

WATER VALLEY
INDEPENDENT SCHOOL DISTRICT

FEDERAL FISCAL PROCEDURES MANUAL



2023-2024

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Introduction

This manual sets forth the policies and procedures used by Water Valley ISD (the “LEA”) to administer federal funds. The manual contains the internal controls and grant management standards used by the LEA to ensure that all federal funds are lawfully expended. It describes in detail the LEA’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 sub-recipient monitoring responsibilities. New employees of the LEA, as well as incumbent employees, are expected to review this manual to gain familiarity and understanding of the LEA’s rules and practices.

I. Financial Management System

The LEA 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.

A. Financial Management Standards

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

Identification

The LEA 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 LEA 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 subgrant 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 LEA 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 LEA must maintain written procedures to implement the cash management requirements found in EDGAR.

Allowable Costs

The LEA must maintain written procedures for determining allowability of costs in accordance with EDGAR.

B. Overview of the Financial Management/Accounting System

The LEA uses the TxEIS system for the accounting and management of financial transactions. The TxEIS system also provides procurement and inventory tracking capabilities. Fiscal year budgets are opened in the TxEIS system in March of the current year for planning purposes. The adopted budget is completed in August prior to the beginning of the new fiscal year. Budget

amounts are updated as NOGAs and/or state funding information is released. The LEA Business Manager is responsible for budget management in the TxEIS system as well as reconciliation of all accounts payable/receivable. All funds are identified by a detailed coding system according to the TEA Financial Accountability System Resource Guide (FASRG).

The LEA Business Manager is responsible for compiling timely and accurate financial reports subject to review and approval by the LEA superintendent. The reports should be prepared and submitted as specified by the financial reporting clause of each grant or contract award document. These reports must include monthly and cumulative expenditures, project budgets, and a balance remaining column.

C. Budgeting

The Planning Phase: Meetings and Discussions

Before Receiving the Grant Award Notice (GAN)/Notice of Grant Award (NOGA): Local, State, and Federal grant program funds are received from a granting agency to fund special programs or projects and are distinguished from funds received from local, State, or Federal sources for ongoing district operations. Since grants are unique and require special treatment, specific program budgets should be prepared for each grant. The unique character of grant funds results from both the difference in authority over grant funds and their restriction to specific purposes.

The grant budget should be based on how the grant funds can best aid in the implementation of the program plan. Water Valley ISD will take into consideration the legal considerations that may affect how grant funds can be used.

If the grant program has a “Supplement, Not Supplant” requirement which prevents grant funds from being used to replace existing resource allocations, the entire funding picture for the program must be examined to ensure that grant funds are not being used to supplant state, local, or other Federal funds, as applicable. The [position title or department] is responsible for ensuring the “Supplement, Not Supplant” requirements are not violated.

If program requirements stipulate a category or element that must be tracked but is not identifiable from TEA’s mandatory account code structure, the LEA will designate a local code to track such an expenditure. For example, a local option code will be used to track IDEA-B proportionate share funds and expenditures for the provision of equitable services for parentally-placed private school students with disabilities. A local option code will be used to track IDEA-B funds and expenditures used for Coordinated Early Intervening Services (CEIS), if applicable.

The following sources are used to develop budgets for Federal grants:

- a) Historical data based on previous grant year actual budget;
- b) Campus Improvement Plan (CIP);
- c) Needs Assessments;
- d) District Improvement Plan (DIP);
- e) Staffing Needs;
- f) Grant Requirements;
- g) Carryover (Roll-Forward) Funds, if applicable.

Responsibilities for grants submitted via TEA's eGrants applications:

- a) Budgeting projections are performed by the Business Manager.
- b) Data is compiled on the LEA's [Federal Grant] [spreadsheet] to ensure budgeted amounts match allocations by the Business Manager.
- c) Data entry into the eGrants application is performed by the Business Manager.
- d) The certification and submittal of the completed eGrants application is performed by the Superintendent.
- e) The Superintendent ensures that the LEA meets TEA's deadlines for submittal of grant applications and amendments.
- f) The Business Manager ensures obligations or expenditures are not incurred prior to the approval or effective date, based on the period of obligation established in 34 CFR 76.707 of the Education Department General Administrative Regulations and based on the effective date of the Notice of Grant Award (NOGA).
- g) When the NOGA is received, the Business Manager will compare the approved NOGA with the grant application to identify any budget revisions the granting agency may have required

before issuing the approval.

h) Expenditure monitoring is performed by the Business Manager throughout the grant period as a control measure.

i) Expenditure Reporting (ER) into the TEA system is performed by the Business Manager.

j) The Business Manager ensures that the LEA meets TEA's Final Expenditure Reporting deadlines.

Reviewing and Approving the Budget: The Water Valley ISD's superintendent will, by the deadline set by the State Board of Education, prepare, or cause to be prepared, a proposed budget covering all estimated revenue and proposed expenditures of the LEA for the following fiscal year. The budget will be prepared according to generally accepted accounting principles rules adopted by the State Board of Education, and adopted policies of the Board of Trustees. TEC 44.002

The Business Manager will, on behalf of the superintendent, ensure that all budget records are kept and copies of all budgets, all forms, and all other reports are filed on behalf of the LEA at the proper times and in the proper offices as required by TEC 44.003.

When the budget has been prepared, the president of the Board of Trustees will call a meeting for the purpose of adopting the budget for the succeeding fiscal year and will provide for the publication of notice for the budget and proposed tax rate meeting according to the requirements outlined in TEC 44.004. Concurrently with the publication of notice of the budget, the LEA will post a summary of the proposed budget according to the requirements of TEC 44.0041. The [position title or department] is responsible for this posting.

In compliance with TEC 44.004, the Board of Trustees, at the meeting called for that purpose, will adopt a budget to cover all expenditures for the LEA for the next succeeding fiscal year. The budget must be adopted before the adoption of the tax rate for the tax year in which the fiscal year covered by the budget begins.

In compliance with TEC 44.005, the budget will be filed with Texas Education Agency according to the rules established by the State Board of Education. The [position title or department] is responsible for ensuring the budget is filed by the deadline established by the State Board of Education.

In compliance with TEC 39.084, upon approval of the budget by the Board of Trustees, the LEA will post a copy of the adopted budget on the LEA's Internet website and will maintain the

adopted budget on the website until the third anniversary of the date the budget was adopted. The Business Office is responsible for posting the adopted budget on the LEA's website.

The LEA's public funds may not be spent in any manner other than as provided for in the budget adopted by the Board of Trustees, unless the Board amends the budget or adopts a supplementary emergency budget to cover unnecessary unforeseen expenses. TEC 44.006

The LEA Business Office will ensure the budget is prepared in accordance with GAAP (generally accepted accounting principles) and state guidelines. The LEA Business Office will develop a budget calendar of critical dates for budget development, submission, and review, including the person or department responsible for each activity listed in the calendar.

According to the TEA 2010 Financial Accountability System Resource Guide (FASRG), Budgeting Module, inclusion of budgets for local, State, and Federal grant programs is not required for an LEA's officially adopted annual budget; however, budget information for grant programs may be included as a supplement to the official budget. If the LEA has a policy that requires the approval of grant budgets by the school board, the level of detail at which they are approved is left to the discretion of the local school board. However, the authority to approve a budget or a budget amendment for a grant program lies with the granting agency and not with the school board.

The Water Valley ISD does not require that grant program budget information be included as a supplement to the LEA's officially adopted annual budget. The Water Valley ISD does not require board approval for grant budgets or amendments.

In advance of federal grant budget submission/adoption, the superintendent and business manager will review the items in the budget to ensure allowability. If the superintendent or business manager determines that a cost is not allowable, then the proposed budget is adjusted to reflect only allowable costs prior to submission/adoption. The superintendent and business manager will consult with relevant staff to resolve unallowable cost issues and ensure allowability.

Once the superintendent and business manager determines that all budgeted items are allowable, the budget is sent to Region 15 ESC for final review and approval. Generally, the budget receives final approval by June 15. Once the grant budget is approved, the LEA superintendent submits the budget to TEA through the E-Grants system for review and final submission to the USDE.

Submitting the Grant Application:

The LEA will submit grant applications to TEA by the due date set by TEA. The LEA superintendent completes, reviews, certifies, and submits the grant application.

After Receiving the GAN/NOGA

The LEA superintendent and business manager will meet to review any revised GAN/NOGA. In the event budget amendments are required due to funding increases/decreases the superintendent and business manager will meet with relevant staff to discuss allowable options.

Amending the Budget

The superintendent and business manager will then make necessary budget amendments to reflect the increase/decrease. Budget amendments will be approved by the LEA superintendent and documented by recording changes in the TxEIS system as well as the E-Grants with TEA.

Budget Control

The LEA monitors its financial performance by comparing and analyzing actual results with budgeted results. The Business Manager will monitor actual expenditures to budget projections on a monthly basis. Reports are produced from the TxEIS system and reviewed with the superintendent.

The business manager is responsible for performing cost reconciliation on a quarterly basis for Federally funded positions of employees working on multiple cost objectives, according to the Time Distribution reporting requirement of OMB Circular A-87. Adjustments will be performed annually if the difference between actual and budgeted is less than ten percent. Adjustments will be performed quarterly if the difference between actual and budgeted is ten percent or greater.

The Business Manager will monitor cash flows statements, fund balances, and perform bank reconciliations on a monthly basis.

The Business Manager will monitor expenditures, and obligated and encumbered balances of Federal funds, on a monthly basis to ensure purchases benefit the beneficiaries during the grant program and to guard against high carryover amounts.

The following special allotments from the Foundation School program (FSP) are monitored monthly by the LEA business office to ensure indirect costs do not exceed the maximum amounts established in Texas Administrative Code (TAC) 105.11: Gifted and Talented allotment, Career and Technology allotment, Special Education allotment, Bilingual Education allotment, and Compensatory Education allotment.

Accounting Records

The business manager is responsible for maintaining accounting records for the LEA. All accounting records are reviewed and approved by the superintendent and an independent auditor at the end of the fiscal year.

Accounting Code Structure for Texas LEAs

The proper coding of the budget and classification of expenditures is critical for the accurate oversight of the LEA's budget. The LEA uses the accounting code structure described in the TEA Financial Accountability System Resource Guide (FASRG). The following elements are included in the accounting code structure, in this sequence: (a) A mandatory three-digit Fund Code; (b) A mandatory two-digit Function Code; (c) A mandatory four-digit Object Code; (d) An optional two-digit code to provide special accountability at the local level; (e) A mandatory three-digit Organization Code; (f) A mandatory single-digit Fiscal Year Code; (g) A two-digit Program Intent Code; (h) An optional single-digit code that is used at the local level; (i) An optional two-digit code that is used at the local level to further describe the transaction.

For the Federal IDEA-B grant, local option codes are established to ensure proper monitoring and tracking of IDEA-B funds used for proportionate share for equitable services to parentally-placed private school children with disabilities [Note: proportionate share not applicable to charter schools], the 25% set-aside for residential placement, if using IDEA-B funds for the set-aside, and for Coordinated Early Intervening Services (CEIS), if applicable.

For State funds, local option codes are established to ensure state compensatory education (SCE) funds and any other funding necessary to sufficiently support the cost of additional accelerated instruction for students who fail to perform satisfactorily on an end-of-course (EOC) assessment instruction according to TEC 28.0217, are separately budgeted and prioritized.

D. Spending Grant Funds

While developing and reviewing the grant budget, the LEA Business Office should keep in mind the difference between direct costs and indirect costs.

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 benefitted, 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: The LEA has both a restricted indirect cost rate and an unrestricted rate. Both rates have been approved for the 2015-16 and 2016-17 fiscal years. The restricted rate is 3.380 and the unrestricted rate is 22.662 as approved. Through federal guidance, TEA was allowed to approve the 2014-15 indirect cost rate for an additional two years. Under 34 C.F.R. § 75.561 and 34 C.F.R. § 76.561, a state educational agency may approve an indirect cost rate for longer than one year.

Applying the Indirect Cost Rate: Once the LEA 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 LEA 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 LEA will spend its grant funds, the Water Valley ISD Business Office will review the proposed cost to determine whether it is an allowable use of federal grant funds *before* submitting their grant application, and 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, which are provided in the bulleted list below. The Water Valley ISD Business Office must consider these factors when making an allowability determination.

- **Be Necessary and Reasonable for the performance of the federal award.** LEA 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 LEA 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 LEA, its employees, its students, the public at large, and the federal government.
- Whether the LEA significantly deviates from its established practices and policies regarding the incurrence of costs, which may unjustifiably increase the federal award's 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 LEA can demonstrate that the cost addresses

an existing need, and can prove it. For example, the LEA 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 LEA.**
 - **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 general 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 LEA-level requirements and policies regarding expenditures to be followed as well. For example, state and/or LEA policies relating to travel or equipment may be narrower than the federal rules, and the stricter State and/or LEA policies must be followed. Further, certain types of incentives are allowable under federal law, but are not allowable under State law.

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 unallowable for a number of reasons, including: the express language of the regulation states the item is unallowable; the terms and conditions of the grant deem the item unallowable; or State/local restrictions dictate that the item is unallowable. The item may also be unallowable because it does not meet one of the cost principles, such as being reasonable because it is considered too expensive. If an item is unallowable for any of these reasons, federal funds cannot be used to purchase it.

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

Fund raising 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 § 200.475

Likewise, it is possible for the State and/or LEA 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 LEA requirements when spending federal funds. For example, often the State’s travel rules are more restrictive than federal rules, which means the State’s policies must be followed.

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

Frequent Types of Costs

Travel:

Federal Allowability Rules for Travel Costs:

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. Federal rules allow such costs to 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). However, a per diem basis in lieu of actual costs is not allowable according to the more restrictive State rules.

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 LEA 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 LEA's established policy. 2 C.F.R §200.474(b).

Mileage, lodging, and meal reimbursement rates published by the Texas Comptroller of Public Accounts apply to all grants funded by the Texas Education Agency (TEA) for individuals on travel status. The maximum amounts that may be charged to grants are restricted to the rates in effect for the particular grant period that are approved in the State of Texas Appropriations Bill and published on the Texas Comptroller's website at <http://window.state.tx.us>.

The following maximum and lodging reimbursement rates apply to in-state and out-of-state travel:

1. If local policy restricts travel, per diem, and other travel expenses to a rate less than state law, the applicant must budget and request reimbursement from the grant at the lesser rate.
2. If local policy exceeds the maximum recovery rate specified in the Appropriations Bill, the difference must be paid from state or local funds, i.e., not from grant funds.
3. Travel allowances, in which the per diem is paid to the employee regardless of the amount actually expended, are not allowable.

Travel generally means a destination outside the city or town in which the individual works (i.e., duty point). Travel can also mean transportation from one duty point to another within the same city or town.

The following travel expenses are allowable uses of federal funds:

A. In-State Travel:

1. The Federal Rate Schedule is used for reimbursement of in-state meal and lodging

expenditures.

2. Non-overnight Travel:

- a. An employee whose duties require the employee to travel outside the employee's designated headquarters, without an overnight stay away from the employee's headquarters, may be reimbursed for the actual cost of the employee's meals, not to exceed \$36.
- b. Travel must begin at one duty point and end at another. Regardless of the time of day of the travel, mileage to and from the employee's home or location other than a duty point is not allowable to be charged to the grant.
- c. Travel must take the employee outside designated headquarters for more than six consecutive hours; the cost of meals for travel lasting less than six consecutive hours is not allowable to be charged to the grant.
- d. "Designated headquarters" is defined as the area within the boundaries of the city or town in which a traveler's place of employment is located.

B. Out-of-State Travel:

1. An employee who travels within or outside the continental United States will be reimbursed for the actual cost of lodging and meals. However, the reimbursements out of grant funds may not exceed the maximum meals and lodging rates based on federal travel regulations that are issued by the Texas Comptroller of Public Accounts.
2. If local policy reimburses at a lesser amount, the LEA will comply with local policy.
3. If local policy reimburses at a greater amount, the difference will be paid from local or state funds, not from grant funds.

C. Federal meal and lodging reimbursement rates for both in-state and out-of-state travel can be found on the Texas Comptroller's website at <http://window.state.tx.us>.

D. Mileage reimbursement is allowable for travel necessary to carry out the objectives of the grant project.

1. When an employee is on travel status for the purposes of the grant, mileage reimbursement cannot exceed the rate established by the Texas Comptroller of Public Accounts.
2. If local policy reimburses at a lower rate, you must claim the lower rate.
3. Travelers are required to calculate mileage by one of the following two methods:
 - a. Odometer reading, or
 - b. Online, electronic mapping source. If this method is chosen, the traveler must print out the driving directions provided by the site and attach them to the travel voucher.
4. Travelers are required to select the shortest and most economical route, but may justify the selection of another route if it was chosen for safety reasons and specific justification of the selection is given.

E. Airfare is allowable at the lowest rate available and must be documented with a receipt.

F. **Car rental fee** is not allowable unless other transportation such as a taxi or shuttle is not available for performing official business or unless it can be documented that car rental is more cost effective than other methods of travel. Car rental fees must be documented with a receipt.

G. **Airport parking** is an allowable expense and must be documented with a receipt.

H. **For both in-state and out-of-state travel**, the traveler may apply funds available for meal reimbursement toward lodging. If the traveler chooses this option, the maximum meal reimbursement rate will be reduced by the same amount applied to lodging (for example, applying \$10 of the meal reimbursement to lodging will reduce the meal reimbursement by \$10). The opposite case does not apply; a traveler may not reduce the amount spent on lodging to increase the amount spent on meals.

I. **Hotel taxes** that are not exempt. Employees may be reimbursed for applicable taxes, such as city taxes or other taxes imposed for lodging. Employees are not reimbursed for exempt Texas state sales tax on lodging.

The following travel expenses are unallowable uses of federal funds:

- A. First-class airfare;
- B. Per diem for meals and lodging for meeting, conference or workshop participants who live in the same city where the event is held;
- C. Tips or gratuities of any kind;
- D. Alcoholic beverages;
- E. Entertainment, recreation, or social events;
- F. Any expense for other persons;
- G. Automobile mileage or taxi fares for other than official business;
- H. Personal accident insurance or personal effects coverage for rental cars;
- I. Rental car for personal use or for purposes not associated with the official business of the meeting, conference or workshop;
- J. Travel allowances for in-state and out-of-state travel, in which the traveler receives a flat, per diem for lodging and/or meals, regardless of the actual amount expended;
- K. Non-instructional field trips.

The daily rate for meals must not exceed the maximum allowable rate of \$30 for the LEA. Non-overnight meals will not be reimbursed. There is no proration among breakfast, lunch or dinner. However, this rate will be limited to \$15 on the day of departure if leaving after 3pm or \$15 on the date of return if arriving prior to 3pm. Reimbursement is based on actual costs of meals supported by original itemized receipts. Reimbursement will only be made with

accompanying original receipts. A credit card charge slip is not considered an itemized receipt. LEA-issued purchasing cards may be used for payment of meals while traveling.

Group Meals: In order to be in compliance with IRS guidelines, you must present a detailed restaurant receipt along with the charge slip when using your card for group meals. The names of the individuals in attendance and the purpose of the meal must also be documented. For example: "John Doe, Jane Doe, TASBO Conference". Requests for reimbursement which do not contain the detailed receipt will become the individual's personal responsibility.

Alcohol will not be reimbursed under any circumstances, and consumption is specifically prohibited during school hours as per school board policy.

All hotel reservations must be made through the appropriate LEA administrator. Travelers must utilize hotels with negotiated rates, unless lodging is in conjunction with a conference. Standard room accommodation will be provided. Travelers will be asked to reimburse the LEA for any costs related to an upgrade in room accommodation. When booking, consider the distance to the business destination, airport, restaurants, etc., in choosing a hotel site.

The LEA will guarantee hotel rooms on the LEA's travel card. This means that the employee is responsible for notifying the hotel in the event of travel plan changes. Most hotels require cancellation notice by 4:00 pm on the day of scheduled arrival or earlier. An employee who has not notified the hotel of a cancellation may not expense the no-show charge for reimbursement. Actual expenses for lodging are not to exceed the specified rate for the location. Staff are encouraged not to exceed the maximum allowable per night rate.

Movies and incidentals do not meet the IRS interpretation of travel expenditures and are not allowed at any time. Please review your bill and settle charges at the hotel's front desk with your own personal credit card for room service, movies, personal phone calls, etc., prior to check out. Original hotel bills must be provided for hotel reimbursement, when applicable.

It is recommended that staff use ground transportation (such as an LEA-owned vehicle or a rental car) rather than air transport, where this mode of transportation is practical and cost effective.

The use of a rental car must be justified as an economic requirement and not as a matter of personal convenience. Autos may be rented when:

- a. Public or private transportation is not an alternative.
- b. Travel is out of state, therefore LEA-provided transportation cannot be used.
- c. LEA-provided transportation is not available.

d. Lack of accommodation near a facility requires the use of an automobile.

The LEA may have arrangements with several rental car companies. The business manager will determine the best rates for your proposed rental. Like hotels, car rental rates can vary dramatically and be different from city to city.

As a general rule, an intermediate or smaller model will be rented whenever possible. When three or more are traveling together, a full size car is permissible.

The LEA is insured for rental vehicles. Travelers are advised to refuse insurance coverage offered by car rental companies since such coverage would be a duplication and a non-reimbursable expense.

Expenses in the operation of rental cars that are reimbursable include: gasoline, oil, toll charges, and reasonable parking charges.

Expenses in the operation of rental cars that are NOT reimbursable include: refueling charges for not returning the rental car with a full tank of gas (unless sufficient reason for not refueling can be given), pre-paid fuel charges, and parking or traffic violation tickets the employee receives while on company business.

Rental cars are for business use only and should not be used for personal use. LEA insurance does not cover a rental car used by an employee for personal use. The employee will be responsible for any additional insurance

All air travel will be by coach/economy class only. Travelers are expected to accept flights that utilize the lowest fare route. Common sense is to be the guide in determining which fare/route makes most sense to the LEA economically. A connecting flight and/or alternate airports may be required to obtain the lowest fare. Flight times, layover times, and meeting times will be considered in arranging the most economical travel schedule. Travelers are to remain flexible and use a sensible window of time for departures and arrivals. Advanced planning is expected in order to maximize fare discount requirements.

Many airlines offer substantially reduced fares when a Saturday evening stay-over is booked. Approval for early arrivals and extended stays at the expense of the LEA will be granted if the employee, in concert with the business manager, can demonstrate that the additional cost for lodging and meals is more than offset by reduced airfares.

If an employee books a fare that is not the fare recommended by the travel agent, the employee will be charged the difference between the recommended fare and the accepted fare. Flight

selection based solely upon frequent flyer programs is prohibited. Purchasing upgradeable fares when penalty and non-refundable fares are available is prohibited. If an individual chooses to purchase a ticket with benefits derived from a bonus program, the LEA does not reimburse the employee for the normal cost of such flights.

When travelers make unapproved modifications to travel arrangements that result in additional charges, those additional charges will be the responsibility of the traveler unless authorized by the supervisor and approved by the Business Manager.

Paper tickets will not be issued. All tickets will be electronic, requiring the traveler to present two forms of identification at check-in. Travelers will receive a printed itinerary prior to traveling. This itinerary and appropriate receipts must be submitted along with the properly completed reimbursement request.

The LEA will cover the cost the staff member incurs for the first checked bag if a fee was assessed. Any additional baggage fees will be the responsibility of the traveler.

The expansion of toll roads within Texas has created a more efficient mechanism for traveling from one location to another. The opening of these roadways also decreases the amount of traffic on existing roads, which also provides more efficient travel.

Toll charges are reimbursable expenditures in the operation of rental cars for business use.

Employees driving their own personal vehicles on toll roads will do so at their own expense. Except in isolated, documented cases, the LEA will not reimburse employees for use of the toll roads with their personal vehicles.

Reimbursement of Phone Calls and Faxes

1. Business-related fax charges are to be reported for reimbursement on the expense report.
2. No personal phone calls will be reimbursed.
3. Only business-related phone calls will be reimbursed.
4. The cost of the air time on a personal cellular phone for a business call not stipend by the LEA must be documented with a copy of the phone bill indicating the total cost for that call. The name of the business contact and purpose of the call must be included.
5. Air phone usage is not reimbursable except in extreme emergency. A supervisor must approve these charges.

Combined Business and Personal Travel

1. If an employee combines business with personal travel, the portion of expense constituting the employee's own reimbursable business expense must be separated and reported as such.

It may not exceed the amount of reimbursable expense which would have been incurred had the trip been made strictly for business purposes.

2. When a personal auto rather than air travel is used due to personal reasons, mileage reimbursement may not exceed the economy class airfare for that destination and may not exceed local mileage actually incurred. The cost of most meals, lodging, tolls, etc. en route would not be reimbursable since they would have been avoided had transportation been by air instead of auto.

Coordination of Travel

Coordination of travel (traveling in the same automobile) must occur when two, three, or four employees travel on the same dates with the same itinerary to conduct the same official school business. When more than four are traveling to the same conference, a [xxx] [ISD or Charter School] van/bus should be used, unless one is not available. When two or more employees travel in a single private vehicle, only one will receive a transportation reimbursement.

Mileage Calculations

All claims for mileage must be based on the business departure point and destination by point-to-point itemization that is sufficiently detailed for the LEA to verify the number of miles. One of the following two methods may be used:

1. Employee's vehicle odometer reading, or
2. Readily available online mapping service. If this method is chosen, the traveler must print out the driving directions provided by the site and attach them to the travel voucher. The Water Valley ISD adopts Mapquest online mapping service to be used by their employees.

Payments for expenses incurred by spouses are considered illegal gifts of public funds unless the spouse is representing the LEA in an official capacity. Under no circumstances will the LEA reimburse for expenses that were incurred for individuals not representing the LEA for business purposes. Payments for per diem are payable only to the employee/sponsor approved on the travel request form. The reimbursement request for spouse expenditures when the spouse is representing the LEA for business purposes must be received within 30 days.

For students participating in extracurricular activities traveling at least an hour away and/or missing a meal while attending an event, the LEA shall provide a meal allowance per meal according to the list of students provided by the attending chaperone. Meals costs will be advanced to the chaperone. Sponsors shall have a list of all students and have the students fill in the amount received and sign on this line (each time a meal is purchased/funds advanced). Sponsors may opt to pay directly for the meal and obtain a receipt in lieu of giving the money directly to the students. Any unused funds must be returned to the Business Manager within three (3) days of the event.

For those students participating in an extracurricular activity requiring an overnight stay, the maximum standard hotel/meal allowance will be in effect. Students should be grouped according to gender and have no more than four students per room.

Texas Travel Reimbursement Guidelines:

Mileage, lodging, and meal reimbursement rates published by the Texas Comptroller of Public Accounts apply to all grants funded by TEA for individuals on travel status.

Mileage:

Travelers are required to calculate mileage by the following method:

- Electronic mapping source www.Mapquest.com
- The traveler must print out the driving directions provided by the site and attach them to the travel voucher.

Travelers are required to select the shortest and most economical route but may justify the selection of another route if it was chosen for safety reasons and specific justification of the selection is given.

Mileage reimbursement rates are subject to change, and must not exceed rates published by the Texas Comptroller of Public Accounts. The business manager will review the rates to determine accuracy with current allowable rates.

Meals and Lodging:

The following maximum meal and lodging reimbursement rates apply to in-state and out-of-state travel.

- Local policy restricts meals to \$30 per day and lodging to \$85 per day for both in state and out of state travel
- If travel expenses exceed the federal maximum recovery rate, then the difference must be paid from state or local funds, i.e., not from grant funds.
- *Travel allowances*, in which the per diem is paid to the employee regardless of the amount actually expended, are not allowable.

In-State Travel:

The Federal Rate Schedule is used for reimbursement of in-state meal and lodging expenditures. Because the reimbursement rates can change, it is recommended that travelers print the page at the time reservations are made and submit the printout with the travel reimbursement voucher as a supporting document.

Non-Overnight Meals:

In accordance with local policy, an employee whose duties require the employee to travel outside the employee's designated headquarters, without an overnight stay away from the employee's headquarters will not be reimbursed for the cost of the employee's meals.

Travel must begin at one duty point and end at another; regardless of the time of day of the travel, mileage to and from the employee's home or location other than a duty point is not allowable to be charged to the grant.

"Designated headquarters" is defined as the area within the boundaries of the city or town in which a traveler's place of employment is located.

Applying Meal Funds to Lodging Reimbursement:

For both in-state and out-of-state travel, the traveler may apply funds available for meal reimbursement (i.e., up to the rate specified in the Federal Rate Schedule) toward lodging. For instance, if the traveler chooses for the sake of convenience to stay in a hotel that costs \$10 more a night than the allowable maximum for lodging, the traveler can apply \$10 of the maximum available for meal reimbursement toward the lodging rate. If the traveler chooses to apply meal reimbursement to lodging, the maximum meal reimbursement rate is reduced by the same amount (applying \$10 of the meal reimbursement to lodging would reduce the meal reimbursement by \$10).

NOTE: The opposite case does not apply; that is, a traveler may *not* reduce the amount spent on lodging and increase the amount spent on meals. Under no circumstances may a traveler be reimbursed from grant funds for meals at a rate that exceeds the rate given on the Federal Rate Schedule.

Out-of-State Travel:

An employee who travels within or outside the continental United States shall be reimbursed for the actual cost of lodging and meals. **However, the reimbursement out of grant funds may not exceed the maximum meals and lodging rates based on federal travel regulations that are issued by the Texas Comptroller of Public Accounts.** If local policy reimburses at a *lesser* amount, you must comply with local policy. If local policy reimburses at a *greater* amount, you must pay the difference from local or state funds (not from grant funds).

Hotel Taxes:

LEAs are usually exempt from Texas state sales tax on lodging but are not exempt from any city taxes or other taxes imposed for lodging. Employees may be reimbursed for applicable taxes.

Travel Allowances:

Travel allowances for in-state and out-of-state travel, in which the traveler receives a flat per diem for lodging and/or meals, regardless of the actual amount expended, are ***not allowable*** in Texas. Grantees must adhere to the guidelines stated above in lieu of a travel allowance.

Travel Documentation:

Travel costs must be properly documented to be reimbursable. The employee must document travel costs with a travel voucher or other comparable documentation. Auditable documentation must include the following at a minimum:

- Name of the individual claiming travel reimbursement
- Destination and purpose of the trip, including how it was necessary to accomplish the objectives of the grant project
- Dates of travel
- Actual mileage (not to exceed reimbursement at the maximum allowable rate)
- Actual amount expended on lodging per day, with a receipt attached (may not exceed the maximum allowable)
- Actual amount expended on meals per day including all receipts (may not exceed the maximum allowable; tips and gratuities and alcohol are not reimbursable)
- Actual amount expended on public transportation, such as taxis and shuttles including all receipts
- Actual amount expended on a rental car, with a receipt attached and justification for why a rental car was necessary and how it was more cost effective than alternate transportation; receipts for any gasoline purchased for the rental car must be attached (mileage is not reimbursed for a rental car – only the cost of gasoline is reimbursed)
- Actual amount expended on incidentals, such as hotel taxes (Texas state sales tax are not reimbursable), copying of materials, and other costs associated with the travel
- Total amount reimbursed to the employee

Travel costs that are not supported by proper documentation as described above are not allowable to be charged to TEA grants and are subject to disallowance by state and federal auditors and monitors.

Access meal and lodging reimbursement information and rates through the Texas State Comptroller's website at:

<https://fm.xcpa.state.tx.us/fmx/travel/index.php>

Travel Reimbursement Rates are located at:

<https://fm.xcpa.state.tx.us/fm/travel/travelrates.php>

Domestic Maximum Per Diem Rates are located at:

<http://www.gsa.gov/portal/content/104877>

State travel laws and rules are located at:

<https://fmx.cpa.state.tx.us/fmx/travel/texttravel/index.php>

Helpful Questions for Determining Whether a Cost is Allowable

In addition to the cost principles and standards described above, the LEA Business Office can 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 LEA may be required to use federal funds only to supplement the amount of funds available from nonfederal (and possibly other federal) sources.
- Is the proposed cost consistent with EDGAR?
- Is the proposed cost consistent with specific conditions imposed on the grant (if applicable)?

As a practical matter, the LEA Business Office 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 LEA Business Office should review data when making purchases to ensure that federal funds meet these areas of concern.

E. Federal Cash Management Policy/Procedures

The LEA will comply with applicable methods and procedures for payment that minimize the time elapsing between the transfer of funds and disbursement by the LEA, in accordance with the Cash Management Improvement Act at 31 CFR Part 205. Generally, the LEA receives payment from the Texas Education Agency (TEA) on a reimbursement basis. 2 CFR § 200.305. However, if the LEA receives an advance in federal grant funds, the LEA will remit interest

earned on the advanced payment quarterly to the federal agency. The LEA may retain interest amounts up to \$500 per year for administrative expenses. 2 CFR § 200.305(b)(9). Administrative expenses are defined as the cost of operations for the LEA Business Office including but not limited to: time, supplies, materials used to manage the specified funds.

According to guidance from the U.S. Department of Education (ED), when calculating the interest earned on ED grant funds, in any situation where the State draws from the G5 system in advance of the LEA using non-federal funds to pay vendors and/or employees, the only events and dates that are relevant are: 1) the date on which the federal grant funds are drawn down by the State; and 2) the date on which those funds are disbursed by the LEA. Any interest earned on those funds while on-deposit in the LEA's bank account after drawdown and before disbursement must be included in the interest earned calculation.

Payment Methods

Reimbursements: The LEA will initially charge federal grant expenditures to nonfederal funds.

According to TEA guidance, an LEA may draw down from TEA on the day the payment is mailed, delivered, or electronically delivered.

The LEA Business Manager will request reimbursement for actual expenditures incurred under the federal grants on a monthly basis. Reimbursement requests will be submitted via the TEA Expenditure Reporting (ER) system. All reimbursements are based on actual disbursements, not on obligations.

The TEA will process reimbursement requests.

Consistent with state and federal requirements, the LEA will maintain source documentation supporting the federal expenditures (invoices, time sheets, payroll stubs, etc.) and will make such documentation available for the TEA's review upon request.

Reimbursements of actual expenditures do not require interest calculations.

Advances: To the extent the LEA receives advance payments of federal grant funds, the LEA will strive to expend the federal funds on allowable expenditures within 72 hours of receipt.

According to TEA guidance, an LEA may draw down from TEA prior to making the payment provided the cash on hand is limited to three days or less.

The LEA will hold federal advance payments in interest-bearing accounts, unless an allowable exception applies. The LEA will calculate interest earned on cash balances after 72 hours of receipt of advance payments.

Interest will be calculated quarterly. Total federal grant cash balances will be calculated on cash balances per grant and applying the LEA's average interest rate. Within 30 days of the end of the

quarter, the LEA will remit interest earned on U.S. Department of Education grants. The LEA may retain up to \$500 of interest earned per year.

Payroll Accruals:

Accruals are performed at the end of August each year to accrue pay for those employees that work in one fiscal year but do not get paid until the next fiscal year. In September accrual reversals are completed for all employees being paid out of local funds. Employees paid from federal funds do not reverse due to all earnings being paid during one fiscal year. The accrual of funds is set aside in the TxEIS payroll system and disbursed throughout the year.

F. 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 LEA Business Office will determine the timing of obligations are compliant with the table below.

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 LEA makes a binding written commitment to acquire the property
Personal services by an employee of the LEA	When the services are performed
Personal services by a contractor who is not an employee of the LEA	On the date which the LEA makes a binding written commitment to obtain the services
Public utility services	When the LEA receives the services
Travel	When the travel is taken
Rental of property	When the LEA 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-	On the first day of the project period.

Cost Principles.	
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34 C.F.R. §75.707; 34 C.F.R. §76.707.

Period of Availability of Federal Funds

All obligations must occur on or between the beginning and ending dates of the grant project. 34 C.F.R. §76.707. This period of time is known as the period of availability. The period of availability is dictated by statute and will be indicated in the GAN/NOGA. 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 LEA 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. The LEA will receive any direct grant for which it is eligible.

For both state-administered and direct grants, regardless of the period of availability, the LEA 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 timeframe are said to lapse and must be returned to the awarding agency. 2 C.F.R. 200.343(d). Consequently, the LEA 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 LEA may have multiple years of grant funds available under the same program at the same time.

The LEA business manager is responsible for limiting the amount of carryover funds to an amount below the threshold established for the specified grant. The business manager reports the carryover amount to the superintendent for final approval at the end of the grant period.

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 LEA 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 LEA must provide written notice to the federal awarding agency at least 10 (ten) 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.

The Business Office will determine if it is necessary to extend the period of any direct grant. The superintendent will have final approval of the extension. The superintendent will provide the written notice of the grant extension and include viable documentation for the submission of the extension application. The notice will be sent at least 10 days prior to the end of the grant period.

The LEA 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).

G. 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 LEA 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 LEA 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 LEA always refers to the GAN/NOGA prior to determining the appropriate use of program income.

Separate fund accounts are used to budget revenues and expenditures as well as update accounting information as funds are received and/or expended. The GAN/NOGA is used to establish balanced budget estimates for both revenue and expense. As updated GAN/NOGA information becomes available the budget is adjusted to reflect the most current information.

II. Procurement System

The LEA maintains the following purchasing procedures.

A. Responsibility for Purchasing

The campus administrator is authorized to initiate purchases. The campus administrator is responsible for obtaining approval from the Business Office (superintendent, business manager). The business manager will process all purchase orders and contracts. The superintendent has final authority for the approval of all purchases.

B. Purchase Methods

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

- Procurement Documents

The LEA uses a purchase order to initiate all purchases. The purchase order is an electronic form that can be completed electronically and printed to obtain appropriate signatures. Appropriate staff have access to the forms, but must obtain a valid number from the business manager prior to purchase. When making purchases the PO must contain the vendor name address and contact information, date, item/service description, number requested, cost per item/service and a total cost including shipping.

All documentation related to the purchase and payment will be kept on file in the Business Office. The purchase order and expense is all recorded in the Tx EIS finance database.

- Responsibilities

An appropriate staff member will discuss purchases with the campus administrator, initiating the purchase order. The campus administrator will submit the purchase order to the Business Office for approval.

- Required Number and Types of Quotations

Purchases in the amount of \$50,000 or greater will have a requirement of three (3) bids. These bids will be in writing and may be submitted in person, by mail, fax or email. Bids must be received before a purchase order, requisition, or contract is made. The Business Office is responsible for obtaining all bids. Documentation of the bid process will be kept on file at the Business Office according to the Texas records retention laws for public schools.

In addition to these rules, subrecipients must also follow both state and local procurement rules. State and local procurement rules are often stricter than federal requirements.

Purchases up to \$3,500 (Micro-Purchases)

Micro-purchase means a purchase of supplies or services using simplified acquisition procedures, the aggregate amount of which does not exceed \$3,500. The micro-purchase method is used in order to expedite the completion of its lowest-dollar small purchase transactions and minimize the associated administrative burden and cost. Procurement by micro-purchase is the acquisition of supplies or services, the aggregate dollar amount of which does not exceed the micro-purchase threshold.

To the extent practicable, the LEA distributes micro-purchases equitably among qualified suppliers.

Micro-purchases may be awarded without soliciting competitive quotations if the LEA considers the price to be reasonable. The LEA maintains evidence of this reasonableness in the records of all micro-purchases.

**Purchases between \$3,501 and \$150,000 -- Small Purchase Procedures
(Texas is more restrictive, limiting to \$50,000)**

Small purchase procedures are those relatively simple and informal procurement methods for securing services, supplies, or other property that do not cost more than \$150,000. Texas is more restrictive, limiting to less than \$50,000. If small purchase procedures are used, price or rate quotations are obtained from an adequate number of qualified sources.

Purchases Over \$150,000 (For Texas, the more restrictive rule is Purchases Over \$50,000)

Sealed Bids (Formal Advertising): For purchases over \$150,000 (In Texas, the more restrictive rule is purchases over \$50,000), bids are publicly solicited and a firm fixed price contract (lump sum or unit price) is awarded to the responsible bidder whose bid, conforming with all the material terms and conditions of the invitation for bids, is the lowest in price. The sealed bid method is the preferred method for procuring construction, if the following conditions apply:

- A complete, adequate, and realistic specification or purchase description is available;
- Two or more responsible bidders are willing and able to compete effectively for the business; and
- The procurement lends itself to a firm fixed price contract and the selection of the successful bidder can be made principally on the basis of price.

If sealed bids are used, the following requirements apply:

- Bids must be solicited from an adequate number of known suppliers, providing them sufficient response time prior to the date set for opening the bids, for state, local, and tribal governments, the invitation for bids must be publically advertised;
- The invitation for bids, which will include any specifications and pertinent attachments, must define the items or services in order for the bidder to properly respond;
- All bids will be opened at the time and place prescribed in the invitation for bids, and for local and tribal governments, the bids must be opened publicly;
- A firm fixed price contract award must be made in writing to the lowest responsive and responsible bidder.

Where specified in bidding documents, factors such as discounts, transportation cost, and life cycle costs must be considered in determining which bid is lowest. Payment discounts will only be used to determine the low bid when prior experience indicates that such discounts are usually taken advantage of. Any or all bids may be rejected if there is a sound documented reason.

Competitive Proposals: The technique of competitive proposals is normally conducted with more than one source submitting an offer, and either a fixed price or cost-reimbursement type contract is awarded. It is generally used when conditions are not appropriate for the use of sealed bids. If this method is used, the following requirements apply:

- Requests for proposals must be publicized and identify all evaluation factors and their relative importance. Any response to publicized requests for proposals must be considered to the maximum extent practical;
- Proposals must be solicited from an adequate number of qualified sources; and
- Contracts must be awarded to the responsible firm whose proposal is most advantageous to the program, with price and other factors considered.

The LEA may use competitive proposal procedures for qualifications-based procurement of architectural/engineering (A/E) professional services whereby competitors' qualifications are evaluated and the most qualified competitor is selected, subject to negotiation of fair and reasonable compensation. The method, where price is not used as a selection factor, can only be used in procurement of A/E professional services. It cannot be used to purchase other types of services though A/E firms are a potential source to perform the proposed effort.

Contract/Price Analysis: The LEA performs a cost or price analysis in connection with every procurement action in excess of \$150,000, including contract modifications. 2 C.F.R. § 200.323(a). A cost analysis generally means evaluating the separate cost elements that make up the total price, while a price analysis means evaluating the total price, without looking at the individual cost elements.

The method and degree of analysis is dependent on the facts surrounding the particular procurement situation; however, the LEA Business Office must come to an independent estimate prior to receiving bids or proposals. 2 C.F.R. § 200.323(a).

When performing a cost analysis, the Business Office negotiates profit as a separate element of the price. To establish a fair and reasonable profit, consideration is given to the complexity of the work to be performed, the risk borne by the contractor, the contractor's investment, the amount of subcontracting, the quality of its record of past performance, and industry profit rates in the surrounding geographical area for similar work. 2 C.F.R. § 200.323(b).

Noncompetitive Proposals (Sole Sourcing)

Procurement by noncompetitive proposals is procurement through solicitation of a proposal from only one source and may be used only when one or more of the following circumstances apply:

- The item is available only from a single source;

- The public exigency or emergency for the requirement will not permit a delay resulting from competitive solicitation;
- The federal awarding agency or pass-through entity expressly authorizes noncompetitive proposals in response to a written request from the LEA; or
- After solicitation of a number of sources, competition is determined inadequate.

A cost or price analysis will be performed for noncompetitive proposals when the price exceeds \$150,000 (Texas: more restrictive rule is \$50,000).

C. Purchase Cards

The LEA does not use purchase cards.

D. Full and Open Competition

All procurement transactions must be conducted in a manner providing full and open competition consistent with 2 C.F.R §200.319. In order to ensure objective contractor performance and eliminate unfair competitive advantage, contractors that develop or draft specifications, requirements, statements of work, or invitations for bids or requests for proposals must be excluded from competing for such procurements. Some of the situations considered to be restrictive of competition include but are not limited to:

- Placing unreasonable requirements on firms in order for them to qualify to do business;
- Requiring unnecessary experience and excessive bonding;
- Noncompetitive pricing practices between firms or between affiliated companies;
- Noncompetitive contracts to consultants that are on retainer contracts;
- Organizational conflicts of interest;
- Specifying only a “brand name” product instead of allowing “an equal” product to be offered and describing the performance or other relevant requirements of the procurement; and
- Any arbitrary action in the procurement process.

EDGAR further requires the following to ensure adequate competition.

Geographical Preferences Prohibited

The LEA must conduct procurements in a manner that prohibits the use of statutorily or administratively imposed state, local, or tribal geographical preferences in the evaluation of bids

or proposals, except in those cases where applicable federal statutes expressly mandate or encourage geographic preference. When contracting for architectural and engineering (A/E) services, geographic location may be a selection criterion provided its application leaves an appropriate number of qualified firms, given the nature and size of the project, to compete for the contract.

Prequalified Lists

The LEA must ensure that all prequalified lists of persons, firms, or products which are used in acquiring goods and services are current and include enough qualified sources to ensure maximum open and free competition. Also, the LEA must not preclude potential bidders from qualifying during the solicitation period.

Solicitation Language

The LEA must ensure that all solicitations incorporate a clear and accurate description of the technical requirements for the material, product, or service to be procured. Such description must not, in competitive procurements, contain features which unduly restrict competition. The description may include a statement of the qualitative nature of the material, product or service to be procured and, when necessary, must set forth those minimum essential characteristics and standards to which it must conform if it is to satisfy its intended use. Detailed product specifications should be avoided if at all possible.

When it is impractical or uneconomical to make a clear and accurate description of the technical requirements, a “brand name or equivalent” description may be used as a means to define the performance or other salient requirements of procurement. The specific features of the named brand which must be met by offers must be clearly stated; and identify all requirements which the offerors must fulfill and all other factors to be used in evaluating bids or proposals. 2 C.F.R §200.319(c).

E. Federal Procurement System Standards

Avoiding Acquisition of Unnecessary or Duplicative Items

The LEA must avoid the acquisition of unnecessary or duplicative 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 other appropriate analyses 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 LEA 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 LEA 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.

Debarment and Suspension

The LEA awards contracts only to responsible contractors possessing the ability to perform successfully under the terms and conditions of a proposed procurement. Consideration will be given to such matters as contractor integrity, compliance with public policy, record of past performance, and financial and technical resources.

The LEA may not subcontract with or award subgrants to any person or company who is debarred or suspended. The LEA Business Office is required to check for excluded parties at the System for Award Management website before any procurement transaction. This list is located at: <http://www.sam.gov/>.

Maintenance of Procurement Records

The LEA 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 LEA 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 LEA 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 LEA 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 LEA 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 LEA of any contractual responsibilities under its contracts. Violations of law will be referred to the local, state, or federal authority having proper jurisdiction.

Protest Procedures to Resolve Dispute

The LEA maintains protest procedures to handle and resolve disputes relating to procurements and, in all instances, discloses information regarding the protest to the awarding agency. Protest procedures must be in accordance with state and local law. LEA Policy GF(Local) outlines the manner in which a vendor may protest the award of a contract.

[http://pol.tasb.org/Policy/Download/1140?filename=GF\(LOCAL\).pdf](http://pol.tasb.org/Policy/Download/1140?filename=GF(LOCAL).pdf)

Conflict of Interest Requirements

The LEA's Conflict of Interest policy will align with the USDE's conflict of interest policy once it has been released.

Standards of Conduct

In accordance with 2 C.F.R. §200.18(c)(1), the LEA 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 LEA 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, \$50 or greater.

Conflict of interest information for the LEA may be reviewed in policies BBFA and DBD at the following website <http://pol.tasb.org/Home/Index/1140>

Organizational Conflicts

Organizational conflicts of interest means that because of relationships with a parent company, affiliate, or subsidiary organization, the non-Federal entity is unable or appears to be unable to be impartial in conducting a procurement action involving a related organization. 2 C.F.R §200.318(c)(2).]

Disciplinary Actions

Any situation that compromises the financial integrity of the LEA will be investigated to determine cause. If the situation is caused by error, the employee will receive documentation of the incident in their employee file. In the event personnel intentionally violate the standards of conduct related to the financial accountability /compliance of the LEA, he or she will be terminated.

Mandatory Disclosure

Upon discovery of any potential conflict, the LEA will disclose in writing the potential conflict to the federal awarding agency in accordance with applicable federal awarding agency policy. The LEA will follow the USDE's conflict of interest policy once it has been released.

Contract Administration

The LEA maintains the following oversights to ensure that contractors perform in accordance with the terms, conditions, and specifications of their contracts or purchase orders.

For property, the business manager receives all purchased property, reviews the shipping information to determine if all property ordered has been received per the purchase order initiated by the campus administrator. The shipping information, purchase order, invoices and payment information is filed together as documentation of the purchase.

For services, the business manager will ensure that the services are provided according to the contract. Campus administrators and/or the superintendent will provide information related to services rendered.

The contract includes deliverables. The Business Office ensures the deliverables are met (services/goods are rendered/received) prior to payment and does not pay an invoice that simply states "for services rendered."

The Texas Education Agency (TEA) requires all professional services contracts be effective only during the period of availability of funds identified in the Notice of Grant Award (NOGA).

The contract should contain the following provisions:

- (a) The contract is only effective upon receipt by the subgrantee of the NOGA from the awarding agency.
- (b) The contract period is aligned to the grant period of availability as stated on the NOGA from the awarding agency (period of availability).
- (c) All services will be completed during the effective dates of the contract.
- (d) All services will be invoiced monthly after services are received (rather than paid lump sum at the beginning of the period of availability before services are rendered) and paid upon verification of receipt of services.
- (e) The regulations for procurement in 2 CFR §§200.318-323 are followed in issuing the contract.
- (f) All professional services provided under the contract will follow the provisions of 2 CFR 200.459 Professional service costs.
- (g) The contract identifies the funding sources that will be charged for the services provided, including the specific amount and/or percentage of the total contract amount to be charged to each funding source.
- (h) The contract identifies and lists only reasonable, necessary, and allocable services to be provided during the period of availability of the funding sources listed in the contract.
- (i) The administrative costs charged to the grant in the contract must comply with any limitations for administrative costs for funding sources (if applicable).
- (j) The contract specifies that the invoice provided by the contractor will include the list of services provided, dates of services, and location(s) where services were provided during the billing period.

III. Property Management Systems

A. 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 LEA 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 LEA 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.

B. Inventory Procedure

All new inventory is received in the Business Office at 18000 Wildcat Drive, Water Valley, TX 76958. The business manager inspects the property to make sure it’s in good condition and that it matches what is listed on the purchase order and invoice. The shipping information is retained in a Business Office file with the purchase order, invoice and payment information. The property is logged into the LEA inventory information system. The department receiving the property will then take the inventory and documentation to be tagged, entered into a separate database and put in service.

C. Inventory Records

For each equipment and computing device purchased with federal funds, the following information is maintained electronically on a spreadsheet database:

- 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.

Lost, stolen, or destroyed property will be replaced by the LEA when feasible. Inventory will be updated to reflect any changes. Items not replaced will be removed from the inventory after one calendar year and documented as lost, stolen, or destroyed.

D. Physical Inventory

A physical inventory of the property will be taken and the results reconciled with the property records on an annual basis. The Business Office will ensure that each staff member provides an accurate inventory listing of all computers, electronics, furniture items, etc. with significant value at the end of each school year in May. The inventory information is compared to LEA records by the Business Office. All items of significant value (greater than \$50) will be marked a property of the LEA.

E. Maintenance

In accordance with 2 C.F.R.313(d)(4), the LEA maintains adequate maintenance procedures to ensure that property is kept in good condition. In the event property is damaged/broken, the staff member responsible for the inventory informs the campus administrator. The campus administrator will then contact the appropriate staff to determine if the equipment can be repaired or if replacement is required. The campus administrator will communicate with all parties to ensure resolution of the situation.

Lost or Stolen Items

The LEA maintains a control system that ensures adequate safeguards are in place to prevent loss, damage, or theft of the property.

Property is only allowed to be taken off-site following sign-out procedures documenting the equipment markings as property of the LEA. If the equipment is lost or suspected to be stolen, what are the procedures the person in charge of the inventory reports the suspected theft or loss to the campus administrator. The campus administrator then reports the theft/loss to the Business Office. The campus administrator will conduct interviews as appropriate and follow up with local law enforcement as necessary. The stolen/lost property will remain on inventory for a calendar year from the date of loss.

F. 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 LEA will not encumber the property without prior approval of the federal awarding agency and the pass-through entity. 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.

The transfer of equipment between programs or projects is done by communicating with other schools informing them that surplus/retired equipment is available.

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.

G. Disposal of Equipment

When it is determined that original or replacement equipment acquired under a federal award is no longer needed for the original project or program or for other activities currently or previously supported by a federal awarding agency, the Business Office will contact the awarding agency (or pass-through for a state-administered grant) for disposition instructions.

Generally, disposition of equipment is dependent on its fair market value (FMV) at the time of disposition. If the item has a current FMV of \$5,000 or less, it may be retained, sold, or otherwise disposed of with no further obligation to the federal awarding agency. If the item has a current FMV of more than \$5,000, the federal awarding agency is entitled to the federal share of the current market value or sales proceeds.

If acquiring replacement equipment, the LEA 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.

The LEA Business Office handles the sale of unneeded equipment. All sales of equipment will be performed in a manner that ensures the best return. All disposition of equipment and surplus

supplies require approval by TEA, regardless of the dollar amount of the current fair market value. The LEA will use the required TEA form and process to seek disposition approval.

IV. Written Compensation Policies

A. 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 LEA on an integrated basis;
- Comply with the established accounting policies and practices of the LEA and
- Support the distribution of the employee’s salary or wages among specific activities or costs objectives.

Time and Effort Procedures

The LEA uses a time and effort sheet for each month of work during the school year. The form provides each funding source as well as the percentage of compensation for the funding source. The actual hours per day of the month are listed with a breakdown of time and effort for the funding sources. Each month the employee submits the time and effort sheets to his/her supervisor for review and approval. Both the employee and the supervisor are required to sign and date the forms.

The LEA will seek approval for the Substitute System of Time and Effort for employees with set schedules who work on multiple cost objectives. The superintendent ensures submittal of the management certification to TEA for approval each year.

Reconciliation and Closeout Procedures

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

The process to reconcile actual costs to budgeted distributions is performed by the Business Office on a quarterly basis. When a 10 percent difference between the actual costs and budgeted distributions exists adjustments are made to accurately reflect the operating budget.

All time and effort certifications are collected and reviewed for accuracy and appropriate signatures and dates. The Business Office performs the tasks of time and effort certification and documentation of matching locally funded salaries. The superintendent, business manager and human resources secretary make up the review team.

Employee Exits

An employee that is separating his or her services from the LEA is required to submit his or her final certification at the exit interview.

B. Human Resources Policies

LEA policies relating to human resources may be accessed at the following link: <http://pol.tasb.org/Policy/Section/1140?filter=D>

The Employee Handbook may be accessed at <http://www.wvisd.net/domain/8>

V. Record Keeping

A. Record Retention

The LEA 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 LEA 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.

The U.S. Department of Education is authorized to recover any federal funds misspent within 5 years before the receipt of a program determination letter. 34 C.F.R. § 81.31(c). Consequently, the LEA retain records for a minimum of five (5) years from the date on which the final Financial Status Report is submitted, unless otherwise notified in writing to extend the retention period by the awarding agency, cognizant agency for audit, oversight agency for audit, or cognizant agency for indirect costs. However, if any litigation, claim, or audit is started before the expiration of the record retention period, the records will be retained until all litigation, claims, or audit findings involving the records have been resolved and final action taken. 2 C.F.R. § 200.333.

Outdated records are shredded according to the Texas Records Retention Schedule listed at the following link: <https://www.tsl.texas.gov/slr/recordspubs/sd.html>

B. Collection and Transmission of Records

The district keeps both electronic records and paper copies. In the event an awarding agency requests information, the LEA will provide an electronic copy of the data. All records are kept on-site either on a password protected computer or in secure locked cabinet in a locked storage room.

Access to Records

The LEA 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 LEA 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 LEA's personnel for the purpose of interview and discussion related to such documents.

C. Privacy

The district only releases information on students and staff that is required by law. Password access to confidential data is required to be updated through the software provider on a regular basis. Employees that handle confidential data are trained on the requirements of Family Educational Rights and Privacy Act (FERPA). Confidential information is only released to those who are authorized to view the data.

VI. Self-Monitoring and Audit Resolution

The LEA will self-monitor implementation of their written policies and procedures. On a quarterly basis the Business Office will review and update policies and procedures through the FOR-C tool provided by ESC Region 20. Annually the financial policies and procedures will be reviewed with appropriate district staff to ensure all areas of district operations are in compliance.

The LEA will review the results of audit and monitoring visits and implement corrective actions. The Business Office will review the results of audit/monitoring activities. The findings will be used to take corrective actions in deficient areas. The Business Office will communicate findings to appropriate staff, documenting incidents and taking further action if necessary.

VII. Frequently Asked Questions

VIII. 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=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
- Federal program statutes, regulations, and guidance
 - <http://www.ed.gov/>
- State regulations, rules, and policies

- http://tea.texas.gov/Finance_and_Grants/Grants/
 - [http://texreg.sos.state.tx.us/public/readtac\\$ext.viewtac](http://texreg.sos.state.tx.us/public/readtac$ext.viewtac)
- LEA regulations, rules, and policies
- <http://pol.tasb.org/Home/Index/1140>