Guidelines

Purchases are considered to be equipment when a single unit exceeds a cost of \$1,500. The State Office does *not* require separate equipment approval forms. The equipment budget should be anticipated and documented in the program plan, and the back-up documentation submitted with the program grant application or extension request.

Equipment purchased with Federal funding can *only* be used for instructional and/or assessment purposes.

Regarding the ownership and depreciation of equipment purchased with ABE funds, please consult and follow the General Services Department, Property Control Division, State guidelines on fixed assets.

Budget Adjustment Requests (BAR)

Budget Adjustment Requests for line item changes may be submitted at any time during the year and should be submitted before submitting the monthly request for reimbursement to avoid negative line items.

Authorized Signatures

All budget forms must be signed by the fiscal agent for the institution or by an authorized administrator. The person's name and title must be included.

Time and Effort Reporting

Employees that conduct activities supported by sources other than Federal and/or State ABE grant funds must maintain records documenting the time spent on AE and non-AE related activities. Time sheets shall document, on a bi-weekly basis, the type and proportion of activities conducted by each employee, and the source of funds for these activities.

Programs are not required to submit regular timesheets to NMHED, but shall maintain these records for a period of five years and provide time and effort documentation upon request.

Technical Assistance

NMHED staff is responsive to questions and concerns raised by field members. Technical assistance is available via phone, email, face-to-face (with the exception of COVID restrictions), go to meetings or ZOOM meetings as needed and requested. Fiscal representatives are invited to attend scheduled AE gatherings and conferences for the opportunity to meet and discuss issues with colleagues. Gatherings and conference dates and locations are posted on the NMHED websites.

Fiscal Forms

Budget Approval and Monthly Claim for Reimbursement forms

Copies of all fiscal forms are available on the NMHED website in the Adult Education Financial section.

PLEASE NOTE: Hand-written forms will not be accepted.

Final reimbursement claims for a fiscal year are typically due before July 10. Programs will be notified when the specific date is determined each year.

Budget Adjustment Request (BAR) for Line Item Changes

This form is used to move funds between/among line items. Budget Adjustment Requests for line item changes may be submitted at any time during the year and should be submitted before submitting the monthly request for reimbursement to avoid negative line items

Remember, on the BAR, the total amount of the increase ***must equal*** the total amount of the decrease. A justification or reason (some examples: salary savings from vacant professional position; will send additional person to training/conference) must be given on the form ***for each increase and decrease line item affected***. “Insufficient funds in line item” is not considered a valid justification because it does not explain why the shortage occurred. Again, ***this form must be signed by the fiscal agent for the institution or by an authorized administrator***. The person’s name and title must be noted.

This document summarizes the primary fiscal/business issues, and may not cover all situations or conditions required for full State and Federal compliance. For additional detail, programs should consult the:

- RFP and/or Extension application document and forms;
- U.S. Department of Education Assurances and Regulations;
- State of New Mexico Procurement Code;
- General Services Department, Property Control Division, State guidelines on fixed assets.

The Adult Education budget and reimbursement instructions and explanations of the line items follow.

BUDGET EXPLANATION

This section provides additional information about how funds may be used.

All expenditure categories listed on the Request for Reimbursement fall under 1 of 2 subcategories. Instructional or Administrative activities. When determining your budget, determine whether your expenditures are instructional or administrative.

The Personnel and Benefits categories contain breakdowns for different activities and personnel duties within those categories. Make sure your budget takes into consideration the different duties of individuals in your program, i.e., Management, Data Tech, secretarial, clerical and list the amounts in the correct category.

.100 SALARIES:

This includes anticipated expenditures for salaries or personnel providing *direct instructional services* to students. Salaries may not be paid on any contract in excess of that which has been paid to the person in performance of their regular responsibilities and/or a salary commensurate with that received by a person for similar responsibilities. Include an itemized breakdown of all funds to be paid to the person; i.e., monthly/hourly salary rate, percentage of time devoted to the project activity, job title, etc.

.200 EMPLOYEE BENEFITS:

An itemized breakdown of fringe benefit costs must be included for each staff member. Fringe benefits are considered as those additional to regular salary, received by all employees. They will generally include such items as insurance (life and health), retirement, and social security.

.300 PURCHASED SERVICES:

These include anticipated expenditures for services rendered through special arrangements with a company, person or other educational agency or institution. These are considered sub-contracted services and are reserved to offset costs incurred by employment of consultant-type personnel or services not available within the capabilities of the participating agency. Personnel records are not usually maintained for individuals performing contractual services, nor are these persons usually eligible for personnel benefits that may accrue to regular full-time staff members. However, they are eligible to receive consulting fees and per diems at prevailing state rates. Consultant travel should be itemized under this category and *not* under travel. Any equipment rented for use during the term of the contract is considered a contractual service.

.400 SUPPLIES AND MATERIALS:

These expenditures refer to consumable items where the item cost is less than \$1,000. A consumable item is defined as a material item of an expendable nature that is consumed, worn out, or deteriorated in use, or one that loses its identity through fabrication or incorporation into a different or more complex unit or substance.

- a. Includes anticipated expenditures for supplies required to conduct the activity. This should only include supplies necessary for the conduct of the activity over and above regular office operational costs.
- b. Includes anticipated expenditures for supplies used in the classroom for direct instruction only.
- c. Unless software is purchased as part of an equipment package, all software should be purchased under supplies and materials.

.500 TRAVEL:

Under these line items, itemize all anticipated project staff travel, including travel costs associated with your professional development plan. Travel shall be computed according to prevailing state rates or the applicant's agency rate, whichever is lower; including mileage, per diem, lodging, and estimated tolls and parking.

No out-of-state travel is authorized unless approved as part of the "Agreement for the Operation of an Approved Adult Education Program" entered into at the time of the grant award. Travel requests without prior approval will require the written approval of the State Director of Adult Basic Education. If out-of-state travel is required in a proposal, detailed budget notes must be developed and include: a) name(s) or position of traveler(s); b) type of meeting planned; c) date of activity; d) estimated expense of trip lodging, meals, travel, registration fees, etc.; and e) justification for needing to attend the meeting. Such travel shall be negotiated and approved only if it has a direct relationship and benefit to the conduct of a project. Consultant travel *is not* included under this category, but shall be itemized under **PURCHASED SERVICES**.

.700 EQUIPMENT:

All non-consumable items should be itemized to the extent that the State Director of Adult Basic Education is aware of the types required and their respective use to accomplish the objectives of the project. Equipment costs may include postage and/or transportation fees, but may not include any *handling fees* or surcharges made by the grantee. Equipment is defined as an article of tangible personal property having a useful life of more than one year and a cost of \$1,000.00 or more. Unless software is purchased as part of an equipment package, all software should be purchased under

supplies and materials. *Equipment purchased with Federal funds can only be used for instructional and assessment purposes.*

.800 INDIRECT COSTS:

INDIRECT COSTS are agency-wide, general management costs. General management costs are administrative activities necessary for the general operation of the agency, such as accounting, budgeting, payroll preparation, personnel services, purchasing, and centralized data processing. Indirect costs are costs that have been incurred for common or joint purposes, benefit more than one cost objective, cannot be readily identified with a particular final cost objective. In order to claim indirect costs, an agency must have an approved *negotiated restricted rate cost agreement with the State's cognizant agency*. A restrict rate is required because the AEFLA grant is a "Supplement not Supplant" funding source (WIOA Sec 241(a)). **Indirect costs must be paid for with funds made available for administration.** There is a 5 percent cap on the use of Federal funds for administrative costs, including indirect costs.

If the cost limits described as administrative costs are too restrictive to allow for the activities, the eligible provider may negotiate with the NMHED in order to determine adequate level of funds to be used for noninstructional purposes, a written request must be sent via regular mail or email to the State Director of Adult Education to request a higher amount.

Please refer to 2 CFR § 200.414 - Indirect (F&A) costs.

**NEW MEXICO HIGHER EDUCATION DEPARTMENT
EQUIPMENT GUIDELINES**

- A. All equipment items are to be listed on budget back-up in order of priority.
- B. For local programs, equipment items must be used for instructional purposes only.
- C. Office equipment/furniture is not allowed without prior approval of the State Director of Adult Education.
- D. Furniture items needed for the proper use of equipment is allowed (i.e., computer tables).
- E. Unless software is purchased as part of an equipment package, all software should be purchased under supplies and materials.
- F. No equipment items under \$1,500.00 will be approved. Items under \$1,500.00 must be treated as supplies and materials. Equipment attachments such as cables, adapters, plugs, etc., are not allowable expenditures if they are less than \$1,500.00 in value. These items may be approved if they are included as a total purchase price for a work station. Billing must reflect this purchase agreement.
- G. Equipment purchases must be used to bring a program to "the state of the art" and should not be used simply to replace old equipment.
- H. Institutions are not permitted to charge an administrative surtax for equipment items purchased.
- I. All equipment items approved must be received by June 30.**
- J. Invoices/receipts must be attached to all claims.
- K. All equipment items must be listed on an updated inventory list available for review.
- L. The New Mexico Higher Education Department may recover equipment if a project is closed.
- M. Equipment may be liquidated by the grant recipient after 5 years. The equipment inventory must contain a record of the disposition.

Revised: 9/20

