

Strengthening Career and  
Technical Education for the  
21<sup>st</sup> Century Act  
(Perkins V)  
Grant Management  
Procedure Manual

2025-2026  
Edition

Kentucky Department of Education  
Office of Career and Technical Education

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## **LIST OF ACRONYMS**

**AAS** – Associate in Applied Science  
**ADA** – Americans with Disabilities Act  
**AP** – Advanced Placement  
**AS** – Associate in Science  
**ATC** – Area Technology Center  
**CAR** --- Consolidated Annual Report  
**CLNA** – Comprehensive Local Needs Assessment  
**CFR** – Code of Federal Regulations  
**CTE** – Career and Technical Education  
**CTSO** – Career and Technical Student Organization  
**DJJ** – Department of Juvenile Justice  
**DOC**–Department of Corrections  
**ED** – United States Department of Education  
**EDGAR** – Education Department General Administrative Regulations  
**ELL** – English Language Learner  
**FSR** – Financial Status Report  
**GEPA** – General Education Provisions Act  
**HBCU** – Historically Black College or University  
**IB** – International Baccalaureate  
**KACTE** – Kentucky Association for Career and Technical Education  
**KCTCS** – Kentucky Community and Technical College System  
**KDE** – Kentucky Department of Education  
**KSB** – Kentucky School for the Blind  
**KSD** – Kentucky School for the Deaf  
**KWIB** – Kentucky Workforce Innovation Board  
**Local WIB** – Local Workforce Investment Board  
**LEA** – Local Education Agency  
**PD** – Professional Development  
**OIG** – United States Department of Education Office of the Inspector  
**OMB** – Office of Management and Budget  
**OCTE** – Office of Career and Technical Education  
**Perkins V** – The Strengthening Career and Technical Education for the 21st Century Act/  
Public Law No: 115-224  
**POS** – Program(s) of Study  
**SOC** – Standard Occupational Classification

## Introduction

This manual sets forth the policies and procedures used by the Office of Career and Technical Education (OCTE) to administer the Strengthening Career and Technical Education for the 21st Century Act (Perkins V). OCTE has undertaken the development of this manual to provide staff, local school districts, area technology centers, postsecondary institutions, and the public the highest level of transparency as to the processes used by the OCTE to administer this federal program. The Kentucky Department of Education (KDE) relies on the procedures and internal controls described herein to assess OCTE compliance with the Perkins V program, the Education Department General Administrative Regulations (EDGAR), and the Uniform Grants Guidance (UGG).

New employees of the OCTE, as well as incumbent employees, are expected to familiarize themselves with this manual, in as much as it is a useful tool to understand the often-confusing landscape of Perkins V and federal education grants management. The manual sets forth a clear road map through both the programmatic and administrative requirements.

On the programmatic side, this manual explains:

- How Perkins V is structured, including key definitions;
- The respective responsibilities of OCTE to administer Perkins V;
- The organizational structure of the OCTE;
- How Perkins V funds are used for administering State Leadership funds, for pass-through funds to local educational agencies (LEAs), regional colleges and the community and technical college system, and for a rural reserve;
- The processes used by OCTE to review local applications and budgets, and how OCTE determines that college expenditures are aligned with approved budgets;
- How OCTE calculates the amount to be awarded to each eligible subgrantee; and
- The processes used by OCTE to monitor the subgrantees for compliance.

This manual also contains the internal controls and grant management standards used by OCTE to ensure that all Perkins funds are lawfully expended. It describes in detail the systems inventory management protocols; the purchasing and procurement policies; travel procedures; cash management procedures; Pro-Card procedures; time and effort reporting; record retention; and audit resolution procedures.

This manual was not designed, and nor should it be construed as, a description of the policies and procedures of other programmatic divisions within OCTE, KDE, or of the individual eligible subgrantee. It is an organic document which will be periodically updated to reflect significant changes at OCTE.

## Programmatic Aspects of the Perkins Grant

### Purpose

The goal of Perkins V is to improve the quality of career and technical education (CTE) programs that prepare students to be successful in further education and careers. Throughout the Act, the focus is on accountability and program improvement, connections between secondary and postsecondary education, linking CTE to rigorous academic standards, the inclusion of special populations, and a strong focus on business and industry. The stated purpose of the Act is to develop more fully the academic knowledge and technical and employability skills of secondary education students and postsecondary education students who elect to enroll in CTE programs of study, by –

1. building on the efforts of states and localities to develop challenging academic and technical standards and to assist students in meeting such standards, including preparation for high skill, high wage, or in-demand occupations in current or emerging professions;
2. promoting the development of services and activities that integrate rigorous and challenging academic and career and technical instruction, and that link secondary education and postsecondary education for participating CTE students;
3. increasing state and local flexibility in providing services and activities designed to develop, implement, and improve CTE;
4. conducting and disseminating national research and disseminating information on best practices that improve CTE programs and programs of study, services, and activities;
5. providing technical assistance that—
  - a. promotes leadership, initial preparation, and professional development at the state and local levels; and
  - b. improves the quality of CTE teachers, faculty, administrators, and counselors;
6. supporting partnerships among secondary schools, postsecondary institutions, baccalaureate degree granting institutions, area CTE schools, local workforce investment boards, business and industry, and intermediaries;

7. providing individuals with opportunities throughout their lifetimes to develop, in conjunction with other education and training programs, the knowledge and skills needed to keep the United States competitive; and
8. increasing the employment opportunities for populations who are chronically unemployed or underemployed, including individuals with disabilities, individuals from economically disadvantaged families, out-of-workforce individuals, youth who are in, or have aged out of, the foster care system, and homeless individuals.

(Perkins V Sec. 2).

## Key Definitions

There are several definitions that can be found in section 3 of Perkins V; the most significant definitions are referenced below:

Administration: The term administration, when used with respect to an eligible agency or recipient, means activities necessary for the proper and efficient performance of the eligible agency or eligible recipient's duties under this Act, including the supervision of such activities. The term does not include curriculum development activities, personnel development, or research activities.

Career and Technical Education (CTE): The term career and technical education means organized educational activities that -

- A. offer a sequence of courses that –
  - i. provides individuals with rigorous academic content and relevant technical knowledge and skills needed to prepare for further education and careers in current or emerging professions, which may include high-skill, high-wage, or in-demand industry sectors or occupations, which shall be, at the secondary level, aligned with the challenging State academic standards adopted by a State under section 1111(b)(1) of the Elementary and Secondary Education Act of 1965;
  - ii. provides technical skill proficiency or a recognized postsecondary credential, which may include an industry-recognized credential, a certificate, or an associate degree; and
  - iii. may include prerequisite courses (other than a remedial course) that meet the requirement of this subparagraph; and
- B. include competency-based, work-based, or other applied learning that supports the

development of academic knowledge, higher-order reasoning and problem-solving skills, work attitudes, employability skills, technical skills, and occupation-specific skills, and knowledge of all aspects of an industry, including entrepreneurship, of an individual;

- C. to the extent practicable, coordinate between secondary and postsecondary education programs through programs of study, which may include coordination through articulation agreements, early college high school programs, dual or concurrent enrollment program opportunities, or other credit transfer agreements that provide postsecondary credit or advanced standing; and
- D. may include career exploration at the high school level or as early as middle grades (as such term is defined in section 8101 of the Elementary and Secondary Education Act of 1965).

CTE Concentrator: The term means—

- A. at the secondary school level, a student served by an eligible recipient who has completed at least 2 courses in a single career and technical education program or program of study; and
- B. at the postsecondary level, a student enrolled in an eligible recipient who has –
  - i. earned at least 12 credits within a career and technical education program or program of study; or
  - ii. completed such a program if the program encompasses fewer than 12 credits or the equivalent in total.

Eligible Agency: The term ‘eligible agency’ means a State board designated or created consistent with State law as the sole State agency responsible for the administration of career and technical education in the State or for the supervision of the administration of career and technical education in the State.

Eligible Recipient: The term ‘eligible recipient’ means –

- A. a local educational agency (including a public charter school that operates as a local educational agency), an area career and technical education school, an educational service agency, an Indian Tribe, Tribal organization, or Tribal education agency or a consortium, eligible to receive assistance under section 131; or
- B. an eligible institution or consortium of eligible institutions eligible to receive assistance under section 132.

Institute of Higher Education: The term ‘institute of higher education’ means an educational institution in any State that



- A. admits as regular students only persons having a certificate of graduation from a school providing secondary education, or the recognized equivalent of such a certificate, or persons who meet the requirements of section 484(d);
- B. is legally authorized within such state to provide a program of education beyond secondary education;
- C. provides an educational program for which the institution awards a bachelor's degree or provides not less than a 2-year program that is acceptable for full credit toward such a degree, or awards a degree that is acceptable for admission to a graduate or professional degree program, subject to review and approval by the Secretary;
- D. is a public or other nonprofit institution; and
- E. is accredited by a nationally recognized accrediting agency or association, or if not so accredited, is an institution that has been granted pre-accreditation status by such an agency or association that has been recognized by the Secretary for the granting of pre-accreditation status, and the Secretary has determined that there is satisfactory assurance that the institution will meet the accreditation standards of such an agency or association within a reasonable time.

(Sec. 101 of the Higher Education Act of 1965).

Non-Traditional Fields: The term 'non-traditional fields' means occupations or fields of work, such as careers in computer science, technology, and other current and emerging high skill occupations, for which individuals from one gender comprise less than 25 percent of the individuals employed in each such occupation or field of work.

Postsecondary Educational Institution: The term 'postsecondary educational institution' means

—

- A. an institution of higher education that provides not less than a 2-year program of instruction that is acceptable for credit toward a bachelor's degree;
- B. a tribally controlled college or university; or
- C. a nonprofit educational institution offering certificate or other skilled training programs at the postsecondary level.

Special Populations: The term special populations means —

- A. individuals with disabilities;
- B. individuals from economically disadvantaged families, including low-income youth and adults;

- C. individuals preparing for non-traditional fields;
- D. single parents, including single pregnant women;
- E. out-of-workforce individuals;
- F. English learners;
- G. homeless individuals described in section 725 of the McKinney-Vento Homeless Assistance Act (24 U.S.C. 11434a);
- H. youth who are in, or have aged out of, the foster care system; and
- I. youth with a parent who-
  - i. is a member of the armed forces (as such term is defined in section 101(a)(4) of title 10, United States Code); and
  - ii. is on active duty (as such term is defined in section 101(d)(1) of such title).

## **Respective Role of the “State Eligible Agency”**

OCTE is the eligible agency under the Perkins grant, in that OCTE receives a direct grant from the United States Department of Education (ED). The Perkins V grant award received by the state is divided between secondary and postsecondary institutions to implement and improve CTE programs. OCTE works collaboratively with the Kentucky Community and Technical College System (KCTCS) and universities to ensure that academic skills, technical skills and workplace readiness skills meet the needs of the students and industries. Businesses throughout the state partner with each agency to ensure that secondary and postsecondary graduates meet the needs of industries.

## **OCTE Organizational Structure and Functions**

OCTE is mainly responsible for the administration and supervision of the Perkins grant awards but has a memorandum of agreement (MOA) with KCTCS to administer the Perkins V grant awards for their agency or university.

OCTE is primarily responsible for the programmatic and fiscal management of the Perkins V grant. The relevant divisions of OCTE are the Division of Student Transition and Career Readiness and the Division of Technical Schools and Continuous Improvement. The divisions are broken into four branches: (1) the Data and Investment Branch, (2) the KY Tech Administrative Branch, (3) the Career Programs and Pathways Branch, and (4) the Student Leadership Development Branch.

Division of Student Transition and Career Readiness is responsible for the oversight of career and technical education curriculum and student organizations.

Division of Technical Schools and Continuous Improvement is responsible for providing statewide leadership to the area technology centers regarding curriculum development and revision, faculty development, educational resources, and health and safety requirements.

The Data and Investment Branch is responsible for and manages the day-to-day grant functions of the Perkins grant. Particularly, this branch is responsible for calculating Perkins allocations, reviewing local budgets, plans, and the Comprehensive Local Needs Assessments (CLNA). This branch is also responsible for monitoring local programs for compliance oversight, the management of student information in the Technical Education Database System (TEDS), the implementation of state initiatives impacting CTE students, and oversight of state-wide student services (including those for special populations). The branch also acts as a liaison between OCTE and the Perkins designate at the colleges and universities

The KY Tech Administrative branch is responsible for overseeing the accounts payable and receivable functions at the state level as well as processing grant payments to the eligible subgrantees. This branch maintains the accounting system records according to the Perkins budget.

The Career Programs and Pathways Branch is responsible for providing oversight and guidance relating to curriculum development, programs of study (POS), and POS evaluation.

The Student Leadership Development Branch is responsible for the guidance and growth of career and technical student organizations (CTSOs) at the secondary level.

## **Who is a CTE Student for Purposes of Perkins?**

Perkins V grant funds may only be spent on programs and services that benefit CTE students. In order to understand how students may be served by OCTE through the Perkins V grant, it is important to understand what constitutes a CTE student under the Act. Perkins V defines a CTE Participant as “an individual who completes not less than one course in a career and technical education program or program of study of an eligible recipient.” Therefore, a CTE student for purposes of Perkins V is one who elects to enroll in a CTE course or CTE program, which is defined as a sequence of courses that provides students with technical skills to succeed in high skill, high wage, or in-demand occupations.

## Use of Funds at State Level

This section discusses the specific uses for which a state is authorized to spend its Perkins V allocation, and how much must be spent towards each use.

### Administration – an amount not more than 5%

A state shall spend no more than 5% of the total Perkins V allocation on administration of the state plan. (Sec. 112(a)(3)). Administrative activities include developing the state plan, reviewing local applications, monitoring and evaluating program effectiveness, assuring compliance with all applicable federal laws, providing technical assistance, and supporting and developing state data systems relevant to the provisions of Perkins V.

Typically, OCTE spends its administrative allocation principally on salaries, and to a lesser extent, on travel, supplies, and other consumables necessary to administer the Perkins program.

Section 112(b) requires the state to match, with non-federal funds and on a dollar-for-dollar basis, all Perkins funds spent on administration. In order to meet this requirement, OCTE splits the cost of some of the administrative salaries so that part of the cost is covered by state funds and the rest of the cost is covered by Perkins V funds.

### Leadership – not more than 10%

A state may not spend more than 10% of the total Perkins V allocation on leadership activities. (Sec. 112(a)(2)).

There are specific mandatory leadership activities for which leadership funds under Perkins V must be used:

1. Expending between \$60,000 and \$150,000 to prepare students for nontraditional fields.
2. Up to 2% for individuals in state institutions, such as state correctional institutions, juvenile justice facilities, and educational institutions that serve students with disabilities.
3. Recruitment of special populations to enroll in career and technical education programs, which shall be not less than the lesser of—
  - (i) an amount equal to 0.1 percent; or
  - (ii) \$50,000;
4. Technical assistance for eligible recipients

In addition to the mandatory uses, there are 25 permissible uses of funds on which OCTE may spend some of its leadership funds:

1. developing statewide programs of study, which may include standards, curriculum, and course development, and career exploration, guidance, and advisement activities and resources;
2. approving locally developed POS that meet the requirements established in section 122(d)(4)(B);
3. establishing statewide articulation agreements aligned to approved POS;
4. establishing statewide industry or sector partnerships among local educational agencies (LEAs), institutions of higher education, adult education providers, Indian Tribes and Tribal organizations that may be present in the state, employers, including small businesses, and parents
5. for teachers, faculty, specialized instructional support personnel, and paraprofessionals providing CTE instruction, support services, and specialized instructional support services, high-quality comprehensive professional development that is, to the extent practicable, grounded in evidence-based research that identifies the most effective educator professional development process and is coordinated and aligned with other professional development activities carried out by the State
6. supporting eligible recipients in eliminating inequities in student access to—
  - a. (A) high-quality POS that provide skill development; and
  - b. (B) effective teachers, faculty, specialized instructional support personnel, and paraprofessionals;
7. awarding incentive grants to eligible recipients
8. providing support for—
  - a. the adoption and integration of recognized postsecondary credentials and work-based learning into POS, and for increasing data collection associated with recognized postsecondary credentials and employment outcomes; or
  - b. consultation and coordination with other State agencies for the identification and examination of licenses or certifications that—
    - i. pose an unwarranted barrier to entry into the workforce for career and technical education students; and
    - ii. do not protect the health, safety, or welfare of consumers;
9. the creation, implementation, and support of pay for success initiatives leading to a recognized postsecondary credential;
10. support for CTE programs for adults and out-of-school youth concurrent with their completion of their secondary school education in a school or other educational setting;
11. the creation, evaluation, and support of competency based curricula;
12. support for the development, implementation, and expansion of POS or career pathways

- in areas declared to be in a state of emergency under section 501 of 42 U.S.C. 5191;
13. partnering with qualified intermediaries to improve training, the development of public-private partnerships, systems development, capacity-building, and scalability of the delivery of high-quality CTE;
  14. improvement of career guidance and academic counseling programs that assist students in making informed academic and CTE decisions, including academic and financial aid counseling;
  15. support for the integration of employability skills into CTE programs and POS;
  16. support for programs and activities that increase access, student engagement, and success in science, technology, engineering, and mathematics fields (including computer science, coding, and architecture), support for the integration of arts and design skills, and support for hands-on learning, particularly for students who are members of groups underrepresented in such subject fields, such as female students, minority students, and students who are members of special populations;
  17. support for CTSOs, especially with respect to efforts to increase the participation of students in nontraditional fields and students who are members of special populations;
  18. support for establishing and expanding work-based learning opportunities that are aligned to CTE and POS;
  19. integrating and aligning POS and career pathways;
  20. supporting the use of CTE programs and POS aligned with State, regional, or local high-skill, high-wage, or in-demand industry sectors or occupations identified by the State workforce development board described in section 101 of the Workforce Innovation and Opportunity Act (29 U.S.C. 3111) or local workforce development boards;
  21. making all forms of instructional content widely available, which may include use of open educational resources;
  22. developing valid and reliable assessments of competencies and technical skills and enhancing data systems to collect and analyze data on secondary and postsecondary academic and employment outcomes;
  23. support for accelerated learning programs, as described in section 4104(b)(3)(A)(i)(IV) of the Elementary and Secondary Education Act of 1965, in the case of any such program that is part of a CTE POS;
  24. support for career academies to implement a postsecondary education and workforce-ready curriculum at the secondary education level that integrates rigorous academic, technical, and employability contents through CTE programs and POS that address needs described in the comprehensive needs assessment under section 134(c); and
  25. other State leadership activities that improve CTE.

(Perkins V Sec. 124(b)).

OCTE often uses leadership funds for curriculum support including POS development, Professional Development, Adult Education, and assessment.

### **“Pass-through” of at least 85% of the basic grant**

At least 85% of a state’s Perkins V grant must be distributed to the local recipients. (Sec. 112(a)(1)). OCTE allocates the funds according to the distribution requirements in Section 131.

OCTE also may take advantage of the optional reserve which allows OCTE to reserve up to 15% of the 85% for uses consistent with section 112(c), which allows the State to award grants to eligible recipients for CTE activities —

(1) in—

- (A) rural areas;
- (B) areas with high percentages of CTE concentrators or CTE participants;
- (C) areas with high numbers of CTE concentrators or CTE participants; and
- (D) areas with disparities or gaps in performance as described in section 113(b)(3)(C)(ii)(II); and

(2) in order to—

- (A) foster innovation through the identification and promotion of promising and proven career and technical education programs, practices, and strategies, which may include programs, practices, and strategies that prepare individuals for nontraditional fields; or
- (B) promote the development, implementation, and adoption of programs of study or career pathways aligned with State-identified high-skill, high-wage, or in-demand occupations or industries.

### **Use of Funds at Local Level**

This section discusses the specific uses for which a local recipient is authorized to spend its Perkins V allocation, and how much must be spent towards each use.

#### **Local Administrative Uses**

As required by Section 135(d), local recipients may not use more than 5% of their subgrant for administrative expenditures. Administrative activities are those activities necessary for the effective and efficient performance of the local recipient’s duties under Perkins V, including the supervision of such activities. Any cost that supports the management of the Perkins V program is administrative in nature. All uses of Perkins funds must be identified in the comprehensive local needs assessment (CLNA) and meet the state definition of size, scope, and quality (defined in Kentucky’s 4-year state plan).

## Local Uses of Funds

The remaining funds must be spent on activities consistent with Section 135. Funds made available to eligible recipients under this part must be used to support CTE programs that are of sufficient size, scope, and quality (defined in Kentucky's 4-year state plan) to be effective. Section 134 requires eligible recipients to submit a local application to the OCTE and to conduct a CLNA. With the inclusion of a CLNA, the Perkins V funds must be focused on preparing students for "in-demand industry sectors or occupations." The Act allows funds to be spent on emerging industries as workforce needs are determined during the CLNA. The goal is to prepare the local workforce to positively impact the local community. All funds spent must be directly tied to a need determined by the CLNA.

Below is a summary of the requirements in Section 135. It is helpful to review the actual text of Section 135(b) regarding the required uses of funds at the local level.

(1) provide career exploration and career development activities through an organized, systematic framework and support any of the following:

- (A) introductory courses/activities
- (B) career and labor market information
- (C) programs/activities related to development of student graduation/career plans
- (D) career guidance/academic counselors
- (E) comprehensive industry knowledge for students

(2) provide professional development for teachers, faculty, school leaders, administrators, specialized instructional support personnel, career guidance and academic counselors, or paraprofessionals, and support any of the following—

- (A) supporting academic and CTE instructional approaches
- (B) ensuring use of labor market information for program guidance/advisement for students
- (C) advancing knowledge, skills, and understanding of industry
- (D) managing CTE programs
- (E) improving student achievement/closing gaps in student participation/performance in CTE programs
- (F) providing opportunities to advance knowledge, skills, and understanding in pedagogical practices
- (G) training to provide appropriate accommodations for individuals/students with



#### Disabilities

(H) training to teach students with disabilities, a universal design for learning and support

(I) training to provide access to tools, technology, and knowledge for students and entrepreneurs

(3) provide within career and technical education, the skills necessary to pursue careers in high skill, high-wage, or in-demand industry sectors or occupations.

(4) provide support of integration of academic skills into career and technical education programs.

(5) plan and carry out elements supporting the implementation of career and technical education programs and programs of study resulting in increasing student achievement, which may include any of the following --

(A) curriculum aligned with requirements for a program of study

(B) relationships among education, business and industry, and other community stakeholders, to facilitate the process of aligning programs of study with workforce skills

(C) expanding opportunities for CTE concentrators to participate in accelerated learning programs

(D) equipment, technology, and instructional materials aligned with business and industry needs

(E) work-based learning opportunities, including simulated work environments

(F) industry-recognized certification examinations or other assessments leading toward a recognized postsecondary credential

(G) recruitment and retention of CTE faculty/staff/administration

(H) coordination with other education and workforce development programs and initiatives

(I) expanding opportunities for students to participate in distance CTE and blended learning programs

(J) expanding opportunities for students to participate in competency-based education programs

(K) improving career guidance/academic counseling programs

(L) supporting employability skills into CTE programs through family and consumer science programs

(M) supporting programs/activities increasing access, student engagement, and success in science, technology, engineering, and mathematics fields for underrepresented students

(N) providing CTE programs for adults/out-of-school youth to complete secondary school education/upgrading technical skills

(O) supporting career and technical student organizations

(P) providing instructional content

- (Q) supporting arts and design skills into CTE programs and programs of study
- (R) partnering to improve training, development of public-private partnerships, systems development, capacity-building, and delivery of high-quality career and technical education
- (S) supporting special populations in CTE for costs associated with fees, transportation, childcare, or mobility challenges
- (T) other activities to improve career and technical education programs

(6) develop and implement evaluations of the activities carried out with funds (including evaluations necessary to complete the comprehensive needs assessment).

## Allocation of Federal Funds

The Data and Investment Branch is responsible for allocating funds made available under Perkins V. OCTE learns the amount of its Perkins grant award from ED generally between February and April for the grant period starting the following July. However, if this amount is unknown, the Data and Investment Branch will use the previous year's award to estimate allocations.

Based on one of the preceding two figures, the Data and Investment Branch will budget not more than 5% for administration, not more than 10% for leadership, and the remaining 85% for the local recipients.

Pursuant to Section 131(c), no recipient may receive an allocation in an amount less than \$15,000 without joining a consortium or requesting a waiver to join a consortium for secondary schools and \$50,000 for postsecondary institutions. The steps for determining the distribution are laid out below:

1. Calculate the Secondary / Postsecondary % of the 85% of Total Grant (The Secondary-Postsecondary split is determined in Kentucky's state Perkins V plan as a 62/38 percentage.)
2. Calculate Funding Allocations for Individual Recipients
3. Determine the Portion of Local School District Allocation Transferred to State Operated Area Technology Centers (ATCs)
4. Verify Calculations
5. Send Allocation Notices to Recipients

### **Step One – Calculate the Secondary / Postsecondary % of the 85% of Total Grant**

The Secondary-Postsecondary split is determined in Kentucky's state Perkins plan as a 62/38 percentage. Therefore, 62% of the allocation is granted to secondary and 38% to postsecondary. At least 85% of the secondary funds must go out to secondary recipients. At least 85% of the postsecondary funds must go out to postsecondary recipients.

#### **A. Determine the Allocation to Each School District**

30% of the allocation is based on the number of individuals, aged 5-17, inclusive of those who reside in the school district served by such LEA for the preceding fiscal year compared to the total number of such individuals served by all school districts served by such LEAs in the state for the preceding year.

Census data is used for the number of students aged 5-17 living in each school district. The U.S. Office of Career and Technical Education informs us which year of census data to use.

70% of the allocation shall be allocated to LEAs in proportion to the number of individuals aged 5-17, inclusive of those who reside in the school district served by the LEA and are from families below the poverty level for the preceding fiscal year compared to the total number of such individuals who reside in the school districts served by all the LEAs in the State for the preceding year.

The number of families living below the poverty level with children aged 5-17 in the school district data is from the Census Bureau and is on the same report as the number of students aged 5-17 residing in a school district. All school districts are listed in this report.

The total from the 30% allocation and the total from the 70% allocation for each school district is added to get the total allocation for the districts.

A report containing the total number of CTE secondary students, aged 5-17, per school district is generated from TEDS.

#### **Example**

Number of students in school district aged 5-17      100  
Number of students in all school districts aged 5-17 1000  
% of students in school district                               $100/1000=10\%$   
10% times 30% of secondary allocation = amount to school district

#### **Example**

Number of families below poverty with children in the district      75  
Number of families below poverty with children in districts for state      500  
 $75/500=15\%$   
15% times 70% of secondary allocation= amount to school  
Add the amount of dollars based on children residing in district + amount of dollars based on families below poverty to get district allocation

### **B. Determine the Number of Pell Grant Recipients at Colleges and Universities**

As required by section 132 of the Perkins V statute, the distribution to colleges and universities must be based on the number of Federal Pell Grant recipients enrolled in CTE programs. In order to determine the distribution to colleges and universities, the Data and Investment Branch will first collect the Pell Grant information for the colleges and universities from the Kentucky

Community and Technical College System and each university.

### **Step Two – Calculate Funding Allocations for Individual Recipients**

Next, calculate the individual recipient's allocation using the spreadsheet containing the funding formula by entering each recipient's CTE enrollment. A separate spreadsheet is used to calculate allocations for secondary and postsecondary recipients.

### **Step Three - Determine the Portion of Local School District Allocation Transferred to State Operated ATCs**

Perkins V funds follow the students and are to be used to benefit the students who choose to enroll in CTE. The share of the district's allocation to an ATC is based on the relative share of students from a district attending the ATC. The enrollment number for each preparatory program at a high school is taken from TEDS. Enrollment for the ATC preparatory programs is taken from the home school report that is signed by the superintendent.

The total number of students (unduplicated) from a district enrolled in a preparatory CTE program is determined by adding the unduplicated number of CTE students enrolled in the high school preparatory programs plus the unduplicated number enrolled at the area school of CTE students enrolled in preparatory programs at the ATC.

The percentage of the students attending the ATC is determined and applied to the total allocation of the district. The ATC amount is subtracted from the local school district allocation to get the funds available to the local school district.

According to Section 131(e), the State must distribute the portion of funds made available under section 112(a)(1) for CTE activities at the secondary level under this section to the appropriate area CTE school or educational service agency in any case in which the area CTE school or educational service agency, and the LEA concerned—

- (A) have formed or will form a consortium for the purpose of receiving funds under this section; or
- (B) have entered into or will enter into a cooperative arrangement for such purpose.

If an area CTE school or educational service agency meets the requirements above, then the amount that would otherwise be distributed to the LEA must be allocated to the area CTE school, the educational service agency, and the LEA based on each school, agency or entity's relative share of students who are attending CTE programs (based, if practicable, on the average enrollment for the preceding 3 years).

### Example

Number of CTE students enrolled in preparatory programs at high school 100

Number of CTE students from the same high school enrolled in preparatory programs at ATC 100

Total CTE students from local district=200

100 ATC students divided by total CTE students (200)= 50%

50% of allocation goes to high school (local district) and 50% of allocation goes to ATC to support the district students

Section 2. The purpose of this Act is to develop more fully the academic and career and technical skills of secondary education students and postsecondary education students who **elect** to enroll in career and technical education **programs**.

Section 3. A. Career and technical education is organized educational activities that offer a sequence of courses that provides (1) individuals with coherent and rigorous content aligned with challenging academic standards and relevant technical knowledge and skills needed to prepare for further education and careers in current or emerging professions; (2) provides technical skill proficiency, and industry-recognized credential, a certificate, or an associate degree; and (3) may include prerequisite courses (other than remedial) that meets the requirements of this subparagraph.

B. Include competency-based applied learning that contributes to academic knowledge, higher-ordering reasoning and problem-solving skills, work attitudes, general employability, technical skills, occupation-specific skills, and knowledge of all aspects of the industry, including entrepreneurship of the individual.

To be eligible for Perkins V funds, the CTE programs in an eligible recipient institution must offer programs that meet the above definition. Eligible recipients are responsible for the operation and maintenance of its programs with nonfederal funds. Perkins V funds supplement nonfederal funds to add value to the program and Perkins V funds must be used to meet the requirements in the Perkins V law. The focus of the legislation is current and relevant content and more effective instruction that results in higher student achievement.

Eligible recipients that require students to take selected courses to meet graduation requirements are responsible for the operation and maintenance of those courses and students who enroll in those required courses may not be included in TEDS until the student enrolls in a second program of study. Perkins V funding is to benefit students who choose to or elect to enroll in a CTE course. An example is the course, Digital Literacy, which may be required for all students to take to meet graduation requirements. These students do not qualify for Perkins funding. If the student

decides to continue the course sequences in Administrative Assistant Programs, the credit earned for digital literacy may be counted toward the four credits in a program—a sequence of courses that build upon the preceding courses—to be a completer.

Perkins V funding is for preparatory programs. Preparatory programs meet the definition of CTE defined in Perkins V. The sequence of courses builds upon the knowledge and skills learned in the preceding courses in a sequence of courses.

There are two types of students who choose to enroll in CTE programs. Exploring students are those individuals who have chosen to enroll in the beginning courses and receive credit. When a student has chosen to enroll and has completed two courses in the sequence of courses for a program of study, that student becomes a concentrator. Eligible recipients are held accountable for concentrator student success. To be a program completer, the student must complete four credits in the program sequence of courses that build upon the previous courses.

Programs of Study are a requirement in the Perkins V Act. The term “program of study” means a coordinated, nonduplicative sequence of academic and technical content at the secondary and postsecondary level that—

- (A) incorporates challenging State academic standards, including those adopted by a State under section 1111(b)(1) of the Elementary and Secondary Education Act of 1965;
- (B) addresses both academic and technical knowledge and skills, including employability skills;
- (C) is aligned with the needs of industries in the economy of the State, region, Tribal community, or local area;
- (D) progresses in specificity (beginning with all aspects of an industry or career cluster and leading to more occupation-specific instruction);
- (E) has multiple entry and exit points that incorporate credentialing; and
- (F) culminates in the attainment of a recognized postsecondary credential.

For the program of study concept to work, secondary and postsecondary teachers will have to collaborate on current and relevant content and appropriate outcomes for student achievement at the secondary and postsecondary levels.

This concept enables secondary students in a program of study to continue the study of the program at the postsecondary level and gives the secondary student credit for work accomplished at the secondary level. Associate degree postsecondary completers also have the option to

continue on to a four-year university to complete the degree. This student also receives credit for work accomplished without retaking some of the courses.

1. Each eligible institution (postsecondary institution—associate degree or 600 clock hours in a certificate program in career and technical education) shall be allocated an amount that bears the same relationship to the portion of funds made available for any fiscal year as the sum of the number of individuals who are Pell Grant recipients and recipients of assistance from the Bureau of Indian Affairs enrolled in programs meeting the requirements of Section 135 offered by such institution in the preceding fiscal year bears to the sum of the number of such recipients enrolled in such programs within the state for such year.

2. Kentucky does not have students receiving assistance from the Bureau of Indian Affairs.

3. Allocations for postsecondary institutions that offer associate degree or diploma CTE programs that prepare individuals for employment and further education are eligible for funding. Programs must be of sufficient size, scope, and quality to be effective. Programs of study require a sequence of secondary and postsecondary courses that build upon the previous courses and that lead to employment and life-long learning. The focus is on high skill, high wage, or high demand occupations that are current or emerging.

4. The allocation is based on the number of students enrolled in preparatory CTE programs and who received a Pell Grant in the preceding year as compared to the total number of postsecondary CTE students who received Pell Grants in the preceding year.

5. Example      School A had 15 CTE Pell Grant Students the previous year.  
Total CTE Pell Grant Students the previous year was 200.  
School A's allocation is determined by  $15/200=7.5\%$   
Funds available      \$3,000  
 $.075 * \$3,000=\$225$ .

#### **STEP 4 – Verify Calculations**

As a final step, double-check that the totals add up to ensure that none of the calculations contain any errors. Compare funding amounts from the current year to the previous year. Check data for any recipient that will receive funding that is a large increase or decrease from the previous year to be sure correct numbers were entered on the spreadsheet for calculations.

#### **Step 5 – Send Allocation Notices to Recipients**

A contract with the institution will be signed and individual college amounts will be in the



contract.

## ALLOCATION SPREADSHEET

During this process, an allocation spreadsheet is created for secondary recipients and for postsecondary recipients. Going from left to right along the first row of the spreadsheet, the first column is the name of the high school or area technology center. The next column is the total number of children in the LEA and the amount allocated under the 30% calculation. The number of children in poverty is in the next column, followed by the amount allocated under the 70% calculation. The next column adds the 30% allocation and the 70% allocation to get the total allocation for the LEA. A final column lists any amount from a different local school district transferred to the LEA for providing services for students from the other school district.

Example						
				Children in		
	Children in LEA	Amount		Poverty	Amount	Total
District	30%	Allocation		70%	Allocation	Allocation
ABC	2,899	\$9,300		873	\$29,140	\$38,440

Once the allocation is determined, the Data and Investment Branch publishes the amounts in the grants management application system and the grants award notifications.

As noted above, if the exact Perkins V grant award total has not been received from USDOE, the official notification of the allocation will be delayed until the State's award notification is received. Local recipients will be notified of the delay and asked to prepare their budget requests based on a tentative allocation amount and the official allocation will be sent once the current year's amount is learned.

## Accountability Requirements

The Perkins V grant is integrally tied into an accountability system, the purpose of which is to assess the effectiveness of the state and the eligible recipients of the state in achieving statewide progress and continuous improvement in career and technical education, and to optimize the return of investment of federal funds. This section discusses how effectiveness is measured, the levels of effectiveness and how they are reached, and how effectiveness is reported to ED.

## Core Indicators of Performance

Effectiveness in CTE is measured through performance measures. These measures are called indicators of performance. There are 5 core indicators of performance at the secondary level and 3 core indicators of performance at the postsecondary level. The core indicators of secondary performance include:

1. Student graduation rates as described in the Elementary and Secondary Education Act (ESEA).
2. Student attainment of challenging academic content standards and student academic achievement standards, as adopted by a state under ESEA and measured by the state determined proficient levels on the academic assessments under ESEA.
3. Student placement in postsecondary education or advanced training, in military service, volunteer services or in employment
4. Student participation and completion of career and technical education programs that lead to nontraditional fields.
5. Student attainment of career and technical skill proficiencies, including student achievement on technical assessments that are aligned with industry-recognized standards, if available and appropriate.

The core indicators of postsecondary performance include:

1. Student placement in military service or apprenticeship programs or placement or retention in employment, including placement in high skill, high wage, or high demand occupations or professions; and
2. Students that earn a degree or credential, if the program encompasses fewer than 12 credits, or have been in the program for four years and are no longer actively taking courses at the institution. Student who receives a recognized postsecondary credential during participation in or within 1 year of program completion.
3. Student who is a concentrator in a career and technical education programs that lead to employment in non-traditional fields.

(Sec. 113)

At OCTE, these statutory core indicators of performance are assigned a specific number and are reflected in separate indicators:

### Secondary Performance Indicators:

1S1 -- Graduation Rates: Percent of senior concentrators who graduated (compared to the

latest available state graduation rate)

2S1 – Academic Attainment in Reading: Percent of CTE concentrators who meets benchmark on the state Reading assessment.

2S2 – Academic Attainment in Mathematics: Percent of CTE concentrators who meets benchmark on the state Mathematics assessment.

2S3 – Academic Attainment in Science: Percent of CTE concentrators who meets benchmark on the state Science assessment.

3S1 – Secondary Placement: Percent of senior concentrators who completed the CTE program and graduated from high school and who entered postsecondary education or advanced training, entered the military or was employed in the reporting year during the second quarter

4S1 – Nontraditional Concentrator: Percent of nontraditional concentrator in CTE programs who enrolled in programs leading to employment in the occupations that employ less than 25 percent of one gender.

5S1 – Postsecondary Credential: Percent of senior CTE concentrators who pass the technical assessment tests, including but not limited to the OCTE End of Program Assessment, a test leading to an industry certificate or other industry validated test.

### **Postsecondary Performance Indicators:**

1P1 – Postsecondary Follow-up: CTE concentrators who, during the second quarter after program completion remained in postsecondary education, are in advanced training, military services, employment or a service program under the National Community Services Act or Peace Corps.

2P1 – Credential, Certificate, or Degree: CTE concentrators that earn a degree or credential, if the program encompasses fewer than 12 credits, or have been in the program for four years and are no longer actively taking courses at the institution. The percentage of CTE concentrators who receive a recognized postsecondary credential during participation in or within 1 year of program completion.

3P1 – Nontraditional Concentrator: Percent of nontraditional postsecondary concentrator in CTE programs enrolled in programs leading to employment in the occupations that employ less than 25 percent of one gender.

### **Levels of Performance**

Each core indicator of performance has an established level of performance, at the state level

and at the local level, by which the core indicator is measured from year to year. Using this measure, the individual high school, area technology center, college and university can be assessed. The level of performance is measured by a percentage and the state, and each local recipient must meet the state adjusted level of performance by 90%.

### **State Levels of Performance**

The starting State levels of performance are arrived at by the average to the previous years for each indicator. Then they increase each year for the 4 years of the plan to ensure a level of growth in each indicator. Any changes in the indicators or submitted to a 60-day public comment period.

### **Local Levels of Performance**

All high schools, ATCs, colleges, and universities receiving Perkins V grant funds are required to meet the state level of performance.

### **Improvement Plans**

If the state or a local recipient fails to meet at least 90% of the adjusted level of performance on any core indicator, the state or local recipient must develop and implement a program improvement plan for the program year after the program year during which the adjusted level of performance was not met. The program improvement plan is essentially a corrective action plan that details the steps that the state or local recipient will take to ensure that it meets the adjusted level of performance in the following year. Likewise, when an improvement plan is required and a special population does not perform within 90% of the state/local recipient level, a gap analysis must be written.

At the local recipient level, if one has not met one or more adjusted levels of performance for a program year, that local recipient must submit a local program improvement plan as part of the local application for the next year's funding. The improvement plan must be approved by OCTE prior to the local recipient receiving its award letter for the upcoming program year.

OCTE may, after due process safeguards, withhold from an eligible recipient, all or a portion allotment if the eligible recipient:

1. Fails to implement an improvement plan;

2. Fails to make any improvements in meeting any local adjusted level of performance for the core indicator identified in an improvement plan within the first year of the plan's implementation or
3. Fails to meet at least 90% of an agreed upon local adjustment level of performance for the same core indicator of performance for 2 consecutive years.

## **Consolidated Annual Report (CAR)**

Each year, OCTE must prepare and submit a Consolidated Annual Report (CAR) to USDOE regarding the progress of the state in achieving the state-adjusted levels of performance.

For each core indicator of performance, disaggregate data for different categories of students, broken down by race and ethnicity and special population, is required. The CAR also includes a Financial Status Report showing the amount of funds spent on each part of the statute and a narrative describing the activities that the state is carrying out with the grant funds.

The Data and Investment Branch is responsible for drafting the narrative and for the coordination of the other parts of the CAR.

## **Financial Status Report (FSR)**

Financial Status Reports (FSR) must be submitted as part of the CAR each January. A final FSR, for the grant that was closed out the past September, and an interim FSR, for the grant that is still opened, must be submitted. Gathering the information and creating the FSR is the responsibility of the KY Tech Administrative Branch.

Throughout the year staff from the KY Tech Administrative Branch record transactions made with Perkins funds.

The middle of November prior to the FSRs being due, the Technical Schools and Budget Branch begins to cull the necessary data. The FSR is essentially a spreadsheet with required columns of information.

## Local Uses of Funds and Local Applications

Pursuant to the Perkins V statute, in order for a local school district, ATC, college or university to receive Perkins grant funds, they must submit a local application which then must be approved by the OCTE. An approved Perkins annual local application constitutes an agreement between the high schools, area technology centers, colleges and universities, and OCTE.

### Local Application

The local application describes how each local recipient's CTE programs will be carried out with Perkins grant funds, how career and technical education activities will be carried out with respect to meeting state and local adjusted levels of performance, and how the applicant will ensure compliance with Perkins and state requirements. The local application is submitted electronically.

The Perkins annual local application is comprised of:

1. Signature Forms
  - a. Signatures of authorized local agent
  - b. Assurances
2. Perkins Annual Local Application
  - a. Narrative to address required elements of the local application in Sec. 134 of Perkins.
  - b. Required Uses of Funds requirements in Sec. 135(b)
  - c. Perkins Budget
  - d. Perkins Performance Matrix
  - d. Programs of Studies
  - e. CLNA

OCTE's requirements are listed below:

1. No more than 5% of the grant may be used for administrative expenditures.
2. All budget items must directly relate to a required or allowable use of funds.
3. All budget items must be connected to the CLNA and meet the state definition of Size, Scope and Quality.

## **Local Application Review Process**

Each year, OCTE must review all annual local applications to ensure compliance with Perkins. The process includes providing technical assistance to all eligible recipients in the planning process. An outline of the process is contained below.

In February the OCTE provides training to eligible recipients on the Local Application. The applications open on March 1 in the Grant Management Application and Planning (GMAP) system. Applications are due to OCTE on May 1.

Staff from the Data and Investment Branch review the application for compliance and budgeted allowable costs. Applications that need corrections will be returned to the eligible recipient with instructions.

Funds will be made available on July 1 for the subgrantees with an approved plan.

## **Budgets**

For each budget item, local recipients must record the item, a justification for the item, the program area, and the cost of the item. Subgrantees are required annually to spend funds on all Perkins required uses of funds. However, they do not have to spend their Perkins V grant funds on all uses if nonfederal funds are satisfying those required uses in section 135(b). All required uses of funds must be covered in the local application.

## **Budget Amendment Review Process**

Subgrantees are allowed to request amendments to their budget throughout the program year. The Data and Investment Branch is responsible for reviewing and approving budget amendments.

The budget amendment review process is initiated when OCTE receives a request for budget amendment from a local recipient in the GMAP system. The staff reviews the request for allowability. If the request needs corrections, instructions are sent through the system to the subgrantee. If the request is approved that is also completed in the system.

Pursuant to 2 CFR 200.308(d), OCTE must review the request for budget or program application revision and should notify the local recipient whether the revisions have been approved within

30 days of receipt of the request. OCTE must inform the local recipient in writing when a decision can be expected if more than 30 days is required for a review.

### **Allowable Costs**

2 CFR Part 200 Subpart E establishes federal cost principles for all nonfederal entities. The cost principles are the basic guidelines describing the permissible ways federal funds may be spent. The general principles state that for costs to be allowable, the cost must be necessary, reasonable, and allocable. According to 2 CFR 200.403, the cost must meet the following general criteria:

- Conform to Federal law and Perkins V terms;
- Consistent with State and Local policies;
- Consistent treatment;
- In accordance with Generally Accepted Accounting Principles(GAAP);
- Not utilized as match;
- Sufficiently documented; and
- Be the net of applicable credits.

### **Applicable Credits §200.406**

Applicable credits are applied purchase discounts, rebates or allowances, recoveries or indemnities on losses, insurance refunds or rebates, and adjustments of overpayments or erroneous charges that must be credited to the Federal award. To the extent that such credits accruing to or received by the State relate to the federal award, they shall be credited to the federal award, either as a cost reduction or cash refund, as appropriate.

### **Reasonable §200.404**

When a subrecipient determines if a cost is reasonable, consideration must be given to:

- Whether cost is a type generally recognized as ordinary and necessary for the operation of the non-Federal entity or the proper and efficient performance of the Federal award;
- Sound business practices must be present, and consider Federal, State, Local, Tribal, and other law or regulations, and the Perkins V conditions and terms;
- Market prices in the geographic area were comparable for goods and/or services;
- Whether the individuals involved acted with prudence; and
- Whether entity deviates from established financial practices or policies.

Part 200 examines the allowability of 56 specific cost items (commonly referred to as Selected Items of Cost) at 2 CFR 200.420–476. These cost items are listed in the chart below along with the citation where it is discussed whether the item is allowable.



Personnel responsible for spending Federal grant funds and for determining allowability must be familiar with the Part 200 selected items of cost section. The recipient must follow these rules when charging these specific expenditures to a Federal grant. When applicable, staff must check costs against the selected items of cost requirements to ensure the cost is allowable. In addition, State, local, and Perkins-specific rules may deem a cost as unallowable and personnel must follow those non-Federal rules as well.

The selected item of cost addressed in Part 200 includes the following (in alphabetical order):

<b>Item of Cost</b>	<b>Citation of Allowability Rule</b>
Advertising and public relations	2 C.F.R. § 200.421
Advisory councils	2 C.F.R. § 200.422
Alcoholic beverages	2 C.F.R. § 200.423
Alumni activities	2 C.F.R. § 200.424
Audit services	2 C.F.R. § 200.425
Bad debts	2 C.F.R. § 200.426
Bonding costs	2 C.F.R. § 200.427
Collections of improper payments	2 C.F.R. § 200.428
Commencement and convocation costs	2 C.F.R. § 200.429
Compensation – personal services	2 C.F.R. § 200.430
Compensation – fringe benefits	2 C.F.R. § 200.431
Conferences	2 C.F.R. § 200.432
Contingency provisions	2 C.F.R. § 200.433
Contributions and donations	2 C.F.R. § 200.434
Defense and prosecution of criminal and civil proceedings, claims, appeals and patent infringements	2 C.F.R. § 200.435
Depreciation	2 C.F.R. § 200.436
Employee health and welfare costs	2 C.F.R. § 200.437
Entertainment and prizes	2 C.F.R. § 200.438
Equipment and other capital expenditures	2 C.F.R. § 200.439
Exchange rates	2 C.F.R. § 200.440
Fines, penalties, damages and other settlements	2 C.F.R. § 200.441
Fundraising and investment management costs	2 C.F.R. § 200.442
Gains and losses on the disposition of depreciable assets	2 C.F.R. § 200.443
General costs of government	2 C.F.R. § 200.444
Goods or services for personal use	2 C.F.R. § 200.445
Idle facilities and idle capacity	2 C.F.R. § 200.446
Insurance and indemnification	2 C.F.R. § 200.447
Intellectual property	2 C.F.R. § 200.448

Interest	2 C.F.R. § 200.449
Lobbying	2 C.F.R. § 200.450
Losses on other awards or contracts	2 C.F.R. § 200.451
Maintenance and repair costs	2 C.F.R. § 200.452
Materials and supplies costs, including costs of computing devices	2 C.F.R. § 200.453
Memberships, subscriptions, and professional activity costs	2 C.F.R. § 200.454
Organization costs	2 C.F.R. § 200.455
Participant support costs	2 C.F.R. § 200.456
Plant and security costs	2 C.F.R. § 200.457
Pre-award costs	2 C.F.R. § 200.458
Professional service costs	2 C.F.R. § 200.459
Proposal costs	2 C.F.R. § 200.460
Publication and printing costs	2 C.F.R. § 200.461
Rearrangement and reconversion costs	2 C.F.R. § 200.462
Recruiting costs	2 C.F.R. § 200.463
Relocation costs of employees	2 C.F.R. § 200.464
Rental costs of real property and equipment	2 C.F.R. § 200.465
Scholarships, student aid costs, and tuition remission	2 C.F.R. § 200.466
Selling and marketing costs	2 C.F.R. § 200.467
Specialized service facilities	2 C.F.R. § 200.468
Student activity costs	2 C.F.R. § 200.469
Taxes (including Value Added Tax)	2 C.F.R. § 200.470
Telecommunications and video surveillance costs	2 C.F.R. § 200.471
Termination and standard closeout costs	2 C.F.R. § 200.472
Training and education costs	2 C.F.R. § 200.473
Transportation costs	2 C.F.R. § 200.474
Travel costs	2 C.F.R. § 200.475
Trustees	2 C.F.R. § 200.476

Please do not assume that an item is allowable because it is specifically listed in the regulation as it may be unallowable despite its inclusion in the selected items of cost section. The expenditure may be unallowable for a number of reasons, including: the express language of the regulation states the item is unallowable; the terms and conditions of the grant deem the item unallowable; or State/local restrictions dictate that the item is unallowable. The item may also be unallowable because it does not meet one of the cost principles, such as being reasonable because it is considered too expensive. It is also possible for the State and/or locality to put additional requirements on a specific item of cost. Under such circumstances, the more restrictive requirements must be met for a cost to be allowable. If an item is unallowable for any of these reasons, Federal funds cannot be used to purchase it.

Additionally, in order for a cost to be allowable, the expenditure must also be allowable under the applicable program statute, along with accompanying program regulations, non-regulatory guidance and grant award notifications.

Therefore, employees must consult the specific grant requirements, as well as applicable Federal, State, and local requirements when spending Federal funds to ensure all costs are allowable.

## Unallowable Costs

Funds typically cannot be used to purchase the following:

- Advertising
- Alcohol
- Audits except single audit
- Awards and memorabilia
- Contingencies
- Contributions and donations
- Entertainment
- Expenses that supplant
- Facilities
- Fines and penalties
- Firearms
- Food or beverages
- Fundraising
- Furniture
- Giveaways
- General administration apart from program administration
- Individual employee memberships
- Memberships or anything related to lobbying
- Student expenses or direct assistance to students
  - (except for specific special populations under Perkins V Sec. 135(b)(5)(S))
- Perkins cannot be used as matching funds for other grants

**Local eligible recipients are responsible for any misspent federal funds, and any request for repayment must be paid from the local eligible recipient's non-federal funds.**

## Costs That May Require Prior Approval

Under any given Federal award, the reasonableness and allocability of certain items of costs may be difficult to determine. In order to avoid subsequent disallowance or dispute based on unreasonableness or non-allocability, the subrecipient may seek the prior written approval of the awarding agency in advance of the incurrence of special or unusual costs. In addition to the allowable costs, the state may have certain policies and procedures that are stricter than the federal awards requirements that must be adhered to for a cost to be allowable. Subrecipients should consult both state and federal guidelines and follow the stricter version of the two. Several cost items that the employees and subrecipients should be aware of include:

- Accommodations for Individuals with Disabilities
- CTSOs
- Interpreting Services and Equipment
- Outreach
- Travel and Transportation

These cost items are discussed below.

### **Accommodations for Individuals with Disabilities**

Any subrecipient receiving Federal funds may not exclude an otherwise qualified individual with a disability from participation in, deny the benefits of, or cause the person to be subjected to discrimination under any program or activity based on the individual's disability. See Section 504 of the Vocational Rehabilitation Act of 1973, 29 U.S.C. 794. Subrecipients must make modifications to academic requirements as necessary to ensure that such requirements do not discriminate, or have the effect of discriminating, based on a disability against an otherwise qualified applicant or student with a disability.

There are two laws that require subrecipients to provide accommodations, modifications, or auxiliary aids to otherwise qualified students: Section 504 of the Vocational Rehabilitation Act of 1973 and the Americans with Disabilities Act of 1990 (ADA). Students who need accommodations are responsible for requesting these services and for meeting with their institution to:

1. Provide documentation that supports the request for services; and
2. Discuss the nature of the request, the nature of their disabilities, and past experiences.

The Disability Services professional at the institution will recommend a reasonable accommodation that will be the most effective in assuring the student's access to academic programs. Subrecipients should budget funds to ensure various accommodations are available for students with disabilities. These expenditures can be funded from the Institution's State/local, Perkins V or self-generated budgets. Section 324(c) of Perkins V provides that the state or eligible subrecipient may use Perkins V funds to pay for the cost of CTE services necessary to meet the requirements of Section 504 of the Rehabilitation Act of 1973 with respect to ensuring equal access to CTE. For materials, guidance, and more information relating to individuals with disabilities and accommodations, contact the Data and Investment Branch Manager.

### **Career and Technical Student Organizations (CTSOs)**

Perkins V funds may be used for activities involving CTSOs if such activities have been addressed in the application, CLNA, and budget. Under Perkins V, CTSOs may use funds to "support CTSOs, including student preparation for participation in technical skills competitions aligned with career and technical education program standards and curricula". (Sec. 135(b)(5)). The permissible

activities must be in alignment with the CLNA and be in the application. Keep in mind that Perkins V funds may supplement, but not supplant non-Federal funds to carry out CTE activities.

### **Interpreting Services and Equipment**

One of the most critical components of any program for deaf and hard of hearing students is interpreting services and equipment. See Accommodations for Individuals with Disabilities above for more information. The Disability Services professional at the student's institution will recommend the accommodation(s) which will be most effective in assuring the student's access to academic programs.

Most often, an interpreter is situated in the front of the classroom and near the instructor to allow the student to have both the interpreter and instructor in their field of vision to enhance visual cues. Some programs utilize part-time interpreters on a contract basis depending on the need for interpreting services. Other programs have a fulltime interpreter on staff. Still others utilize both full-time and part-time interpreters. This varies with the number of deaf students enrolled. The extent and skill of interpreting services needed for each student is dependent on enrollment and curriculum requirements, such as whether it is a lecture class or a lab. Perkins V funds may supplement, but not supplant non-federal funds to provide services. It will be presumed that supplanting has occurred when the subrecipient provides services with non-Federal funds and provides the same services using Perkins V funds to CTE students.

The Americans with Disabilities Act of 1990:

When an interpreter is required, the public accommodation should provide a qualified interpreter. The interpreter must be able to sign what is being relayed by the speaker to the individual who is deaf. Additionally, the interpreter must be able to relay to the speaker information from the individual who is deaf. This communication must be conveyed effectively, accurately, and impartially, using any necessary specialized vocabulary. Being able to interpret effectively, accurately, impartially, receptively, and expressively determines whether one is qualified, not whether he or she is certified by an official licensing body. An individual does not have to be certified in order to meet this standard.

### **Outreach (Advertising and Public Relations)**

Advertisements are allowable for recruiting grant personnel and to promote CTE programs. Perkins V funds cannot be used to promote the institution itself.

Public Relations costs may be allocable when:

1. Specifically required by the Federal award;
2. Cost of communicating with the public and press about grant; and
3. Conducting general liaison with news media and government public relations officers.

## **Travel and Transportation**

- Conferences 2 CFR § 200.432

A conference is defined as a meeting, seminar, workshop, or event for the purpose of disseminating technical information beyond the non-federal entity and is necessary and reasonable for successful performance under the federal award. Allowable conference costs paid by the non-Federal entity as a host of the conference may include rental of facilities, speaker fees, and/or identifying and providing locally available dependent-care resources.

Conference hosts must exercise discretion ensuring costs are appropriate, necessary, and managed in a manner that minimizes costs to federal award.

### **Travel Costs §200.474 – Allowable with Certain Restrictions**

- Travel costs may be charged on actual, per diem, or mileage basis
- Travel charges must be reasonable and consistent with entity's written travel reimbursement policies
- Subrecipients must retain documentation that participation of individuals in conference is necessary for the project
- Dependent care costs above and beyond regular dependent care that directly result from travel to conferences may be allowable (consistent with written policy)

## **Programmatic Fiscal Requirements**

### **Supplement Not Supplant**

As a requirement by Section 211(a) of Perkins V, funds for CTE activities shall supplement, and shall not supplant, non-Federal funds expended to carry out CTE activities.

It will be presumed that supplanting has occurred where:

- OCTE or one of the local recipients uses Perkins V funds to provide services that OCTE or one of the subgrantee is required to make available under another state, or local law; or
- OCTE or one of the local recipients uses Perkins V funds to provide services that the subgrantee provided with non-Perkins V funds in the prior year.

These presumptions may be rebutted if OCTE or the local recipients can demonstrate that it

would not have provided the services in question with non-Perkins funds had the Perkins funds not been available.

## **Maintenance of Effort**

As required by the Perkins statute, OCTE must be able to demonstrate that the state spent the same amount in state funds on career and technical education programs from year to year. The calculation may be done on a per-pupil basis (amount spent per CTE Student) or on an aggregate basis (the total spent on CTE). Kentucky must maintain 100% of the prior year's effort, unless Kentucky receives a smaller allocation from ED. In that case, Kentucky may reduce its efforts proportionally.

In computing Maintenance of Effort, the year prior to the current year is compared with the year before. The computation must exclude capital expenditures, special one-time projects, and the cost of pilot programs.

## **Matching**

As discussed more fully above, states are authorized under Perkins V to use a certain percentage of their total allocation for administrative activities. However, the state must match, with non-federal funds and on a dollar-for-dollar basis, all Perkins V funds spent on administration.

## **Hold Harmless**

In addition to the matching requirement, Perkins V requires that states maintain the same amount of non-federal expenditures for Perkins V administration from year to year. In other words, OCTE can spend no less non-federal funds on Perkins V administration than it did in the previous year.

## **Grant Management**

EDGAR establishes rules that apply to all education programs. Secondary to the Perkins Act itself, EDGAR is a primary reference for this manual. EDGAR regulations include, but are not limited to, such issues as application procedures, financial administration, property management, records retention, lobbying, and oversight. EDGAR also incorporated the federal grant rules that apply to all recipients of federal grant funds, the UGG. Recipients should become familiar with the EDGAR

rules at 34 CFR Part 76 (and other EDGAR sections that apply) and the UGG at 2 CFR Part 200.

## **Financial Management**

The standards for financial management systems are found at 2 CFR 200.302(b). The required standards include:

### **1. Identification**

The recipient must identify, in its accounts, all Federal awards received and expended and the Federal programs under which they were received. Federal program and award identification must include, as applicable, the Assistance Listings (formerly referred to as the CFDA) title and number, Federal award identification number, year the Federal award was issued, and name of the Federal agency or pass-through entity.

### **2. Financial Reporting**

Accurate, current, and complete disclosure of the financial results of each Federal award or program must be made in accordance with the financial reporting requirements in 2 CFR 200.328–329 and in EDGAR.

### **3. Accounting Records**

The recipient must maintain records that sufficiently identify the amount, source, and expenditure of Federal funds for Federal awards. These records must contain information necessary to identify Federal awards, subgrant awards, authorizations, financial obligations, unobligated balances, as well as assets, expenditures, income, and interest. All records must be supported by source documentation.

### **4. Internal Controls**

The recipient must maintain effective control over and accountability for all funds, property, and assets. The recipient must safeguard all assets and ensure they are used solely for authorized purposes.

“Internal controls” are tools to help program and financial managers achieve results and safeguard the integrity of their programs. Internal controls should be designed to provide reasonable assurance that the following objectives are achieved:

- Effectiveness and efficiency of operations
- Adequate safeguarding of property
- Assurance property and money is spent in accordance with the grant program and to further the selected objectives



- Compliance with applicable laws and regulations
- Prompt action is taken when instances of noncompliance are identified
- There are reasonable cybersecurity and other measures to safeguard information including protected personally identifiable information (PII) and other types of information. This also includes information the Federal agency or pass-through entity designates as sensitive or other information the local recipient considers consistent with applicable privacy laws

## **5. Budget Control**

Actual expenditures or outlays must be compared with budgeted amounts for each Federal award.

## **6. Cash Management**

The recipient must maintain written procedures to implement the cash management requirements found in 2 CFR 200.305 and in EDGAR. These procedures are included within this manual.

## **7. Allowable Costs**

The local recipient must maintain written procedures for determining allowability of costs in accordance with the terms and conditions of the award.

### **Direct and Indirect Costs**

All costs charged to a Federal grant are either direct or indirect costs. There is no universal rule for classifying certain costs as direct or indirect costs. A cost may be direct for some specific service or function but indirect for the Federal award or other final cost objective. Therefore, it is essential that each item of cost incurred for the same purpose in like circumstances must be treated consistently as either a direct or indirect cost to avoid possible double charging of Federal awards. 2 CFR 200.412.

*Direct costs:* Those costs that can be identified specifically with a particular final cost objective, such as a Federal award, or other internally or externally funded activity, or that can be directly assigned to such activities relatively easily with a high degree of accuracy. 2 CFR 200.413(a). Direct costs are generally allowable if they are part of the program budget and satisfy the UGG cost principles. Typical costs charged directly to a Federal award are the supplies needed to achieve the award's objectives and the proportion of employee compensation and fringe benefits expended in relation to that specific award. 2 CFR 200.413(b).

*Indirect costs:* Costs that have been incurred for a common or joint purpose benefitting more than one cost objective and not readily assignable to the cost objectives specifically benefitted,

without effort disproportionate to the results achieved. 2 CFR 200.1 (*Indirect Cost*). Generally, these costs cannot be directly assigned or allocated to one specific project because they support multiple projects. Consistent with the UGG, these costs are sometimes classified as “facilities and administration” costs (F&A costs).

Administrative and clerical staff salaries should normally be treated as indirect costs. Direct charging of these costs may be appropriate only if they meet all of the following:

- The administrative or clerical services are integral to a Federal award;
- Individuals involved can be specifically identified with the Federal award; and
- The costs are not also recovered as indirect costs.

2 CFR 200.413(c).

*Indirect Cost Rate:* Perkins V has a statutory requirement prohibiting the use of Federal funds to supplant non-Federal funds. Programs with a supplement not supplant limitation require the use of a restricted indirect cost rate, computed in accordance with 34 CFR 76.564–76.569. The formula limits the general management costs that can be included in the indirect cost pool (numerator) and requires adjustments to the MTDC base (denominator). Generally, adjustments to the unrestricted rate calculation are made and result in a lower rate to claim indirect cost reimbursement on restricted rate programs. (ED Guidance, September 2009, available at <https://www2.ed.gov/about/offices/list/ocfo/fipao/guideigcwebsite.pdf>).

*Applying the Indirect Cost Rate:* Once the recipient has an approved indirect cost rate, the percentage is multiplied against the actual direct costs (excluding distorting items such as equipment and contracts in excess of \$50,000) incurred under a particular grant to produce the dollar amount of indirect costs allowable to that award. 34 CFR 75.564; 34 CFR 76.569.

Since Perkins V has a 5% cap on the percentage of administrative costs that may be charged to the grant, that cap must include all direct administrative charges as well as any recovered indirect charges.

## **Federal Cash Management**

The recipient must also adhere to 2 CFR 200.305 Written Cash Management. The subrecipient must implement the requirements of 2 CFR 200.305, and minimize the time elapsing between the transfer of funds from the U.S. Treasury to OCTE, and onto the subrecipients. The written procedure must be followed whenever OCTE does not utilize the reimbursement basis. Local recipients must establish reasonable procedures to ensure the receipt of reports of its cash balances and cash disbursements are completed timely to be transmitted to the awarding agency.

## Timely Obligation of Funds

Financial obligations mean orders placed for property and services, contracts and subawards made, and similar transactions that require payment under a Federal award that will result in expenditures by a recipient or subrecipient under a Federal award. 2 CFR 200.1 (*Financial obligations*).

The following table illustrates when funds are determined to be obligated under Federal regulations:

If the obligation is for:	The obligation is made:
Acquisition of property	On the date which the local recipient makes a binding written commitment to acquire the property
Personal services by an employee of the local recipient	When the services are performed
Personal services by a contractor who is not an employee of the local recipient	On the date which the local recipient makes a binding written commitment to obtain the services
Public utility services	When the local recipient receives the services
Travel	When the travel is taken
Rental of property	When the local recipient uses the property
A pre-agreement cost that was properly approved by the Secretary under the cost principles in 2 CFR Part 200, Subpart E- Cost Principles	On the first day of the project period

34 CFR 75.707; 34 CFR 76.707.

## Period of Availability of Federal Funds

All financial obligations must occur between the start and end date of a Federal award, which is known as the period of performance. 2 CFR 200.1 (*Period of performance*). The period of performance consists of either one, or many, funded portions or budget periods during which the local recipient is authorized to spend award funds. For a cost to be allowable, it must be incurred in the appropriate budget period. The period of performance and budget period are indicated in the Federal award. Further, certain grants have specific requirements for carryover funds that

must be adhered to. OCTE has 27 months of availability under the Tydings Amendment. Local recipients have only a 12-month period of performance. See Section 133(b) of Perkins.

## **Closeout**

The local recipient must submit all reports (financial, performance, and other reports required by the subaward) to OCTE and liquidate all financial obligations incurred under the award not later than 90 days after the end of the funding period unless an extension is authorized. 2 CFR 200.344(c). When justified, the Federal agency or pass-through may approve extensions for the local recipient. 2 CFR 200.344(b) and (c). Any funds not obligated within the period of availability or liquidated within the appropriate timeframe lapse and must be returned to the awarding agency. 2 CFR 200.344(e).

## **Program Income**

Program Income is income earned by the non-federal entity, directly generated by a supported activity or earned as a result of the efforts of the federal award during the period of performance. (2 CFR 200.307) Program income includes, but is not limited to:

- Revenue and fees for services performed;
- The use or rental or personal property acquired under Federal awards;
- The sale of commodities or items fabricated under a Federal award; and
- License fees and royalties of patents and copyrights, and principal and interest on loans made with Federal award funds

The default method for the use of program income under Perkins is the addition method. 2 CFR 200.307(c)(2). Under the addition method, program income is added to determine the total allowable costs. Program income must only be used for current costs unless the local recipient is otherwise directed by the Federal awarding agency or pass-through entity. 2 CFR 200.307(a).

While the deduction method is the default method, the local recipient must always refer to the GAN prior to determining the appropriate use of program income.

## **Procurement**

All purchases must conform to the requirements in 2 CFR 200.318-327 and to the Kentucky purchasing laws. All local recipients must have documented procurement procedures which reflect applicable federal, state, and local laws and regulations.

Requirements for the vendor selection process are found at 2 CFR § 200.320

Methods of Procurement: Micro purchase; Simplified acquisition procedures; Competitive sealed

bids; Competitive proposals; Noncompetitive proposals.

- Micro Purchases/Kentucky Small Purchase Authority (FAP 111-55-00) – Acquisition of supplies and services under \$5,000 or less; may be awarded without soliciting competitive quotations if the local recipient considers the cost reasonable; to the extent practicable must distribute micro-purchased equitable among qualified suppliers. At least three (3) quotes or posted to the state’s eProcurement website, if between \$5,000 and \$20,000.
- Noncompetitive Proposals – Appropriate when the goods or services are available from a single source only; there is a public emergency that does not permit delay; the awarding agency authorizes; The Federal awarding agency or pass-through entity expressly authorizes noncompetitive proposals in response to a written request from the non-Federal entity; or after solicitation of several sources, competition is determined inadequate after soliciting a number of sources, competition is deemed inadequate (2 CFR 200.320(f)).

### **Conflict of Interest Policy**

In accordance with 2 CFR 200.318(c)(1), the local recipient must maintain the following standards of conduct covering conflicts of interest and governing the actions of its employees engaged in the selection, award, and administration of contracts.

No employee, officer, agent, or board member may participate in the selection, award, or administration of a contract supported by a Federal award if he or she has a real or apparent conflict of interest. Such a conflict of interest would arise when the employee, officer, board member, or agent, any member of his or her immediate family, his or her partner, or an organization which employs or is about to employ any of the parties indicated herein, has a financial or other interest in or a tangible personal benefit from a firm considered for a contract.

The officers, employees, board members, and agents of the local recipient may neither solicit nor accept gratuities, favors, or anything of monetary value from contractors or parties to subcontracts, unless the gift is an unsolicited item of nominal value.

### **Mandatory Disclosure**

Per 2 CFR 200.318, the local recipient must disclose in writing any potential conflict of interest to the Federal awarding agency or pass-through in accordance with the Federal awarding agency’s conflicts policies.

Also, the local recipient must promptly disclose whenever it has credible evidence of the commission of a violation of Federal criminal law involving fraud, conflict of interest, bribery, or gratuity violations under Title 18 or the Civil False Claims Act (31 U.S.C. 3729–3733). Failure to report can result in remedies for noncompliance per 2 CFR 200.339.

- Includes both criminal and civil false claims actions
- Must be made in writing to the Federal agency, the agency's Office of Inspector General, and the pass-through entity (if applicable)
- Also required to report matters to recipient integrity and performance (i.e., SAM and FAPIIS)
- Includes any activities or subawards in connection with the Federal award.

## Purchasing Cards

OCTE has a Purchasing Card (Pro Card) Program. The Pro Card is a VISA® credit card. The Pro Card is the property of the state and can only be used for state business purposes. OCTE is responsible for purchases made with the card, which will then be charged to the appropriate account. While the card is issued in a specific employee's name, it does not affect the credit of the employee. Cardholders should be aware that abuse of the Pro Card or failure to follow the procedures established for the OCTE Pro Card Program may result in revocation of card privileges or other disciplinary action.

The Pro Card Program does not alter state purchasing rules and regulations, nor does it exempt a cardholder from following OCTE's purchasing procedures. Rather, the card is intended to make the acquisition process simpler and faster. Pro Cards are only issued to full-time permanent employees of OCTE who have job responsibilities that require the purchase of certain types of supplies, materials, equipment and/or services under current small dollar purchase guidelines, although these employees are not obligated to obtain a P-Card.

If an employee, working on a Perkins cost objective, does not have a Pro Card but has the need to purchase an item with a P-Card, the employee may fill out an Internal Purchase Requisition Form and provide it to the Procurement Officer. The Procurement Officer will process the request on his or her P-Card and the cost will be billed to the appropriate Perkins program budget. For more information on P-Card policies and procedures, please see the Purchasing Card Policies and Procedures Manual.

## Property Management

### Use

1. Equipment must be used by the local recipient in the program or project for which it was acquired as long as needed, whether or not the project or program continues to be supported by the Federal award, and the local recipient must not encumber the property without prior approval of OCTS. When no longer needed for the original program or project, the equipment may be used in other activities supported by the Federal awarding agency, in the following order of priority:

a. Activities under a Federal award from the Federal awarding agency which funded the original program or Perkins project

b. Activities under Federal awards from other Federal awarding agencies. This includes consolidated equipment for information technology systems.

2. During the time that equipment is used on the project or program for which it was acquired, the local recipient must also make equipment available for use on other projects or programs currently or previously supported by the Federal Government, provided that such use will not interfere with the work on the projects or program for which it was originally acquired. First preference for other use must be given to other programs or projects supported by Federal awarding agency that financed the equipment and second preference must be given to programs or projects under Federal awards from other Federal awarding agencies. Use for non-federally funded programs or projects is also permissible. User fees should be considered if appropriate.

3. When acquiring replacement equipment, the local recipient may use the equipment to be replaced as a trade in or sell the property and use the proceeds to offset the cost of the replacement property.

### **Management**

Procedures for managing equipment (including replacement equipment), whether acquired in whole or in part under a Federal award, until disposition takes place will, as a minimum, meet the following requirements:

- Property records must be maintained that include a description of the property, a serial number or other identification number, the source of funding for the property, who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the project costs for the Federal award under which the property was acquired, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.
- All items susceptible to pilferage purchased with Perkins funds must be inventoried and visibly tagged (or alternate method of identification) before being placed into service.
- At a minimum, tags will identify the item as purchased with Perkins funds and include an inventory number that corresponds with property records.
- A physical inventory of the property must be taken, and the results reconciled with the property records at least once every two years.

- A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft must be investigated, and reported to OCTE.
- Adequate maintenance procedures must be developed to keep the property in good condition.
- If the local recipient is authorized or required to sell the property, proper sales procedures must be established to ensure the highest possible return.
- Lost, Damaged, or Stolen Items - Local recipients must take reasonable precautions to ensure that items purchased with Perkins funding are properly maintained, accounted for, and protected from damage, loss, unreasonable deterioration and theft. Local recipients are advised to implement the following controls, and any additional controls felt to be necessary to safeguard the property:
  - Maintain adequate and current property records that allow the items to be located, and maintain records of the person or persons who have property in their possession or are responsible for their security during non-duty hours. Accountability and responsibility must always be maintained, whether the property is located on-site or off-site.
  - Provide a secure building and coordinate between the security function and staff responsible for property, especially regarding security violations or changes affecting official property.
  - Have a written policy and always follow it when checking out property that requires employees to sign for property in their possession.
  - When property acquired with Perkins funds is lost, damaged or stolen the local recipient must conduct and fully document an investigation. When appropriate, law enforcement authorities should be notified, a police report should be filed and maintained for records, and if the item meets the state's capitalization threshold, insurance provider should be notified.
  - All instances of lost, damages, or stolen items must be reported to OCTE.

## **Time and Effort**

### **Time and Effort Standards**

All employees who are paid in full or in part with Federal funds must keep specific documents to demonstrate the amount of time they spent on grant activities. This includes an employee whose salary is paid with State or local funds but is used to meet a required "match" in a Federal program. These documents, known as time and effort records, are maintained in order to charge the costs of personnel compensation to Federal grants. (2 CFR 200.430(i)).

Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must:



- Be supported by a system of internal controls which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;
- Be incorporated into official records;
- Reasonably reflect total activity for which the employee is compensated, not exceeding 100% of compensated activities;
- Encompass both Federally assisted and all other activities compensated by the local recipient on an integrated basis;
- Comply with the established accounting policies and practices of the local recipient; and
- Support the distribution of the employee's salary or wages among specific activities or cost objectives.

The following statement is signed twice a year by OCTE staff to document funding for match.

*"During the prior six-month period, I devoted 100% of my effort to carrying out the responsibilities under Section 112(a)(3) of the Perkins Act".*

### **Reconciliation and Closeout Procedures**

- It is critical for payroll charges to match the actual distribution of time recorded on the monthly certification documents. Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards but may be used for interim accounting purposes provided that the system for establishing the estimates produces reasonable approximations of the activity actually performed.

### **Record Retention**

The local recipient must maintain all records that fully show (1) the amount of funds under the grant or subgrant; (2) how the subgrantee uses those funds; (3) the total cost of each project; (4) the share of the total cost of each project provided from other sources; (5) other records to facilitate an effective audit; and (6) other records to show compliance with Federal program requirements. 34 CFR 76.730–.731 and 75.730–.731. The local recipient must also maintain records of significant project experiences and results. 34 CFR 75.732. These records and accounts must be retained and made available for programmatic or financial audit.

ED is authorized to recover any Federal funds misspent within five (5) years before the receipt of a program determination letter. 34 CFR 81.31(c). Consequently, the local recipient should retain records for a minimum of five (5) years from the date on which the final Financial Status Report is submitted, unless otherwise notified in writing to extend the retention period by the awarding agency, cognizant agency for audit, oversight agency for audit, or cognizant agency for indirect costs. However, if any litigation, claim, or audit is started before the expiration of the record retention period, the records will be retained until all litigation, claims, or audit findings involving

the records have been resolved and final action is taken. 2 CFR 200.334.

### **Collection and Transmission of Records**

When practicable, the local recipient must collect, transmit, and store Federal award information in open and machine-readable formats. A machine-readable format is a format in a standard computer language (not English text) that can be read automatically by a computer system. The local recipient may substitute electronic versions of original paper records through duplication or other forms of electronic conversion, provided that the procedures are subject to quality control reviews. Quality control reviews must ensure that electronic conversion procedures provide safeguards against the alteration of records and assurance that records remain in a format readable by a computer system.

### **Access to Records**

The local recipient must provide the awarding agency, Inspectors General, the Comptroller General of the United States, and the pass-through entity, or any of their authorized representatives the right of access to any documents, papers, or other records of the local recipient which are pertinent to the Federal award to perform audits, execute visits, examinations, excerpts, other official use, and transcripts. The right also includes timely and reasonable access to the local recipient's personnel for the purpose of interview and discussion related to such documents or the Federal award in general.

## **Monitoring**

OCTE monitors subgrantees through a process which includes reviewing data reported in the Technical Education Database System (TEDS), onsite visits, and electronic communication with the local eligible agency. The process was specifically developed to support continuous improvement in the quality and effectiveness of career and technical education programs and services within OCTE. The process is an important internal control that allows OCTE to ensure that the local recipients are in compliance with Perkins and other applicable federal requirements.

Data supplied through TEDS reports provides information regarding an institution's effectiveness. While this data supplies useful facts regarding an institution's effectiveness, there is still a need for human interaction to validate self-evaluations of standard operating

procedures, and to enable critical analysis, evaluation and planning.

The Perkins review involves monitoring the local recipient's compliance with fiscal policies and federal regulations regarding the use and documentation of Perkins monies as well as an assessment of the programmatic requirements.

Each local recipient may be subject to an onsite monitoring visit based on risk indicators. There are risk indicators for school districts, postsecondary institutions and Area Technology Centers. A standard list of items to review is provided to the local recipient prior to the monitoring visit.

At the end of the monitoring visit, any findings of incomplete or inaccurate records plus any correction actions that must be taken are reviewed with the local recipient. Technical assistance is also offered.

A letter detailing any findings of incomplete or inaccurate records and any correction actions that must be taken is sent to the school.

Documents can be found in the Internal Control section in TEAMS.

## **Audit Resolution**

The State of Kentucky Department of Audits and Accounts performs an audit or review of the OCTE and each technical college annually. When a vacancy occurs in a presidential position, the system office shall request a full audit of that fiscal year unless a full audit has been completed within the two preceding fiscal years. OCTE's Office of Administrative Services investigates and provides assistance to any technical college that receives one or more —findings|| as a result of the annual audit or review.

Audits of OCTE and the colleges typically begin at the end of July or beginning of August and are completed by the end of November. As the audits are completed, the reports are submitted to the Assistant Commissioner of Administrative Services and the Commissioner. By January, the Assistant Commissioner of Administrative Services and the Commissioner generally have received all final audit reports. The Assistant Commissioner will draft an analysis of all audits which will be provided to the Commissioner.

If there is an audit finding at one of the colleges, a letter will go out from OCTE to the college president stating that the college must submit a corrective action plan. If there is an audit finding at OCTE, the Assistant Commissioner of Administrative Services will be responsible for

responding to the finding and creating a corrective action plan.

In addition, the results of all internal and external audit reports shall be compiled and each college shall be rated based on the audit results. This consolidated report shall be presented to the Governance, Compliance and Audit Committee of the State Board. The audit ratings are described below.

For colleges receiving a **full audit or a review report**, the individual audit findings or points are rated as follows:

**Insignificant** – Nominal violations of procedures, rules, or regulations. Not included in report. Corrective action suggested verbally, but not required.

**Notable** – Minor violation of policies and procedures; and/or weak internal controls; and/or opportunity to improve effectiveness and efficiency. Moderate **risk** identified. May be included in report. Corrective action may be required.

**Significant** – Significant violation of policies, procedures, or laws; and/or poor internal controls; and/or significant opportunity to improve effectiveness and efficiency. Significant risk identified. Item included in report. Corrective action required.

**Major** – Major violation of policies, procedures, and/or laws; and/or unacceptable internal controls; and/or high risk for fraud, waste, and/or abuse; and/or major opportunity to improve effectiveness and efficiency. Major risk identified. Item included in report. Immediate corrective action required.

Completed **full audits or review reports** of technical colleges are rated as follows:

**One** – Three or less notable observations. No internal control weaknesses noted. Good adherence to laws, regulations, and policies. Excellent control environment.

**Two** – Four or more notable observations. No internal control weaknesses noted. Minor violations of policies and procedures. No violation of laws. Minor opportunities for improvement.

**Three** – Four or more notable observations and/or less than three significant observations. Three or more notable violations of policy. Minor violations of regulations. No violations of laws. Moderate opportunities for improvement.

**Four** – Three or four significant observations and no major observations. Controls were weak in one or more areas. Noncompliance with policies/regulations put the institution at risk. Violation of law (not serious). Substantial opportunities for improvement.

**Five** – Five or more significant observations or one or more major observations. Significant risk for noncompliance with policies and/or regulations. Serious violation of laws. Significant opportunities for improvement.

For colleges receiving an **agreed upon procedures report**, the individual bullet items are rated as follows:

**Insignificant** – Nominal violations of procedures, rules, or regulations. The total of the amounts referenced in the individual bullet noted in the report is immaterial to the college. (less than 3% of total revenue received)

**Notable** – Minor violation of policies and procedures; and/or weak internal controls; and/or opportunity to improve effectiveness and efficiency. Moderate risk identified. The total of the amounts referenced in the individual bullet noted in the report is immaterial to the college. (less than 3% of total revenue received)

**Significant** – Significant violation of policies, procedures, or laws; and/or poor internal controls; and/or significant opportunity to improve effectiveness and efficiency. Significant risk identified. The total of the amounts referenced in the individual bullet noted in the report is material to the college. (more than 3% of total revenue received)

**Major** – Major violation of policies, procedures, and/or laws; and/or unacceptable internal controls; and/or high risk for fraud, waste, and/or abuse; and/or major opportunity to improve effectiveness and efficiency. Major risk identified. The total of the amounts referenced in the individual bullet noted in the report is material to the college. (more than 3% of total revenue received)

Completed **agreed upon procedures reports** of technical colleges are rated as follows:

**One** – Four or less notable observations. No internal control weaknesses noted. Good adherence to laws, regulations, and policies. Excellent control environment.

**Two** – Five or more notable observations and/or one or two significant observations. No internal control weaknesses noted. Minor violations of policies and procedures. No violation of laws. Minor opportunities for improvement.

**Three** – Five or more notable observations and/or three or four significant observations. Three or more notable violations of policy. Minor violations of regulations. No violations of laws. Moderate opportunities for improvement.

**Four** – Five or more significant observations and no major observations. Controls were

weak in one or more areas. Noncompliance with policies/regulations put the institution at risk. Violation of law (not serious). Substantial opportunities for improvement.

**Five** – Six or more significant observations and one or more major observations. Significant risk for noncompliance with policies and/or regulations. Serious violation of laws. Significant opportunities for improvement.

All colleges receiving an audit rating of five shall come before the Governance, Compliance and Audit Committee of the State Board. The college will be required to explain the causes related to the audit rating as well as presenting a corrective action plan to the committee for approval.

All colleges receiving an audit rating of three, four or five for 2 consecutive years shall come before the Governance, Compliance and Audit Committee of the State Board. The college will be required to explain the causes related to the audit rating as well as present a corrective action plan to the committee for approval.

If a college initially receives an audit rating of four or five and in the subsequent year the rating improves to a three or four, the Governance, Compliance and Audit Committee of the State Board has the discretion to decide if the college shall be required to appear before the committee.

All colleges receiving an audit rating of three, four or five for 3 consecutive years with no rating improvement shall come before the Executive Committee of the State Board. The college will be required to explain the causes related to the audit rating as well as why the corrective action plan was not implemented. OCTE must also follow the above-outlined procedures relating to any audit findings it receives.

**Local eligible recipients are responsible for any misspent federal funds, and any request for repayment must be paid from the local eligible recipient's non-federal funds.**