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Introduction

This manual sets forth the policies and procedures used by Nelson County Schools (the District) to administer federal funds. 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 the District's financial management system, including cash management procedures; procurement policies; inventory management protocols; procedures for determining the allowability of expenditures; time and effort reporting; record retention; and subrecipient monitoring responsibilities. New employees of the District, as well as incumbent employees, are expected to review this manual to gain familiarity and understanding of the District's rules and practices.

Financial Management System

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 must be in place to ensure that all financial management system requirements are met. Failure to meet a requirement may result in return of funds or termination of the award.

Financial Management Standards

The standards for financial management systems are found at 2 C.F.R. § 200.302. The required standards include:

Identification

The District 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 CFDA title and number, federal award identification number and year, name of the federal agency, and, if applicable, name of the pass-through entity.

Financial Reporting

Accurate, current, and complete disclosure of the financial results of each federal award or programs must be made in accordance with the financial reporting requirements set forth in the Education Department General Administrative Regulations (EDGAR).

Accounting Records

The District must maintain records which adequately identify the source and application of funds provided for federally-assisted activities. These records must contain information pertaining to grant or sub-grant awards, authorizations, obligations, unobligated balances, assets, expenditures, income and interest, and be supported by source documentation.

Internal Controls

Effective control and accountability must be maintained for all funds, real and personal property, and other assets. The District must adequately safeguard all such property and must assure that it is used solely for authorized purposes.

“Internal controls” are tools to help program and financial managers achieve results and safeguard the integrity of their program. 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 grant program and to further the selected objectives; and
- Compliance with applicable laws and regulations.

Budget Control

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

Cash Management

The District must maintain written procedures to implement the cash management requirements found in EDGAR. Please see page 18 for these written cash management procedures.

Allowable Costs

The District must maintain written procedures for determining allowability of costs in accordance with EDGAR. Please see page 10 for these written allowability procedures.

Overview of the Financial Management/Accounting System

Munis is a cloud-based suite used by the district for financial management and accounting including budgets, accounts payable, payroll, fixed assets, human resources and all other fiscal management. This software package is mandated by the Kentucky Department of Education (KDE) for all 173 Kentucky School Districts. The Chief Operations Officers, along with the Board of Education, Superintendent, and Director of State and Federal Programs are responsible for maintaining, monitoring and approving the finances and budgets of the District. KRS 160.470 requires a 3 phase budgeting process which begins in January preceding the fiscal year and ends with a final working budget approved no later than September 30th of the current fiscal year. The District's fiscal year starts July 1st. Under 2 C.F.R. 200.302, a recipient must track the CFDA title and number, federal award identification number and year, name of the federal agency, and, if applicable, name of the pass-through entity. All state and federal funds are maintained in the Special Revenue Fund. (Fund 2 of the Munis financial suite.)

Budgeting

The Planning Phase: Meetings and Discussions

Before receiving the Grant Award Notice (GAN): The District releases a Needs Assessment report in November/December each year for each school council and major department (maintenance, transportation, etc.) to complete. In this report, the school/department lists each major need, estimated costs, and priority ranking. The reports are due back to the Superintendent by March 31st. The Board of Education, Superintendent, Director of State and Federal Programs (DSFP), and Chief Operations Officer (COO) review these reports for the upcoming year to determine budget cuts and additions. The Superintendent, DSFP and COO meet in March/April to discuss state and federal grant budgeting for the new fiscal year. The District determines initial allocations based on the prior year's awards including initial needs assessments and district needs. See the Budget Development Cycle below.

Budget Development Cycle

Initiate Annual Needs Assessment	November/December
Forecast State SEEK (KRS 157.410)	December
Local & State Revenue Projections and Assessment Projections	December
Draft Budget- reviewed by local Board of Education	January 31
Tentative SBDM Allocations	March 1
Needs Assessments Due	March 31
Final SBDM Allocations	May 1
Tentative Budget- adopted by local Board of Education and submitted to KDE	May 30
Working Budget- approved by local Board of Education and submitted to KDE	September 30

Reviewing and Approving the Budget:

Prior to the final working budget submission, the COO and DSFP review the items in the budget to ensure allowability. See page 10 for a discussion on performing allowability determinations. If the DSFP/COO determine that a cost is not allowable, the applicable school/department is notified and the budgets are amended prior to seeking final approval.

Once the DSFP and COO determine that all budgeted items are allowable, the budget is entered into Munis and sent to the local Board of Education for approval in the working budget and submitted to KDE by September 30th.

After Receiving the GAN

After receiving the grant award notification from KDE, the DSFP and COO meet to discuss the final allocations and necessary adjustments to state and federal programs. After final approval from the Superintendent, the amended allocations are communicated to the appropriate schools/departments within the district.

Amending the Budget

All adjustments are entered as budget adjustments (amending the Working Budget) in Munis and submitted to the KDE. Consolidated Expenditure Reports (CDIP) are submitted to KDE on a quarterly basis during the year. These reports include the revised budget, month to date, quarter to date, year to date, project to date and available budget amounts for each state and federal award.

Budget Control

The District monitors its financial performance by comparing and analyzing actual results with budgeted results. Each month, the COO reconciles the bank statements, closes the month and sends reports to the DSFP, Superintendent and Board of Education. These reports are also available on the district's website for the public to view. The monthly reports include, but are not limited to, the bank reconciliation, grant reports by project, monthly financials reported by fund, construction project reconciliations, travel, and VISA charges. A detail review of state and federal projects is performed at least quarterly (more often monthly) by the COO. A report of this review is submitted to the DSFP and Superintendent and any issues or discrepancies are discussed, evaluated and resolved.

Accounting Records

All accounting records for the district are kept in the district's central office. The DSFP and COO are responsible for maintaining and approving all state and federal grant records. The district uses the chart of accounts mandated by KDE and adheres to the state and federal funding matrix provided by KDE for allowability of costs in each grant.

Spending Grant Funds

When budgeting and spending grants, the district determines if the costs are reasonable and necessary, consistent with district policies and procedures, follow generally accepted accounting principles, and are adequately documented.

Direct and Indirect Costs

Determining Whether a Cost is Direct or Indirect:

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 C.F.R. § 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 benefited, without effort disproportionate to the results achieved. 2 C.F.R. § 200.56.

Costs incurred for the same purpose in like circumstances must be treated consistently as either direct or indirect costs. 2 C.F.R. § 200.413(a).

Identification with the federal award rather than the nature of the goods and services involved is the determining factor in distinguishing direct from indirect costs of Federal awards. Typical costs charged directly to a Federal award are the compensation of employees who work on that award, their related fringe benefit costs, the costs of materials and other items of expense incurred for the Federal award. 2 C.F.R. § 200.413(b).

The salaries of administrative and clerical staff should normally be treated as indirect costs. Direct charging of these costs may be appropriate only if all of the following conditions are met:

- Administrative or clerical services are integral to a project or activity;
- Individuals involved can be specifically identified with the project or activity;
- Such costs are explicitly included in the budget or have the prior written approval of the federal awarding agency; and
- The costs are not also recovered as indirect costs. 2 C.F.R. § 200.413(c).

Indirect Cost Rate:

Indirect cost rates are set by KDE on an annual basis. Kentucky utilizes the Predetermined Indirect Cost Rate methodology where indirect costs are reduced by 10% to account for reasonable fluctuations in costs from year to year. KDE is currently using the three year delegation agreement which was effective December 26, 2014. The rates are published on KDE's website annually

Applying the Indirect Cost Rate:

Once the District has an approved indirect cost rate, the percentage is multiplied against the actual direct costs (excluding distorting items such as equipment, contracts in excess of \$25,000, pass-through funds, etc.) incurred under a particular grant to produce the dollar amount of indirect costs allowable to that award. 34 C.F.R § 75.564; 34 C.F.R. § 76.569.

Once the District applies the approved rate, the funds that may be claimed for indirect costs have no federal accountability and may be used as if they were non-federal funds. For Direct Grants, reimbursement of indirect costs is subject to the availability of funds and statutory or administrative restrictions. 34 C.F.R. § 75.564.

Where a federal program has a specific cap on the percentage of administrative costs that may be charged to a grant, that cap must include all direct administrative charges as well as any recovered indirect charges.

Determining Allowability of Costs

Expenditures must be aligned with approved budgeted items. Any changes or variations from the state-approved budget and grant application need prior approval from the state.

When determining how the District will spend its grant funds, DSFP and COO 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 good or service. All costs supported by federal education funds must meet the standards outlined in EDGAR, 2 CFR Part 3474 and 2 CFR Part 200 (Subpart E), which are provided in the bulleted list below. The District must consider these factors when making an allowability determination.

- **Be Necessary and Reasonable for the performance of the federal award.**

District staff must consider these elements when determining the reasonableness of a cost. 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. For example, reasonable means that sound business practices were followed, and purchases were comparable to market prices.

When determining reasonableness of a cost, consideration must be given to:

- Whether the cost is a type generally recognized as ordinary and necessary for the operation of the District or the proper and efficient performance of the federal award.
- The restraints or requirements imposed by factors, such as: sound business practices; arm's-length bargaining; federal, state and other laws and regulations; and terms and conditions of the federal award.
- Market prices for comparable goods or services for the geographic area.
- Whether the individuals concerned acted with prudence in the circumstances considering their responsibilities to the District, its employees, its students, the public at large, and the federal government.
- Whether the district significantly deviates from its established practices and policies regarding the incurrence of costs, which may unjustifiably increase the federal award cost. 2 C.F.R. §200.404.

While 2 C.F.R. §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. A key aspect in determining whether a cost is necessary is whether the district can demonstrate that the cost addresses an existing need and prove it.

For example, the district may deem a language skills software program necessary for a limited English proficiency program.

When determining whether a cost is necessary, consideration may be given to:

- 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.
- 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 benefit received. This means that the federal grant program derived a benefit in proportion to the funds charged to the program. 2 C.F.R. §200.405. For example, if 50% of a 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.
- **Consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the District.**
- **Conform to any limitations or exclusions set forth as cost principles in Part 200 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.
- **Adequately documented.** All expenditures must be properly documented.
- **Be determined in accordance with generally accepted accounting principles (GAAP), unless provided otherwise in Part 200.**
- **Not included as a match or cost-share, unless the specific federal program authorizes federal costs to be treated as such.** Some federal program statutes require the non-federal entity to contribute a certain amount of non-federal resources to be eligible for the federal program.
- **Be 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. 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 a cash refund, as appropriate. 2 C.F.R. §200.406.

Part 200's cost guidelines must be considered when federal grant funds are expended. As provided above, federal rules require state- and District-level requirements and policies regarding expenditures to be followed as well. For example, state and/or District policies relating to travel or equipment may be narrower than the federal rules, and the stricter State and/or District policies must be followed. Further, certain types of incentives are allowable under federal law, but are not allowable under State law. The District's adheres to all policies for Fiscal Management under Section 4 of the District's policies and personnel, including travel reimbursements, under Section 3.

Selected Items of Cost

Part 200 examines the allowability of 55 specific cost items (commonly referred to as Selected Items of Cost) at 2 C.F.R. §§ 200.420-200.475. These cost items are listed in the chart below along with the citation where it is discussed whether the item is allowable. 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 non-allowable 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. If an item is unallowable for any of these reasons, federal funds cannot be used to purchase it.

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

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

Item of Cost	Citation of Allowability Rule
Advertising and public relations costs	2 CFR § 200.421
Advisory councils	2 CFR § 200.422
Alcoholic beverages	2 CFR § 200.423
Alumni/ae activities	2 CFR § 200.424

Audit services	2 CFR § 200.425
Bad debts	2 CFR § 200.426
Bonding costs	2 CFR § 200.427
Collection of improper payments	2 CFR § 200.428
Commencement and convocation costs	2 CFR § 200.429
Compensation - personal services	2 CFR § 200.430
Compensation - fringe benefits	2 CFR § 200.431
Conferences	2 CFR § 200.432
Contingency provisions	2 CFR § 200.433
Contributions and donations	2 CFR § 200.434
Defense and prosecution of criminal and civil proceedings, claims, appeals and patent infringements	2 CFR § 200.435
Depreciation	2 CFR § 200.436
Employee health and welfare costs	2 CFR § 200.437
Entertainment costs	2 CFR § 200.438
Equipment and other capital expenditures	2 CFR § 200.439
Exchange rates	2 CFR § 200.440
Fines, penalties, damages and other settlements	2 CFR § 200.441
Fundraising and investment management costs	2 CFR § 200.442
Gains and losses on disposition of depreciable assets	2 CFR § 200.443
General costs of government	2 CFR § 200.444
Goods and services for personal use	2 CFR § 200.445
Idle facilities and idle capacity	2 CFR § 200.446
Insurance and indemnification	2 CFR § 200.447
Intellectual property	2 CFR § 200.448
Interest	2 CFR § 200.449
Lobbying	2 CFR § 200.450

Losses on other awards or contracts	2 CFR § 200.451
Maintenance and repair costs	2 CFR § 200.452
Materials and supplies costs, including costs of computing devices	2 CFR § 200.453
Memberships, subscriptions, and professional activity costs	2 CFR § 200.454
Organization costs	2 CFR § 200.455
Participant support costs	2 CFR § 200.456
Plant and security costs	2 CFR § 200.457
Pre-award costs	2 CFR § 200.458
Professional services costs	2 CFR § 200.459
Proposal costs	2 CFR § 200.460
Publication and printing costs	2 CFR § 200.461
Rearrangement and reconversion costs	2 CFR § 200.462
Recruiting costs	2 CFR § 200.463
Relocation costs of employees	2 CFR § 200.464
Rental costs of real property and equipment	2 CFR § 200.465
Scholarships and student aid costs	2 CFR § 200.466
Selling and marketing costs	2 CFR § 200.467
Specialized service facilities	2 CFR § 200.468
Student activity costs	2 CFR § 200.469
Taxes (including Value Added Tax)	2 CFR § 200.470
Termination costs	2 CFR § 200.471
Training and education costs	2 CFR § 200.472
Transportation costs	2 CFR § 200.473
Travel costs	2 CFR § 200.474
Trustees	2 CFR § 200.47

Likewise, it is possible for the State and/or District to put additional requirements on a specific item of cost. Under such circumstances, the stricter requirements must be met for a cost to be allowable. Accordingly, employees must consult federal, State and District requirements when spending federal funds. For example, often the State's travel rules are more restrictive than federal rules, which mean the State's policies must be followed. The District's travel policies are located in Section 03.125 and 03.225 of the District policy.

In order for a cost to be allowable, the expenditure must also be allowable under the applicable program statute (e.g., Title I of the Elementary and Secondary Education Act (ESEA), or the Carl D. Perkins Career and Technical Education Act (Perkins)), along with accompanying program regulations, non-regulatory guidance and grant award notifications.

The state and/or District rules related to some specific cost items are discussed below. District employees must be aware of these State and District rules and ensure they are complying with these requirements.

Frequent Types of Costs

Travel: Travel costs are the expenses for transportation, lodging, subsistence, and related items incurred by employees who are in travel status on official business of a grant recipient. Such costs may be charged on an actual cost basis, on a per diem or mileage basis in lieu of actual costs incurred, or on a combination of the two, provided the method used is applied to an entire trip and not selected days of the trip, and results in charges consistent with those normally allowed in like circumstances in the recipient's non-federally funded activities and in accordance with the recipient's written travel reimbursement policies. 2 C.F.R §200.474(a).

Costs incurred by employees and officers for travel, including costs of lodging, other subsistence, and incidental expenses, must be considered reasonable and otherwise allowable only to the extent such costs do not exceed charges normally allowed by the District in its regular operations as the result of its written travel policy. In addition, if these costs are charged directly to the federal award, documentation must be maintained that justifies that (1) participation of the individual is necessary to the federal award; and (2) the costs are reasonable and consistent with the District's established policy. 2 C.F.R §200.474(b).

Expense Reimbursement (District Policy 03.125/03.225)

Provided the Superintendent/designee has given prior approval to incur necessary and appropriate expenses, the Board shall reimburse school personnel as allowable under law for school-related travel when such travel is a required part of the duties of the employee or for school-related activities approved by the Board, Superintendent, and, when appropriate, the School Council. Travel expenses of school-based personnel in SBDM schools shall be paid from Council funds. In the case of expenses reimbursed from internal accounts, the Principal shall be the authority for reimbursement. Travel expenses for guests of employees shall not be reimbursed.

The expense reimbursement process shall require documentation of the funding source/category used to pay expenses for all approved trips.

The Board will be responsible only for actual expenses. Allowable expenses are:

Actual mileage between official work stations within the school system and actual mileage for trips outside the school system which have been approved by the Superintendent and the Council in SBDM schools will be reimbursed at the current Board approved rate when the employees uses his/her own vehicle. In June, the Board will set the mileage reimbursement rate for the coming fiscal year considering the previous year's quarterly state reimbursement schedule. The rate which is set in June will go into effect on July 1. The rate will be reviewed quarterly and adjusted if outside +/- \$0.03 of the state rate.

GASOLINE

Actual cost of gasoline and oil purchased and placed in a Board-owned vehicle by an employee while engaged in school-related travel. Purchase must be substantiated by a receipt showing total gallons and total charges.

TOLLS AND FEES

All tolls and parking fees incurred in school-related travel. Parking fees must be substantiated by a ticket or receipt (Tolls are not to be charged for district vehicles being operated in state in an official capacity).

CAR RENTAL

Car rental charges when approved by the Superintendent and the Council in SBDM schools. Charges must be substantiated by a receipt.

COMMON CARRIERS

All charges or fares for necessary travel on common carriers (plane, bus, train, subway, taxi, ferry, etc.). Sightseeing and pleasure tours are not reimbursable.

OUT-OF-STATE TRAVEL

Reimbursement for out-of-state travel by privately owned vehicles shall be made on the basis of airplane coach fare or mileage rate, whichever is the lesser amount.

FOOD

Actual monies spent for food while on out-of-District overnight trips. All expenses must be substantiated by an itemized receipt. The daily maximum reimbursement is \$30.00. Maximum allowable food expenditure per day shall be \$30 unless an exception is approved by the Superintendent for high rate areas as designated by the District (the top 30 metropolitan areas as identified by the 2010 census data). The maximum allowable food expenditure per day shall be \$36 for the high rate areas. Due to changes in Internal Revenue Service requirements, there will be no meal reimbursements for one-day trips.

LODGING

Hotel or motel charges (not including food or other charges) incurred in school-related travel. Charges must be substantiated by a receipt

EMERGENCY REPAIRS TO VEHICLES

Reimbursement will be made for emergency repairs or road service to Board-owned vehicles if incapacitated while out of District. Drivers may not obligate the Board for major repairs without the permission of the Director of Transportation or Superintendent.

REIMBURSEMENT FORM

Travel vouchers reimbursed by School Activity Funds shall be submitted within one (1) week of the travel. All other vouchers shall be submitted within thirty (30) days and before the close of the current fiscal year. No requests for travel reimbursement will be considered unless filed on the proper form and accompanied by itemized receipts for all expenditures of more than \$3.00. Without proper documentation, individuals shall not receive reimbursement, and, if it is determined that reimbursement was made based on incomplete or improper documentation, the individual may be required to reimburse the District. [Link](#)

SUPERINTENDENT'S TRAVEL EXPENSES

Prior to granting approval for payment, the Board shall review itemized reimbursement requests for the Superintendent's travel expenses in an open board meeting.

Helpful Questions for Determining Whether a Cost is Allowable

In addition to the cost principles and standards described above, finance and teaching and learning departments refer to this section for a useful framework when performing an allowability analysis. In order to determine whether federal funds may be used to purchase a specific cost, it is helpful to ask the following questions:

- Is the proposed cost allowable under the relevant program?
- Is the proposed cost consistent with an approved program plan and budget?
- Is the proposed cost consistent with program specific fiscal rules?
 - For example, the District may be required to use federal funds only to supplement the amount of funds available from non federal (and possibly other federal) sources.
- Is the proposed cost consistent with specific conditions imposed on the grant (if applicable)?

As a practical matter, should also consider whether the proposed cost is consistent with the underlying needs of the program. For example, program funds must benefit the appropriate population of students for which they are allocated. This means that, for instance, funds allocated under Title III of the Elementary and Secondary Education Act (ESEA) governing language instruction programs for limited English proficient (LEP) students must only be spent on LEP students and cannot be used to benefit non-LEP students.

Also, funds should be targeted to address areas of weakness, as necessary. To make this determination, the DSFP reviews data when making purchases to ensure that federal funds to meet these areas of concern.

Federal Cash Management Policy/Procedures

The District will comply with applicable methods and procedures for payment that minimize the time elapsing between the transfer of funds and disbursement by the District, in accordance with the Cash Management Improvement Act at 31 CFR Part 205. Generally, the District receives payment from the Kentucky Department of Education on a reimbursement basis. 2 CFR §200.305.

However, if the District receives an advance in federal grant funds, the District will remit interest earned on the advanced payment quarterly to the federal agency. The District may retain interest amounts up to \$500 per year for administrative expenses. 2 CFR § 200.305(b)(9).

According to guidance from the U.S. Department of Education (ED), when calculating the interest earned on ED grant funds, regardless of the date of obligation, interest is calculated from the date that the federal funds are drawn down from the G5 system until the date on which those funds are disbursed by the LEA.

Interest would not accrue if the LEA uses non federal funds to pay the vendor and/or employees prior to the funds being drawn down from the G5 system, commonly known as a reimbursement.

Payment Methods

Reimbursements:

The Chief Operations Officer will request reimbursement for actual expenditures incurred under the federal grants monthly following month end close. The COO submits the Federal Cash Request form provided by the Kentucky Department of Education itemized per grant and grant year. All reimbursements are based on actual disbursements, not on obligations.

The Kentucky Department of Education processes the reimbursement requests within 30 days and submits payment via check.

Consistent with state and federal requirements, the District will maintain source documentation supporting the federal expenditures (invoices, timesheets, payroll stubs, etc.) and will make such documentation available for the KDE review upon request.

Reimbursements of actual expenditures do not require interest calculations.

Advances:

To the extent the District receives advance payments of federal grant funds; the District will strive to expend the federal funds on allowable expenditures as expeditiously as possible. Specifically, the District attempts to expend all drawn downs of federal funds within 72 hours of receipt. **The District does not currently request cash advances on federal funds.**

Timely Obligation of Funds

When Obligations are Made

Obligations are orders placed for property and services, contracts and sub-awards made, and similar transactions during a given period that require payment by the non-Federal entity during the same or a future period. 34 C.F.R. § 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:
Acquisition of property	On the date which the District makes a binding written commitment to acquire the property
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
Public utility services	When the District receives the services
Travel	When the travel is taken
Rental of property	When the District 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 C.F.R. §75.707; 34 C.F.R. §76.707.

Period of Performance of Federal Funds

All obligations must occur on or between the beginning and ending dates of the grant project. 2 C.F.R. §200.309. This period of time is known as the period of performance. 2 C.F.R. §200.77. The period of performance is dictated by statute and will be indicated in the GAN. Further, certain grants have specific requirements for carryover funds that must be adhered to.

State-Administered Grants: As a general rule, state-administered federal funds are available for obligation within the year that Congress appropriates the funds for. However, given the unique nature of educational institutions, for many federal education grants, the period of availability is 27 months. Federal education grant funds are typically awarded on July 1 of each year. While the District will always plan to spend all current grant funds within the year the grant was appropriated for, the period of obligation for any grant that is covered by the "Tydings Amendment" is 27 months, extending from July 1 of the fiscal year for which the funds were appropriated through September 30 of the second following fiscal year. This maximum period includes a 15 month period of initial availability, plus a 12-month period for carryover. 34 C.F.R. § 76.709. For example, funds awarded on July 1, 2015 would remain available for obligation through September 30, 2017.

Direct Grants: In general, the period of availability for funds authorized under direct grants is identified in the GAN.

For both state-administered and direct grants, regardless of the period of availability, the District must liquidate all obligations incurred under the award not later than 90 days after the end of the funding period unless an extension is authorized. 2 C.F.R. § 200.343(b). Any funds not obligated within the period of availability or liquidated within the appropriate time frame are said to lapse and must be returned to the awarding agency. 2 C.F.R. § 200.343(d). Consequently, the District closely monitors grant spending throughout the grant cycle.

Carryover

State-Administered Grants: As described above, the Tydings Amendment extends the period of availability for applicable state-administered program funds. Essentially, it permits recipients to "carryover" any funds left over at the end of the initial 15 month period into the next year. These leftover funds are typically referred to as carryover funds and continue to be available for obligation for an additional 12 months. 34 C.F.R. § 76.709. Accordingly, the District may have multiple years of grant funds available under the same program at the same time.

All state and federal projects are tracked by project number assigned by KDE in Munis. Munis reports adequately show carryover balances. The balances are reported each month to KDE when the Federal Cash Request is submitted and again on the quarterly CDIP reports.

Direct Grants: Grantees receiving direct grants are not covered by the 12 month Tydings period. However, under 2 C.F.R. § 200.308, direct grantees enjoy unique authority to expand the period of availability of federal funds. The District is authorized to extend a direct grant automatically for one 12-month period. Prior approval is not required in these circumstances; however, in order to obtain this extension, the

District must provide written notice to the federal awarding agency at least 10 calendar days before the end of the period of performance specified in the award. This one-time extension may not be exercised merely for the purpose of using unobligated balances.

Any direct grants are maintained by the DSFP and COO. Any extensions are requested by the DSFP as required.

The District will seek prior approval from the federal agency when the extension will not be contrary to federal statute, regulation or grant conditions and:

- The terms and conditions of the Federal award prohibit the extension;
- The extension requires additional Federal funds; or
- The extension involves any change in the approved objectives or scope of the project. 2 C.F.R. § 200.308(d)(2).

Program Income

Definition

Program income means gross income earned by a grant recipient that is directly generated by a supported activity or earned as a result of the federal award during the grant's period of performance. 2 C.F.R. § 200.80.

Program income includes, but is not limited to, income from fees for services performed, the use or rental of real or personal property acquired under federal awards, the sale of commodities or items fabricated under a federal award, license fees and royalties on patents and copyrights, and principal and interest on loans made with federal award funds. Interest earned on advances of federal funds is not program income. Except as otherwise provided in federal statutes, regulations, or the terms and conditions of the federal award, program income does not include rebates, credits, discounts, and interest earned on any of them. 2 C.F.R. § 200.80. Additionally, taxes, special assessments, levies, fines, and other such revenues raised by a recipient are not program income unless the revenues are specifically identified in the federal award or federal awarding agency regulations as program income. Finally, proceeds from the sale of real property, equipment, or supplies are not program income. 2 C.F.R. § 200.307.

Use of Program Income

The default method for the use of program income for the District is the deduction method. 2 C.F.R. § 200.307(e). Under the deduction method, program income is deducted from total allowable costs to determine the net allowable costs. Program income will only be used for current costs unless the District

is otherwise directed by the federal awarding agency or pass-through entity. 2 C.F.R. § 200.307(e)(1). The LEA may also request prior approval from the federal awarding agency to use the addition method. Under the addition method, program income may be added to the Federal award by the Federal agency and the non-Federal entity. The program income must then be used for the purposes and under the conditions of the Federal award. 2 C.F.R. § 200.307(e)(2).

While the deduction method is the default method, the District always refers to the GAN prior to determining the appropriate use of program income.

Procurement System

The District maintains the following purchasing procedures.

Responsibility for Purchasing

According to District policy 04.31, the daily administration of the budget shall be the responsibility of the Superintendent. The Superintendent shall provide the Board with a monthly financial statement. This shall include a report of receipts and disbursements and estimated status by major budget category, the cash balance on hand, and the amount of invested funds at the end of the immediate preceding month.

Expenditures from any District fund shall be made in accordance with the budgets approved by the Board. All purchases shall require the prior approval of the Superintendent or the Superintendent's designees (DSFP or COO)

Administrators designated by the Superintendent may initiate a purchase order, subject to the limits of their designated budgeted funds and approval by their supervisor. Federal and state grants are also approved by the CAO and/or COO.

The Board shall not be responsible for expenditures not properly authorized and not made according to the purchasing procedures developed by the Superintendent.

Purchase Methods

The type of purchase procedures required depends on the cost of the item(s) being purchased:

DISTRICT PURCHASING POLICY 04.31

1. Expenditures authorized in the approved budget are made available to authorized Central Office personnel who make purchases.

2. Purchase orders shall be completed and sent to the DSFP/COO for approval.
3. If approved, the order is placed, copies of the purchase order are distributed, as appropriate, and a record of the purchase is completed.
4. When an order arrives, the person who placed the order checks the items received and signs and dates the appropriate copy of the purchase order. A notation is made as to the condition of the items received and any shortage in the shipment. All documentation is then returned to the District finance office for payment.
5. If a purchase needs to be made on an emergency basis as defined by the Superintendent/DSFP/COO, the employee shall complete a purchase order, obtain the signature of the Superintendent/DSFP/COO, and arrange for the purchase. The employee shall then complete all other purchasing procedures.
6. All invoices for the current fiscal year must be presented to the Central Office finance department by June.
7. All orders for the current fiscal year must be approved by the DSFP/COO by May.

BIDDING – POLICY 04.32

AUTHORITY

Bidding procedures shall conform to the Model Procurement Code, KRS 45A.345 – KRS 45A.460.1 All contracts or purchases shall be awarded by competitive sealed bidding or competitive negotiation, both of which may include the use of a reverse auction, except as otherwise provided by law.²

All purchases of Kentucky Education Technology System (KETS) components shall adhere to KETS architectural standards and procedures.

The District may purchase supplies and/or equipment outside an established price contract of the federal government (GSA), the State Division of Purchases, a cooperative agency bid approved by the Board, or a District bid if:

1. The supplies and/or equipment meet the specifications of contracts awarded by the Division of Purchases, a federal agency (GSA), a cooperative agency, or a District bid;
2. The supplies and/or equipment are available for purchase at a lower price;
3. The purchase does not exceed \$20,000; and
4. The District's finance or purchasing officer has certified compliance with the first and second requirements.

Prior to purchase of education technology components defined in the master technology plan, the Department of Education must certify that the items to be purchased meet or exceed the specifications of components of the original equipment of manufacturers currently holding Kentucky price contracts.⁴

EXEMPTIONS

Federal regulatory requirements do not provide a bidding exception for purchase of perishables using school nutrition service funds. Such purchases must follow applicable federal regulations.

PRICE REDUCTIONS

Price reductions may be accepted on supplies and/or equipment being offered by the vendor with whom a price agreement has been made if the supplies and/or equipment meet all terms and conditions specified in the price agreement except for price and if the price reduction is offered to all participants in the price agreement. Price reductions may be accepted even if the reduced price requires the purchase of a specified quantity of units different from the quantity stated in the original price agreement.

SMALL PURCHASES

District small purchase procedures may be used for any contract in which the aggregate amount does not exceed \$20,000.00.

BACKGROUND CHECK FOR CONTRACTORS

The Superintendent may require that a contractor submit, at no expense to the District, to a national and state criminal history background check by the Kentucky State Police and the Federal Bureau of Investigation in keeping with KRS 160.380. This provision may become part of the contractual obligation of the contractor and may be reflected in the bid specifications, or, if the contract is not subject to bid requirements, in the negotiations with the contractor.

"Contractor" shall refer to any adult who is permitted access to school grounds pursuant to a current or prospective contractual agreement with the school, school board, school district, or school-affiliated entity, at times when students are present. The term "contractor" includes an employee of a contractor.⁶

Purchase Cards

WAL-MART PURCHASING CARD

A purchase order **MUST** be obtained and approved prior to using the Wal-Mart purchasing card.

- NO employee shall make a personal purchase using the school credit card. NO exceptions shall be granted. If this occurs, this employee will no longer be allowed to use this card during their employment at the District.

- The Wal-Mart purchasing card **MUST** be safeguarded and kept under lock and key to protect against unauthorized use.
- The card may be checked out to individual employees with an approved purchase order.
- Approved purchase orders and itemized store receipts shall be submitted immediately when the purchasing card is returned after purchase.
- Loss of cards shall be reported immediately to the Finance Director.
- No account/billing changes shall be made to these cards unless made by the Finance Director.
- No other purchasing/credit cards shall be obtained by Schools unless approved by the Finance Director

Store Procedures:

1. The school's Wal-Mart tax exempt card **MUST** be submitted to the cashier **PRIOR** to making the purchase. If tax is paid on the purchase , the employee making the purchase will be responsible for reimbursing the tax.
2. After the Wal-Mart purchasing card has been swiped in the card reader, cashier's screen will ask for a purchase order number, the purchase order number **MUST** be entered at this time. **DO NOT SKIP THIS STEP.**

Federal Procurement System Standards

Avoiding Acquisition of Unnecessary or Duplicative Items

The District must avoid the acquisition of unnecessary or duplicated items. Additionally, consideration is given to consolidating or breaking out procurements to obtain a more economical purchase. And, where appropriate, an analysis must be made of leases versus purchase alternatives, and any other appropriate analysis to determine the most economical approach.

These considerations are given as part of the process to determine the allowability of each purchase made with federal funds.

Use of Intergovernmental Agreements

To foster greater economy and efficiency, the District enters into state and local intergovernmental agreements where appropriate for procurement or use of common or shared goods and services.

Use of Federal Excess and Surplus Property

The District considers the use of federal excess and surplus property in lieu of purchasing new equipment and property whenever such use is feasible and reduces project costs.

Maintenance of Procurement Records

The District must maintain records sufficient to detail the history of all procurements. These records will include, but are not necessarily limited to the following: rationale for the method of procurement, selection of contract type, contractor selection or rejection, the basis for the contract price (including a cost or price analysis), and verification that the contractor is not suspended or debarred.

Time and Materials Contracts

The District may use a time and materials type contract only (1) after a determination that no other contract is suitable; and (2) if the contract includes a ceiling price that the contractor exceeds at its own risk. Time and materials type contract means a contract whose cost to the District is the sum of: the actual costs of materials, and direct labor hours charged at fixed hourly rates that reflect wages, general and administrative expenses, and profit.

Since this formula generates an open-ended contract price, a time-and-materials contract provides no positive profit incentive to the contractor for cost control or labor efficiency. Therefore, each contract must set a ceiling price that the contractor exceeds at its own risk. Further, the District must assert a high degree of oversight in order to obtain reasonable assurance that the contractor is using efficient methods and effective cost controls.

Settlements of Issues Arising Out of Procurements

The District alone is responsible, in accordance with good administrative practice and sound business judgment, for the settlement of all contractual and administrative issues arising out of procurements. These issues include, but are not limited to, source evaluation, protests, disputes, and claims. These standards do not relieve the District of any contractual responsibilities under its contracts. Violations of law will be referred to the local, state, or federal authority having proper jurisdiction.

Conflict of Interest Requirements

Standards of Conduct

In accordance with 2 C.F.R. § 200.18(c)(1), the District maintains 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, 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. In determining whether an activity constitutes an impermissible acceptance of a gratuity or item of monetary value, the definition of "gratuity" (covering anything of more than fifty dollars [\$50] value) set forth in KRS 45A.445 shall apply. Violation of these standards may result in disciplinary action including, but not limited, to suspension, dismissal, or removal.

Gifts to Employees – District Policy 03.1322

No employee shall receive, directly or indirectly, any gift, reward, or promise of reward in exchange for influence in recommending or procuring the use of any goods, services, property, or merchandise of any kind for which school funds are expended.

Mandatory Disclosure

Upon discovery of any potential conflict, the District will disclose in writing the potential conflict to the federal awarding agency in accordance with applicable federal awarding agency policy.

Property Management Systems

Property Classifications

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 established by the District for financial statement purposes, or \$5,000. 2 C.F.R. § 200.33.

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 lesser of the capitalization level established by the District for financial statement purposes or \$5,000, regardless of the length of its useful life. 2 C.F.R. § 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 C.F.R. § 200.20.

Capital assets means tangible or intangible assets used in operations having a useful life of more than one year which are capitalized in accordance with GAAP. Capital assets include:

- Land, buildings (facilities), equipment, and intellectual property (including software) whether acquired by purchase, construction, manufacture, lease-purchase, exchange, or through capital leases; and
- Additions, improvements, modifications, replacements, rearrangements, reinstallations, renovations or alterations to capital assets that materially increase their value or useful life (not ordinary repairs and maintenance). 2 C.F.R. § 200.12.

Inventory Procedure – District Policy 04.7

EQUIPMENT AND ASSETS

The District shall adhere to the property inventory procedures developed by the Kentucky Department of Education. Principals and other supervisors designated by the Superintendent are accountable for inventory, control and maintenance of all assets and equipment in their area of responsibility.

Each school year, results of inventories shall be reconciled, coordinated and reported to the Superintendent and the Board as required by the COO.

A complete, up-to-date inventory of the following shall be maintained:

1. Fixed assets (real property) with an acquisition value of \$5,000 or more that has a useful life of more than one (1) year;
2. ALL computer workstations and laptops, regardless of value; and
3. Any additional items designated by the Superintendent/designee.

CAPITAL ASSETS

The District shall refer to the KDE Capital Asset Guide for guidance in establishing capitalization threshold amounts.

TRANSFER AND DISPOSAL

Fixed assets no longer needed or useable shall be returned to a designated central location and transferred or disposed of in compliance with Board policy 04.8, District inventory procedures, and applicable legal requirements

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;
- Who holds title;
- 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;
- Location, use and condition of the property; and
- Any ultimate disposition data including the date of disposal and sale price of the property.

Physical Inventory

A physical inventory of the property must be taken and the results reconciled with the property records at least once every three years.

Maintenance

In accordance with 2 C.F.R. § 313(d)(4), the District maintains adequate maintenance procedures to ensure that property is kept in good condition.

Lost or Stolen Items

All personnel shall be responsible for school equipment, supplies, books, furniture, and apparatus under their care and use. Any damaged, lost, stolen, or vandalized property shall be reported to the employee's immediate supervisor, who shall then report it to the Superintendent/designee once it is confirmed that the item cannot be recovered. District Policy 03.1321

Use of Equipment

Equipment must be used 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 District will not encumber the property without prior approval of the federal awarding agency and the pass-through entity. During the time equipment is used on the project or program for which it was acquired, the equipment will also be made 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 the federal awarding agency that financed the equipment. Second preference is given to

programs or projects under federal awards from other federal awarding agencies. Use for non-federally funded programs or projects is also permissible.

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: (1) activities under a federal award from the federal awarding agency which funded the original program or project; then (2) activities under federal awards from other federal awarding agencies.

Disposal of Equipment – District Policy 04.8

BIDS OR AUCTION

The Superintendent shall advise the Board when certain properties are no longer needed for public school purposes. Upon receiving this report, the Board may, at such time as it deems proper and after compliance with applicable state or federal regulations, authorize the disposal of school properties through closed sealed bids, public auction, or sale for at least the fair market value established by certified appraisal. The Board reserves the right to reject any and all bids.

REFURBISHED SURPLUS TECHNOLOGY

If the District receives a written determination that surplus technology does not meet Kentucky Education Technology System standards, it may choose to distribute the refurbished surplus property to eligible low-income students.

First priority shall be given to eligible students in the free or reduced lunch program, and they or their parent/guardian must request the property in writing.

Efforts will be made to involve local businesses and organizations to participate in refurbishing efforts with career and technical programs and student organizations.

The Superintendent shall designate the staff member(s) who shall review requests and make recommendations for approval of the Superintendent/designee. The District shall document to whom the technology is distributed.

Written Compensation Policies (Time and Effort)

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.

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 District on an integrated basis;
- Comply with the established accounting policies and practices of the District; and,
- Support the distribution

Time and Effort Procedures

The COO maintains yearly time and effort records. In addition, the budgets are prepared off of budget estimates documented by employee including applicable taxes and fringes. Any significant changes are documented during the monthly/quarterly reviews of federal and state grants. These after-the-fact reviews are documented and corrections are made as necessary. Due to the low turnover rates for the District, these procedures allow for accurate documentation and accountability of costs charged to state and federal projects.

Record Keeping

Record Retention

The District maintains 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 C.F.R. § 76.730-.731 and § 75.730-.731. The District also maintains records of significant project experiences and results. 34 C.F.R. §

75.732. These records and accounts must be retained and made available for programmatic or financial audit.

Unless otherwise provided for in Kentucky Administrative Regulation, the Board shall retain or dispose of financial records as outlined in the Records Retention Schedule, Public School District. Financial records shall include those documents specified in this document and in KRS 171.410.

[KY School District Records Retention Schedule](#)

Access to Records

The District provides 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 District which are pertinent to the Federal award, in order to make audits, examinations, excerpts, and transcripts. The right also includes timely and reasonable access to the District's personnel for the purpose of interview and discussion related to such documents.

Privacy

See District Policy 01.61 AP.11.

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-idx?SID=ccccf77e01c9e6d4b3a377815f411704&node=pt2.1.200&rgn=di5>

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

Federal program statutes, regulations, and guidance

<http://www.ed.gov/>

State regulations, rules, and policies

<http://education.ky.gov/>

District regulations, rules, and policies

<http://policy.ksba.org/Chapter.aspx?distid=124>