

POLICIES AND PROCEDURES FOR FEDERAL GRANTS

*Pursuant to Requirements in 2 CFR Part 200: Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, State and Local funds as applicable, and Education Department General Administrative Regulations (EDGAR)



These federal grant policies and procedures are applicable to all federal grants awarded to the District, and to the extent required, state and local funds. All employees who deal with federal, state or private grants must be familiar with them and must fully comply with all requirements contained herein.

Effective July 1, 2015

METROPOLITAN SCHOOL DISTRICT OF STEUBEN COUNTY

Federal Grant Policies and Procedures Manual Pursuant to Requirements in 2 CFR Part 200: Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and Education Department General Administrative Regulations (EDGAR)

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METROPOLITAN SCHOOL DISTRICT OF STEUBEN COUNTY

ORGANIZATION, STRUCTURE, AND FUNCTION

Purpose

This manual sets forth the policies and procedures used by Metropolitan School District of Steuben County to administer federal funds pursuant to Title 2 of the Code of Federal Regulations (2 CFR) Part 200, which took effect for non-federal entities on December 26, 2014. It also includes requirements and references from the federal regulations in EDGAR (Education Department General Administrative Regulations). The manual contains the internal controls and grant management standards used by the District to ensure that all federal funds are lawfully expended. It describes in detail or references the District's financial management system, including cash management procedures; procurement policies; inventory management protocols; procedures for determining the allowability of federal expenditures; time-and-effort reporting; record retention; and monitoring responsibilities. All employees of the District who deal with federal funds in any capacity are expected to review this manual to gain familiarity and understanding of its' procedures and to comply with all requirements.

Effective Date

For awards made prior to December 26, 2014, the uniform requirements found in 34 CFR Parts 74 and 80 of EDGAR still apply. For awards made on or after December 26, 2014, the uniform grant guidance in 2 CFR Part 200 applies. Much of the substance found in the previous 34 CFR Parts 74 and 80 is now found in 2 CFR Part 200. Therefore, for formula grants administered by the State of Indiana, the policies and procedures in this document are in effect beginning July 1, 2015, in conjunction with the formula grant period that begins July 1, 2015.

Special Note: The District must maintain all policies and procedures that previously applied to federal grants for five years after the ending date of those grants for audit and monitoring purposes. The previously-used policies and procedures are in effect for any grants that were awarded prior to December 26, 2014.

Scope

The policies and procedures contained within this manual apply to all federal grants received by the District and to all employees of the District.

Monitoring for Compliance and Consequences for Non-compliance

The District is responsible for complying with all requirements of each federal award (2 CFR 200.300[b]). Compliance with these policies and procedures is monitored by the District. Failure of a district employee to comply with any of these requirements may result in disciplinary action.

Definitions

Definitions as they pertain to federal grants appear in two places: 34 CFR Part 77 - Definitions That Apply to Department Regulations, and 2 CFR Part 200, Subpart A, which relate to the policies and procedures in this document. District employees who deal with federal grants must be familiar with the definitions in both.

Two terms used frequently in 2 CFR Part 200 are "state-administered grants" and "direct grants." "State-administered grants" are those grants that pass through a state agency (i.e., a pass-through agency) such as IDOE. The majority of grants the District receives are state-administered grants. Both "Direct grants" are those grants that do not pass through another agency such as Indiana Department of Education (IDOE) and are awarded directly by the federal awarding agency to the grantee organization. These are usually discretionary grants that are awarded by the U.S. Department of Education (USDE) or

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by another federal awarding agency. In many instances, IDOE may apply for a direct grant from the USDE on a competitive basis and then award subgrants. In other instances the District may apply directly from the USDE for a competitive grant. In either case, these grants are “direct grants,” and the District must comply with the requirements in 34 CFR Part 75 in addition to the requirements in 2 CFR Part 200. All of the requirements outlined in these policies and procedures apply to both direct grants and state-administered grants.

Policies – goals for your organization

Procedures – steps to achieve your goals

Education Department General Administrative Regulations (EDGAR)

The USDE adopts the uniform grant guidance in 2 CFR Part 200 as its regulations in 2 CFR Part 3474 (with two minor exceptions), which gives regulatory effect to the Office of Management and Budget (OMB) guidance in 2 CFR Part 200. Therefore, as of December 26, 2014, EDGAR now consists of these key parts:

- **Title 34**
 - Part 75 – Direct Grant Programs
 - Part 76 – State-Administered Programs
 - Part 77 – Definitions
 - Part 81 – General Education Provisions Act (GEPA)
- **Title 2**
 - Part 200 – Cost/Administrative/Audit Rules
 - Part 3474 – USDE Exceptions – Adopts Part 200
 - Part 3485 – Nonprocurement Debarment and Suspension
 - Incorporates 2 CFR Part 180, OMB’s Guidelines on Debarment and Suspension

GRANT APPLICATION PROCESS

Federal Grant Applications

The majority of federal grants the District applies for and receives are formula grants administered by the Indiana Department of Education (IDOE) (i.e., state-administered grants). The District may also apply for and receive discretionary grants from IDOE or directly from the USDE or another federal awarding agency. The policies and procedures outlined in this document apply to all federal formula and discretionary grants, regardless of the awarding agency. Federal agencies that award direct grants may impose requirements or conditions that are not addressed herein and that may result in the need to create additional policies and/or procedures to comply with those requirements.

The IDOE provides a description of their process for administering state and federal formula and discretionary grants as well as the description information on allocations, notices of grant funding opportunities, and process for applying.

The person signing/certifying the application must be an authorized official of the District who will represent the District in the event of a legal dispute. The Superintendent, or Assistant Superintendent in his or her absence, is the authorized official for this District. By signing/certifying the application, the authorized official is certifying that he or she will comply with the terms and conditions of the grant, all applicable provisions and assurances, and the approved application.

District program staff, fiscal staff, and management are responsible for knowing all requirements and for complying with them. It is the policy of the District that the grant program described in the application is carried out in compliance with applicable statutes, regulations, rules, and guidelines, and in accordance

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with the approved application to achieve maximum efficiency and effectiveness with the goal of providing an integrated, coordinated delivery of services for students. Grant funds will be obligated, expended, and accounted for in an environment based on ethical principles and sound business practices.

FINANCIAL MANAGEMENT SYSTEM

Overview

Federal regulations require grantees to use fiscal control and fund accounting procedures that insure proper disbursement of and accounting for federal funds (34 CFR 76.702 and 2 CFR 200.302). Implementing and maintaining a proper accounting system is a fiduciary responsibility associated with receiving a federal award. The acceptance of an award creates a legal duty on the part of the District to use the funds or property made available under the award in accordance with the terms and conditions of the grant. The approved grant application itself constitutes an accounting document in that it establishes the purpose and amount of the awarding agency's obligation to the grantee. In turn, it establishes a commitment by the District to perform Federal Grant Policies and Procedures and expend funds in accordance with the approved grant agreement and the applicable laws, regulations, rules, and guidelines. 2 CFR § 200.300(b) The District maintains a proper financial management system in order to receive both direct and state-administered grants and to expend funds associated with a grant award.

Certain fiscal controls and procedures are in place to ensure that all federal financial management system requirements are met. Failure by the District to meet a requirement may result in return of funds or termination of the award.

Financial Management Standards

The federal standards for financial management systems are found at 2 CFR § 200.302. In accordance with federal regulations, the District's financial management system, including records documenting compliance with federal statutes, regulations, and the terms and conditions of the award, is sufficient to permit:

- the preparation of reports required by general and program-specific terms and conditions; and
- the tracing of funds to a level of expenditures adequate to establish that funds have been used according to the federal statutes, regulations, and the terms and conditions of the federal award.

The District complies with the required federal standards for financial management systems by complying with the minimum budgeting, accounting, auditing, and reporting requirements. Based on generally accepted accounting principles The District uses a mandatory account code structure in accounting for all funds received and expended, including state and local funds and federal grant funds. For each accounting transaction, the account code structure consists of a fund code, program code, object code, cost center, and location code (Title II only), each serving a different purpose in designating the use of funds.

Additionally, 2 CFR § 76.760(b) authorizes grantees to use more than one program to support an activity if the grantee has an accounting system that permits the identification of costs paid for under each program.

Identification of All Federal Awards

The District identifies, in its accounts, all federal awards received and expended and the federal programs under which they were received. Federal program and award identification includes, as

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applicable, the Catalog of Federal Domestic Assistance (CFDA) title and number, federal award identification number and year, name of the federal agency, and, if applicable, name of the passthrough entity.

Accounting Records

The District maintains records which adequately identify the source and application (i.e., use) of funds provided for federally assisted activities. In accordance with federal regulations, these records contain information pertaining to grant or subgrant awards, authorizations, obligations, unobligated balances, assets, expenditures, income, and interest if applicable. All transactions are supported by source documentation (purchase orders/requisitions, invoices, receipts, travel vouchers, time-and effort documentation and employee salary records, copies of checks, etc.).

Internal Controls

Effective control and accountability must be established and maintained for all funds, real property (i.e., land and buildings), personal property, and other assets. The District must adequately safeguard all such property and must ensure that it is used solely for authorized purposes. In accordance with 2 CFR § 200.61, “internal controls” means a process implemented by the District to provide reasonable assurance regarding the achievement of objectives in the following categories:

- (a) Effectiveness and efficiency of operations
- (b) Reliability of reporting for internal and external use, and
- (c) Compliance with applicable laws and regulations.

“Internal control over compliance requirements for federal awards” means a process implemented by the District designed to provide reasonable assurance regarding the achievement of the following objectives for federal awards:

- Transactions are properly recorded and accounted for in order to permit the preparation of reliable financial statements and federal reports, to maintain accountability over assets, to demonstrate compliance with statutes, regulations, and the terms and conditions of the award
- Transactions are executed in compliance with laws, regulations, and the terms and conditions of the award that could have a direct and material effect on a federal program or any other statutes and regulations that are identified in the Audit Compliance Supplement
- Funds, property, and other assets are safeguarded against loss and from unauthorized use or disposition. Internal controls are tools (i.e., policies, procedures, best practices, and activities) to help program director(s) and business manager achieve results and safeguard the integrity of their program.

To accomplish these objectives, the District:

- develops and maintains policies, procedures, and effective practices to ensure federal funds are properly administered and spent and federal property is safeguarded against loss and from unauthorized use or disposition. The District also ensures that all employees who deal with federal funds are aware of the policies and procedures and are properly trained in the use of them.
- ensures that employees comply by regularly and frequently evaluating and monitoring their compliance with the policies and procedures, statutes, regulations, and the terms and conditions of the award
- takes prompt action when instances of noncompliance are identified, including noncompliance identified in audit findings, and takes the appropriate disciplinary action for employees who do not comply, and

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- takes reasonable measures to safeguard protected personally identifiable information and other information designated as sensitive consistent with applicable federal, state, and local laws regarding privacy and obligations of confidentiality.

The District uses the following, at least in part, to determine if internal controls are effective:

- Only valid or authorized transactions are processed.
 - Transactions occurred during the grant period and were processed in a timely manner.
 - No proper transactions were omitted from the accounting records.
 - Transactions are calculated using an appropriate methodology.
 - Transactions appear reasonable relative to other data.
 - Property (including supplies and equipment) is tracked and used only for authorized purposes.
 - Property is properly disposed of.
- Internal controls are reviewed throughout the year for effectiveness.

Budget Control

The budget for each federal award is recorded in Komputrol. Obligations/encumbrances and expenditures are also recorded for each federal award. At a minimum, the District compares actual expenditures or outlays with budgeted amounts for each federal award quarterly.

Cash Management

The District maintains written procedures to implement the cash management requirements found in 2 CFR § 200.305 and in EDGAR.

Allowable Costs

The District maintains written procedures for determining allowability of costs in accordance with 2 CFR § 200.302(b)(7) and EDGAR.

Grant Funds Budgeting – The Planning Phase: Meetings and Discussions

Before developing the grant budget and submitting the application, the program director will base the grant budget on the proposed activities planned and described in the grant application. Prior to developing the budget, the program director will review the intent of the federal program and the activities that are allowable to be conducted with grant funds. The program director will coordinate with other District instructional staff to conduct a needs assessment using the appropriate data to determine the goals and objectives for the program and the activities that will be implemented to accomplish the goals and objectives as set forth by the Indiana Department of Education.

The annual District goals, annual surveys, and all schools' Improvement Plans are reviewed for identified needs. Federal grant programs, as well as any State or private grant programs that may be acquired are tied back to this data. This planning process also addresses utilization of existing materials and equipment. Purchases of goods and of services are addressed as Strategies and related costs and link with all purchase orders.

Application Clarification

Once the grant application is submitted to the awarding agency, the designated program contact, assigned to the grant program, is available via phone and/or e-mail in the event that the awarding agency needs to contact the District to ask questions or seek clarification related to the proposed program and/or budget. The assigned Program Director will seek guidance, if needed, from appropriate District personnel and will respond to any inquiries from the awarding agency.

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After Receiving the Approved Application

After receiving the approved application, a complete copy of the application will be provided to the responsible Program Director and to the Business Manager. The Program Director is responsible for copying all participants. All grant budgets are entered into the accounts of the District in Komputrol.

Monitoring and Amending the Application

The District consults and complies with the guidelines and procedures provided by IDOE or other awarding agency regarding when and how to submit an amendment to an approved application.

Monitoring and Amending the Program Description:

The program director monitors the program activities against the approved application during the period of the grant. If changes are required, the program director coordinates these changes with the grantor.

Timely Obligation of Funds When Obligations are Made

“Obligations” are defined as orders placed for property and services, contracts and subawards made, and similar transactions during a given period that require payment by the non-Federal entity during the same or a future period. (This does not mean obligations for which goods and services will be delivered in a future grant period.) Essentially, an obligation is a commitment to pay. All obligations for all goods and services must occur during the grant period (i.e., between the beginning and ending dates as stated by the grant), and those goods and services must be delivered during the grant period in sufficient time to provide substantial benefit to the grant to be considered necessary to carry out the objectives of the grant. 34 CFR § 200.71

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

If the obligation is for:	The obligation is made:
Personal services by an employee of the District	When the services are performed
Personal services by a contractor who is not an employee of the District	On the date which the District makes a binding written commitment to obtain the services
Conference Registrations	At the time of registering
Travel	When the travel is taken
Rental of property	When the District uses the property

The amount committed (or obligated) must also be known to avoid over-expenditure of budgeted funds. An encumbrance accounting system is a method of ascertaining the availability of funds and then reserving funds to cover outstanding obligations.

Encumbrances represent commitments (i.e., obligations) related to contracts not yet performed (executory contracts), and are used to control expenditures for the year and to enhance cash management. A school district often issues purchase orders or signs contracts for the purchase of goods and services to be received during the grant period. At the time these commitments or obligations are made, which in its simplest form means that when a purchase order is prepared, the appropriate account is checked for available funds. If an adequate balance exists, the amount of the order is immediately charged to the account to reduce the available balance for control purposes. The encumbrance account does not represent an expenditure for the period, only a commitment to expend resources.

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Period of Availability of Federal Funds

All obligations must occur on or between the beginning and ending dates of the grant project. 34 CFR § 76.707. This period of time is known as the period of availability. The period of availability, or the period between the beginning and ending dates of the grant.

Liquidation of Obligations

The District must liquidate (i.e., make the final payment because the goods or services were received during the grant period, or cancel the obligation because the goods or services were not received during the grant period) all obligations incurred under the award in accordance with the requirements of awarding agency.

Any funds not obligated within the period of availability or not liquidated within the appropriate timeframe are said to lapse and must not be requested for reimbursement or be returned to the awarding agency.

The finance department and grants manager monitors each grant's expenditures and reviews the accounts of each grant before the final expenditure report is submitted. The finance department will coordinate with the applicable grants manager to close or liquidate any and all obligations to ensure excessive amounts of funds do not lapse.

Once all obligations are cleared, the final expenditure report is then submitted. The finance department along with the program director periodically monitors the obligations and signs off on final report.

Carry-Over

The Tydings Amendment typically extends the period of availability for formula grants for an additional 12 months. Carryover funds must be used in accordance with the Federal statute and regulation that apply and are in effect for the carryover period and any state plan or application required. The carryover should not exceed between 10%-15% of the awarded grant budget.

Documentation Associated With Using Credit Cards

Employees who use district-issued or personal credit cards must submit to the Accounting Office the original itemized receipt that identifies each item purchased (and not just the credit card receipt). The itemized receipt constitutes the required original source documentation and must be legible and must clearly identify the date of the transaction and each item that was purchased. The employee must provide documentation, either on the receipt itself, or in a separate file cross referencing that particular transaction, how each item was used to benefit the grant program. If the employee does not provide an original, itemized receipt, the expenditure will not be charged to a federal grant. The District must also maintain all other appropriate internal accounting records, such as travel vouchers, expense reimbursement vouchers, purchase orders, etc., related to the credit card purchase.

Rebates on Purchase Cards:

Any rebates on a district-issued purchase card will be credited to the original funding source(s) for which the card is used to make purchases. The District may prorate rebates based on a percentage of the total amount of funds used from each funding source.

Expending Grant Funds

All costs charged to a federal grant are classified as either direct or indirect. While developing and reviewing the grant budget and when expending grant funds, program and fiscal staff should keep in

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mind the difference between direct costs and indirect costs as defined in the federal cost principles. All costs must be properly and consistently identified as either direct or indirect in the accounting system. Direct costs are 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)

Indirect costs are those 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 § 200.56. Costs incurred for the same purpose in like circumstances must be treated consistently as either direct costs or indirect costs. 2 CFR § 200.413(a). Indirect costs usually support areas that benefit all activities of the District, such as Accounting, Budget, Human Resources, Purchasing, Building Maintenance, etc. These are not supported by Federal Title Grants at MSD of Steuben County.

The salaries of administrative and clerical staff should normally be treated as indirect costs. 2 CFR § 200.413(c).

Cost Objective:

A cost objective is a program, function, activity, award, organizational subdivision, contract, or work unit. A cost objective may be a major function of the District, a particular service or project, a federal award, or an indirect cost activity.

Determining Allowability of Costs

Grantees are required to have written procedures for determining the allowability of costs charged to federal grants. 2 CFR § 200.302(b)(7). All costs must be allowable under the federal cost principles in 2 CFR Part 200, Subpart E, and under the terms and conditions of the specific federal award. Expenditures must be aligned with budgeted items in the approved grant application. Certain changes or variations from the approved budget and grant application need prior approval.

When determining how the District will spend grant funds, the originator of the purchase order, the program/grant manager in coordination with the finance department will review the proposed cost to determine whether it is an allowable use of federal grant funds before obligating and spending those funds on the proposed goods or services. All expenditures made with federal education funds must meet the standards outlined in EDGAR, 2 CFR Part 3474, and 2 CFR Part 200. The assigned program director and fiscal staff, including the originator and any approvers of the purchase order must consider the following factors when making an allowability determination that meets the federal cost principles.

Necessary and Reasonable for the performance of the federal award

Reasonable Costs: A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision to incur the cost was made. "Reasonable" means that sound business practices were followed, and purchases were comparable to current market prices.

A cost can be reasonable if it meets all of the following conditions:

- Prudence was used in making the decision to incur the cost, considering the person's responsibilities to the District, its employees, the public, and the federal government. Federal Grant Policies and Procedures [Grand Prairie ISD] Effective July 1, 2015 Page 26 Revised August 25, 2015

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- It is necessary to carry out the objectives of the grant program or is recognized as an ordinary cost to operate the organization.
- The District applied sound business practices; arm’s-length bargaining (i.e., the transaction was with an unrelated third party); federal, state, and other laws and regulations; and the terms and conditions of the award in making the decision.
- The price is comparable to that of the current fair market value for equivalent goods or services.
- There were no significant deviations from the established practices of the organization which may unjustifiably increase the cost. 2 CFR § 200.404

Necessary Costs: While 2 CFR § 200.404 does not provide specific descriptions of what satisfies the “necessary” element beyond its inclusion in the reasonableness analysis above, necessary is determined based on the needs of the program. Specifically, the expenditure must be necessary to achieve an important program objective. It means it is vital or required in order to meet the objectives of the grant or for the grant to be successful. Necessary does not mean “nice to have,” which means it is not necessary to accomplish the objectives of the program in that it is not vital or required for the success of the program. A key aspect in determining whether a cost is necessary is whether the district can demonstrate that the cost addresses an existing need and can prove it.

When determining whether a cost is necessary, the District considers:

- Whether the cost is needed for the proper and efficient performance of the grant program;
- Whether the cost is identified in the approved budget or application;
- Whether there is an educational benefit associated with the cost;
- Whether the cost aligns with identified needs based on results and findings from a needs assessment; and
- Whether the cost addresses program goals and objectives and is based on program data.

Allocable to the federal award

A cost is allocable to the federal award if the goods or services involved are chargeable or assignable to the federal award in accordance with the relative benefits received. This means that the federal grant program derived a benefit in proportion to the funds charged to the program. 2 CFR § 200.405. For example, if 50% of a supplementary teacher’s salary is paid with grant funds, then that teacher must spend at least 50% of his or her time on the grant program.

Additionally, if equipment or supplies purchased with grant funds benefits more than one grant program, the purchase must be “split-funded” among the grant programs receiving benefit. The District must be able to demonstrate how a particular cost benefits the specific population being served in the grant.

- **Consistent with policies and procedures** that apply uniformly to both federally financed and other activities of the District. For example, personnel whose travel is paid with federal funds is reimbursed at the same rates as personnel whose travel is paid with state or local funds and the grant is charged accordingly.
- **Conform to any limitations or exclusions set forth as cost principles** in 2 CFR Part 200, Subpart E, or in the terms and conditions of the federal award.
- **Consistent treatment.** A cost cannot be assigned to a federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been assigned as an indirect cost under another award.

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- **Adequately documented**. All expenditures must be properly documented with original source documentation that is clearly written and maintained on file (either electronically or on paper) with accounting records. Documentation includes purchase orders/requisitions, invoices, receipts, verification of receipt of goods and services, travel authorizations and vouchers, contracts, time-and-effort records, copies of checks, bank statements, etc. Expenditures that are not supported by source documentation cannot be charged to the grant.
- **Determined in accordance with generally accepted accounting principles**, unless provided otherwise in 2 CFR Part 200.
- **Not included as a match or cost-share of another federal program**, unless the specific federal program authorizes federal costs to be treated as such. Some federal program statutes require the grantee to contribute a certain amount of non-federal resources to be eligible for the federal program.
- **The net of all applicable credits**. The term “applicable credits” refers to those receipts or reduction of expenditures that operate to offset or reduce expense items allocable to the federal award. Typical examples of such transactions are: purchase discounts; rebates or allowances; recoveries or indemnities on losses; and adjustments of overpayments or erroneous charges, such as credits. To the extent that such credits accruing to or received by the District relate to the federal award, they shall be credited to the federal award, either as a cost reduction or a cash refund, as appropriate. 2 CFR § 200.406.
- **Treatment of miles, points, or awards accrued for travel**: Any miles, points, credits, or awards accrued or earned for employee travel using a district-issued credit card where the credit card bill is paid directly by the District are the property of the District and will be used for employees traveling on behalf of the District to reduce the overall cost to the District. Any such miles, points, credits, or awards accrued will not be used for personal travel. 2 CFR Part 200’s cost guidelines must be considered when federal grant funds are expended. Federal rules require state- and District-level requirements and policies regarding expenditures to be followed as well.

Requesting Prior Written Approval

Some costs discussed in the following sections and in the instructions to completing the grant application require prior written approval from the awarding agency. In addition, for certain costs for which it may be difficult to determine reasonableness or allocability, the District may seek prior written approval for “special or unusual costs” not identified in the regulations in advance of the incurrence of such costs.

District Approval

All requests for using funds for registrations, travel, stipends, or consultants must be approved by the program director prior to commitment preferable no more than 15 days prior to the commitment. See District professional leave form and Contracted Services Agreement.

Allowable Costs

Selected Items of Cost – 2 CFR Part 200, Subpart E 2 CFR Part 200, Subpart E, examines the allowability of 55 specific cost items (commonly referred to as Selected Items of Cost) at 2 CFR §§ 200.420 -.475.

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Please do not assume that an item is allowable because it is specifically listed, as it may be unallowable despite its inclusion in the selected items of cost section, or it may be allowable only under certain conditions, including prior written approval.

For a cost to be allowable under a federal grant program, the District ensures that it meets all of the following conditions. A cost that does not meet all of these conditions could be questioned during an audit or monitoring visit and could require repayment to the awarding agency. The cost must be:

- reasonable in cost (as described above)
- necessary to accomplish the objectives of the grant program (as described above)
- based on an identified need, concern, or area of weakness within the grant program
- appropriate under the authorizing program statute
- consistent with the underlying needs of the program in that it benefits the intended population of students or teachers for which the funds are appropriated
- allocable to the grant based on the relative benefits received (as described above)
- authorized or not prohibited under state or local laws or regulations
- consistent with policies, regulations, and procedures that apply to all activities, including other grants and state and local activities
- treated consistently as either a direct cost or as an indirect cost
- not used to meet cost sharing or matching requirements of another federal grant (unless specifically permitted in the other program statute or regulations)
- consistent with the terms and conditions of the grant award
- budgeted in the approved grant application
- adequately documented with appropriate supporting original source documentation } the net of any applicable credits such as rebates or discounts
- allowable under the federal cost principles
- in most cases, supplemental to the core foundation program of the school and to other activities normally conducted by the school (i.e., supplement, not supplant)

With each purchase order/requisition, we have a built-in multiple approval process that includes the building administrator, program/grant manager and fiscal staff. Each approval level views the request for reasonable, necessary, allowable (in accordance with the above list), and allocable before approval is granted.

Note: Federal requirements prohibit the use of Federal Funds for purposes of Religion.

Travel

Travel costs are the expenses for transportation related fees and lodging.

In general, reimbursement from state or federal grants for employees on travel is limited to the following:

- the actual cost of lodging, not to exceed the current federal rate in the locale to which the employee is traveling
- the actual cost of coach airfare
- actual mileage in a personal vehicle
- the cost of a rental car and gasoline.

Employees who plan to travel must complete a *Professional Leave Form (Addendum 1)* following the *Intrastate/Interstate Travel Procedures (Addendum 2)* prior to travel, detailing the dates of the proposed travel, purpose of the travel, how it will benefit the grant program, and estimated travel expenses. The

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Form must be approved by the building principal, and by the Program director. The building principal will verify that the travel by the particular individual is necessary to accomplish the objectives of the grant program. The Program director will verify that costs are reasonable and consistent with the District's travel policies. The Program director will also ensure that sufficient funds are budgeted and available for travel in the appropriate grant program prior to the employee incurring any travel expenditures.

Upon completion of the approved travel the employee completes *the Reimbursement Voucher (Addendum 3)* and submits it for cost verification by the program administrative assistant. It is then approved by the Program Director and sent to the Business Manager for final approval before payment.

Hosting Meetings and Conferences

2 CFR § 200.432 discusses the allowability of conference costs paid by the district as a sponsor or host of the conference. A conference is defined as "a meeting, retreat, seminar, symposium, workshop or event whose primary purpose is the dissemination of technical information beyond the non-federal entity and is necessary and reasonable for successful performance under the award. These federal guidelines state that costs may include rental of facilities, local transportation, and other items incidental to such conferences unless further restricted by the terms and conditions of the federal award. Per the guidance, conference hosts/sponsors must exercise discretion and judgment in ensuring that conference costs are appropriate, necessary, and managed in a manner that minimizes the costs to the federal award.

Additionally, the District will consider whether a face-to-face meeting or conference is the most effective or efficient way to achieve the desired result and whether there are alternatives, such as webinars or video conferences, that would be equally or similarly effective and more efficient in terms of time and costs than a face-to-face meeting.

Reporting Expenditures

- The District will submit interim expenditure reports as required by the grant.
- Final expenditure reports are generally due 30 days after the ending date of the grant. If the grant program has a cost share or matching funds requirement, the grantee must also report the total cost share or matching funds.

Effective July 1, 2015, the fiscal reports requesting payment will include a certification signed/certified by an official who is authorized to legally bind the District. 2 CFR § 200.415. The certification reads as follows: "By signing this report, I certify to the best of my knowledge and belief that the report is true, complete, and accurate, and the expenditures, disbursements and cash receipts are for the purposes and objectives set forth in the terms and conditions of the federal award. I am aware that any false, fictitious, or fraudulent information, or the omission of any material fact, may subject me to criminal, civil or administrative penalties for fraud, false statements, or false claims or otherwise. (U.S. Code Title 18, Section 1001 and Title 31, Sections 3729-3730 and 3801- 3812)."

If the final expenditure report indicates that a refund is due, the District will submit a refund check within 30 days of notification that a refund is due.

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PROCUREMENT SYSTEM

The District's objective is to purchase the best products, materials, and services at the lowest practical prices within relevant statutes and policies. It is important to acquire goods and services for the best price through fair and open competition to protect the interest of the local, state, and federal government while still maintaining the desired quality and minimizing exposure to misuse of funds.

Conflict of Interest Requirements

Substantial state and federal requirements exist pertaining to standards of conduct and conflict of interest. It is the intent of the District for all employees, officers, or agents to conduct all activities associated with procurements in compliance with the highest ethical standards, including the avoidance of any real or perceived conflict of interest. It is also the intent of the District to impose appropriate sanctions or disciplinary actions, for any employees or officers who violate any of these requirements.

Federal Requirements

No employee, officer, or agent 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, 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, and agents of the District 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.

Federal Procurement System Standards

In addition to avoiding conflicts of interest and ensuring full and open competition as described above, the District's written procurement procedures for purchases made with federal funds reflect applicable state and local laws and regulations and conform to the following federal standards for procuring goods and services with federal funds. 2 CFR § 200.318

In addition to federal standards for making awards only to responsible contractors, there are additional criteria to use when determining contract awards to vendors, whether using state, local, or federal funds.

These criteria are as follows:

- (1) the purchase price
- (2) the reputation of the vendor and of the vendor's goods or services
- (3) the quality of the vendor's goods or services
- (4) the extent to which the goods or services meet the district's needs
- (5) the vendor's past relationship with the district
- (6) the total long-term cost to the district to acquire the vendor's goods or services
- (7) any other relevant factor specifically listed in the request for bids or proposals. Factors that a school district may consider under this criteria would include vendor response time and compatibility of goods/products purchased with those already in use in the district.

Note: Federal requirements prohibit geographic preference when purchasing with federal funds. Therefore, this requirement cannot be used to select a contractor when the purchase is made with federal funds.)

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Open Competition

The District will follow the federal guidelines vendor competition.

- All procurement transactions must be conducted with full and open competition.
 - Must have protest procedures to handle disputes
- To eliminate unfair advantage, contractors that develop or draft specifications, requirements, statement of work, and invitations for RFPs must be excluded from competing for such procurements.

Written procedures for procurement must ensure all solicitations:

- Incorporate a clear and accurate description of the technical requirements for materials, product or service to be procured; (*RFP Addendum 4*) and
- “Brand name or equivalent” may be used as needed, but the specific features of the named brand which must be met by the offers must be clearly states
- Identify all requirements which the providers must fulfill and all other factors to be used in evaluating proposals.

Indiana Procurement

Indiana provides for Districts Solicitation (less than \$75,000). Depending on good or service, solicitation may be in the form of three (3) written quotations, requested proposals, or a comparative analysis over phone. Written quotations are preferable

Professional and Consulting Services

The federal cost principles (specifically in 2 CFR § 200.459) broadly define professional and consultant services as those services rendered by persons who are members of a particular profession or possess a special skill, and who are not officers or employees of the District.

The District shall use a consultant only if the services of the consultant are necessary to accomplish the objectives of the particular program/project, the fees are reasonable in cost, and the District cannot meet the needs by using an employee. 34 CFR 75.515.

Allowable Professional Service Costs Professional and consultant services are allowable to be purchased with federal funds when reasonable and when the District considers the following factors:

- The nature and scope of the service rendered in relation to the service required;
- The necessity of contracting for the service, considering the District’s capability in the particular area;
- The past pattern of such costs, particularly in the years prior to federal awards;
- The impact of federal awards on the District’s business (e.g. what new problems have arisen);
- Whether the service can be performed more economically by direct employment rather than contracting;
- The qualifications of the individual or concern rendering the service and the customary fees charged, especially on non-federally funded activities; and
- The adequacy of the contractual agreement for the service (e.g., description of the service, estimate of time required, rate of compensation, and termination provisions)

See *Contracted Professional/Consulting Services Agreement (Addendum 5)*

PROPERTY MANAGEMENT SYSTEMS

Equipment means tangible personal property (including information technology systems) having a useful life of more than one year and a per-unit acquisition cost which equals or exceeds the lesser of the capitalization level of \$5,000 established by the District for financial statement purposes. 2 CFR § 200.33.

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Supplies means all tangible personal property other than those described in §200.33 Equipment. A *computing device* is a supply if the acquisition cost is less than the capitalization level of \$5,000, regardless of the length of its useful life. 2 CFR § 200.94

Computing devices means machines used to acquire, store, analyze, process, and publish data and other information electronically, including accessories (or “peripherals”) for printing, transmitting and receiving, or storing electronic information. 2 CFR § 200.20.

Capital assets means tangible or intangible assets used in operations having a useful life of more than one year include:

- equipment, and
- intellectual property (including software)

Inventory Procedure

The district will maintain “effective control over, and accountability for all funds, property, and assets, regardless of the cost.

Inventory is received by the central office program director. The Administrative Assistant inspects the property to ensure good condition upon receipt and to match the delivery items with the purchase order and invoice. The program director or assistant enters the receiving information into the Inventory worksheet for the specific federal grant funds.

All property is tagged with the Grant Title. Technology Support tags technology items prior to delivery to the schools. The tracking of tagged property is implemented by the Program director. Technology support is responsible for configuring and installing equipment such as computing devices including highly desirable devices such as Chromebooks and tablets.

Inventory Records

For each equipment and computing device purchased with federal funds, the following information is maintained:

- Serial number or other identification number
- Source of funding for the property
- Which Building holds title*
- Building Location
- Acquisition date
- cost of the property
- condition of property
- disposal information when appropriate

Records are updated as needed with a physical count at year end.

The person responsible for maintaining the building equipment inventory completes on or before June 30th each year and sent to the program director.

See **the *Inventory Sheet (Addendum 6)***

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Equipment Insurance and Maintenance of Equipment

In accordance with 2 CFR § 200.313(d)(4), the District maintains adequate maintenance procedures to ensure that property is kept in good condition.

The District insures equipment acquired or improved with federal funds at the same levels and in accordance with the same policies as provided to equipment purchased with state or local funds unless required to be insured by terms and conditions of the federal grant. 2 CFR § 200.310.

Throughout the year as an item becomes obsolete, broken, not working, stolen, transferred or disposed of, the person monitoring the inventory fills out the proper forms and sends the items to the central office for determination of disposal or auction. All items purchased with federal funds with a value of over \$5,000 slated for disposal or auction must be approved by the Business Manager.

If acquiring replacement equipment, the District 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.

Lost or Stolen Items

The District maintains a control system that ensures that adequate safeguards are in place to prevent loss, damage, or theft of the property. Any loss, damage, or theft is investigated in accordance with the following procedures. 2 CFR § 200.313(d)(3)

Unnecessary or Duplicate Items

The District and Program Director will monitor all federal purchases to avoid any unnecessary or duplicate items.

Use of Equipment

Equipment will be used in the federal program for which it was acquired as long as needed, whether or not the project or program continues to be supported by the federal award.

Supplies

Supplies are all tangible property other than equipment. This includes computing devices. If there is a residual inventory of unused supplies exceeding \$5,000 in total aggregate value upon termination or completion of the program, and the supplies are not needed for any other federal award, the District will compensate the federal government for its fair share.

WRITTEN COMPENSATION POLICIES

Allowable Compensation

Compensation for employees paid from federal funds will be in accordance with the established written policy for compensation for all employees, and the written policy will be consistently applied among all employees, whether paid from state, local, or federal funds. Compensation includes all remuneration, paid currently or accrued, for services of employees rendered during the period of performance under the federal award, including but not necessarily limited to wages and salaries. Compensation for personal services may also include fringe benefits.

Costs of compensation are allowable to be charged to a federal award to the extent that they satisfy the following requirements as specified in 2 CFR § 200.430 and that the total compensation for individuals:

1. Is reasonable for the services rendered and conforms to the established written policy of the District consistently applied to both federal and non-federal activities;

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2. Follows an appointment made in accordance with the District's rules or written policies and meets the requirements of federal statute; and
3. Is determined and supported by documentation that meets the federal *Standards for Documentation of Personnel Expenses*.

Reasonable Compensation

Compensation for employees engaged in work on federal awards will be considered reasonable to the extent that it is consistent with that paid for similar work in other activities of the District. In cases where the kinds of employees required for the federal awards are not found in the other activities of the District, compensation will be considered reasonable to the extent that it is comparable to that paid for similar work in the labor market in which the District competes for the kind of employees involved.

Professional Activities Outside the District

The District will follow its written policies and practices concerning the permissible extent to which District employees may provide professional services outside the District for non-District compensation.

The District complies with other requirements pertaining to allowable and unallowable costs as specified in 2 CFR § 200.430(d), (e), and (f), including:

1. Compensation for certain employees of cost-reimbursement contracts covered under 10 USC 2324(e)(1)(P); 41 USC 1127; and 41 USC 4304(a)(16);
2. Changes in compensation resulting in a substantial increase in the District's employees' level of compensation; and
3. Incentive compensation based on cost reduction, efficient performance, suggestion awards, safety awards, etc.

Documentation of Personnel Expenses

Standards for Documentation of Personnel Expenses

Charges to federal awards for salaries and wages must be based on records that accurately reflect the work performed. In accordance with 2 CFR § 200.430, 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 District on an integrated basis
- Comply with the established accounting policies and practices of the District, and
- Support the distribution of the employee's salary or wages among specific activities or costs objectives if the employee works on:
 - More than one federal award
 - A federal award and a non-federal award
 - An indirect cost activity and a direct cost activity
 - Two or more indirect activities which are allocated using different allocation bases, or
 - An unallowable activity and a direct or indirect cost activity.

All employees who are paid in full or in part with federal funds must keep specific documents to demonstrate the amount of time they spend on grant activities. This includes an employee whose salary

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is paid with state or local funds but is used to meet a required match or cost share for a federal program.

These documents, known as time-and-effort records, are maintained in order to charge personnel costs to federal grants. In addition, current and up-to-date job descriptions for each employee are maintained.

Time and Effort Procedures

All District employees who are paid in whole or in part with federal funds will maintain documentation in accordance with the following requirements. All charges to payroll for personnel who work on one or more federal programs or cost objectives must be based on one of the following, depending on the circumstances:

Semi-annual certification (for employees who work 100% of the time on a single program and/or cost objective state), in which case a signed and dated job description and school location and kept with the federal grant documentation for the grant period of employment.

- state that the employee worked solely (i.e., 100% of the time) on activities related to one particular grant program or single cost objective
- identify the grant program or cost objective
- specify the 6-month reporting period
- be signed and dated by the employee or a supervisor with first-hand knowledge of the work performed

Time-and-effort records (for employees working on more than one program and/or multiple cost objectives)

These employees are required to maintain time-and-effort records or to account for their time. Employees must prepare time-and-effort summary reports at least monthly. Such reports must reflect an *after-the-fact* distribution of 100% of the *actual* time spent on each activity and must be signed by the employee. Monthly reports must be submitted to the Program director and if necessary, charges to payroll must be adjusted at least monthly to coincide with preparation and submittal of expenditure reports.

MONITORING

Self-Monitoring

MSD of Steuben County self-monitoring includes the compliant development of annual budgets of federal and grant funds. Program directors review and approve all expenditures. Related strategies to justify expenditures must benefit the program and student instruction.

Audits and Audit Resolution _A non-Federal entity that expends \$750,000 or more during the non-Federal entity's fiscal year in Federal awards must have a single or program-specific audit conducted for that year in accordance with EDGAR 200.501.

A non-Federal entity that expends \$750,000 or more during the non-Federal entity's fiscal year in Federal awards must have a single or program-specific audit conducted for that year in accordance with

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EDGAR 200.501. falls within this requirement. Our audit is conducted every two years by the Indiana State Board of Accounts in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatements. The audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. It also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation.

In accordance with Government Auditing Standards, our audit also issues a report on the consideration of the district's internal control over financial reporting and tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of the testing of internal control over financial reporting and compliance and the results of the testing.

PROGRAMMATIC FISCAL REQUIREMENTS

Maintenance of Effort

As a condition for receiving its full allocation in any fiscal year, for covered programs under the Elementary and Secondary Education Act of 1965 (ESEA), as amended by the No Child Left Behind Act of 2001 (NCLB), a local education agency (LEA) must maintain its own state and local fiscal effort in accordance with Section 9521, ESEA. This requirement is known as maintenance of effort (MOE). The MOE requirement ensures that the LEA continues to expend its state and/or local funds at the same level from year to year, instead of limiting services to what can be provided using federal dollars.

MSD of Steuben County completes NCLB MOE (Special Ed) on an annual basis and verifies its performance by our audit. The MOE is submitted to NEISSC who submits it on or before its annual deadline to the Indiana Department of Education.

Supplement, Not Supplant

Federal grant and related grant programs are planned for supplemental activities are not allowed to supplant current funding. Our Maintenance of Effort report is one source of documentation for this requirement. Services are monitored by building administrators and Grant Program director to insure they are supplemental. All requests for purchases are reviewed by the Program director to ensure that the items or services are supplemental in nature.

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LEGAL AUTHORITIES AND HELPFUL RESOURCES

The following documents contain relevant grants management requirements. Staff should be familiar with these materials and consult them when making decisions related to the federal grant.

Education Department General Administrative Regulations (EDGAR)

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

Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (2 CFR Part 200) <http://www.ecfr.gov/cgi-bin/text->

[dx?SID=ccccf77e01c9e6d4b3a377815f411704&node=pt2.1.200&rgn=div5](http://www.ecfr.gov/cgi-bin/text-idx?SID=ccccf77e01c9e6d4b3a377815f411704&node=pt2.1.200&rgn=div5)

USDE's Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (2 CFR Part 3474) <http://www.ecfr.gov/cgi-bin/text->

[idx?SID=ccccf77e01c9e6d4b3a377815f411704&tpl=/ecfrbrowse/Title02/2cfr3474_main_02.tpl](http://www.ecfr.gov/cgi-bin/text-idx?SID=ccccf77e01c9e6d4b3a377815f411704&tpl=/ecfrbrowse/Title02/2cfr3474_main_02.tpl)

Federal program statutes, regulations, and guidance <http://www.ed.gov/>

Indiana Department of Education Grants Management <http://www.doe.in.gov/grantsmgt>