

## **DFAC CASH MANAGEMENT- FEDERAL PROGRAMS**

### **Cash Management - Federal Programs**

Generally, the district receives payment of federal funds from the Kansas State Department of Education (KSDE) on a reimbursement basis. In some circumstances, the district may receive an advance of federal grant funds. This procedure addresses responsibilities of the district and district staff under those alternative payment methods. In either case, the district shall maintain accounting methods and internal controls and procedures that assure those responsibilities are met when dealing with federal funding.

#### **Payment Methods**

##### **Reimbursements -**

The school district will initially charge federal grant expenditures to nonfederal funds.

The Business Manager will request reimbursement for actual expenditures incurred under the federal grants monthly

Such requests shall be submitted with appropriate documentation and signed by the requestor.

Requests for reimbursements will be approved by the Business Manager.

Reimbursement will be submitted on the appropriate form to the KSDE portal. All reimbursements are based on actual disbursements, not on obligations. KSDE will process reimbursement requests within the timeframes required for disbursement.

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

Reimbursements of actual expenditures do not involve interest calculations.

##### **Advances -**

When the district receives advance payments of federal grant funds, it must minimize the time elapsing between the transfer of funds to the district and the expenditure of those funds on allowable costs of the applicable federal program. (2 CFR Sec. 200.305(6)) The district shall attempt to expend all advances of federal funds within seventy-two (72) hours of receipt. When applicable, the district shall use existing resources available within a program before requesting additional advances. Such resources include program income (including repayments to a revolving fund), rebates, refunds, contract settlements, audit recoveries, and interest earned on such funds. (2 CFR Sec. 305(6)(5))

The district shall hold federal advance payments in insured, interest-bearing accounts. The district is permitted to retain for administrative expense up to \$500 per year of interest earned on federal grant cash balances. Regardless of the federal awarding agency, interest earnings exceeding \$500 per year shall be remitted annually to the Department of Health and Human Services Payment Management System (PMS) through an electronic medium using

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either Automated Clearing House (ACH) network or a Fedwire Funds Service payment. (2 CPR Sec. 200.305(b)(9))

Pursuant to federal guidelines, interest earnings shall be calculated from the date that the federal funds are drawn down from the *GS* system until the date on which those funds are disbursed by the district. Consistent with state guidelines, interest accruing on total federal grant cash balances shall be calculated on cash balances per grant and applying the actual or average interest rate earned.

Remittance of interest shall be responsibility of the Business Manager.

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KASB Recommended - 6/17

**DFAC TYPE OF COSTS, OBLIGATIONS AND PROPERTY MANAGEMENT -  
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**Type of Costs, Obligations and Property Management - Federal Programs**

The district establishes and maintains board policies, administrative regulations, and administrative procedures on administration of federal funds in federal programs as required by the Uniform Grant Guidance and other federal, state, and local laws, regulations, and requirements. The district's fiscal management system includes internal controls and grant management standards in the following areas when federal funds are involved.

**Direct and Indirect Costs**

**Direct costs** - 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.

**Indirect costs** - costs incurred for a common or joint purpose benefiting more than one (1) cost objective, and not readily assignable to the cost objectives specifically benefitted, without effort disproportionate to the results achieved.

Costs incurred for the same purpose in like circumstances must be treated consistently as either direct or indirect costs. (2 CFR Sec. 200.405, 200.413)

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.

Direct and indirect costs shall be determined in accordance with law, regulations, the terms and conditions of the federal award, and the district's negotiated indirect cost rate.

The district shall develop an indirect cost rate proposal and cost allocation plan in accordance with law, regulations, and the terms and conditions of the federal award.

**Timely Obligation of Funds**

**Obligations** - orders placed for property and services, contracts, and sub-awards made and similar transactions during a given period that require payment by the district during the same or a future period.

The following table illustrates when funds must be obligated under federal regulations:

<b>Obligation is for:</b>	<b>Obligation is made:</b>
Acquisition of property	On the date on which the district makes a binding written commitment to acquire the property
Personal services by an district employee	When the services are performed

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Personal services by a contractor who is not an district employee	On the date on which the district makes a binding written commitment to obtain the services
Public utility services	When the district receives the services
Travel	When the travel occurs
Rental of property	When the district uses the property
A pre-agreement cost that was properly approved by the Secretary under the cost principles in 2 CFR Part 200, Subpart E - Cost Principles	On the first day of the project period

34 CFR §75.707; 34 CFR §76.707

All obligations must occur between the beginning and ending dates of the federal award project, which is known as the period of performance. The period of performance is dictated by law and regulations and will be indicated in the federal award. Specific requirements for carryover funds may be specified in the federal award and must be adhered to by the district. (2 CFR Sec. 200.77, 200.309)

The district will handle obligations and carryover of state-administered and direct grants in accordance with state and federal law and regulations and the terms and conditions of the federal award. Carryover will be calculated and documented by the Business Manager.

The district may exercise an extension of the period of performance under a direct grant in accordance with law, regulations, and the terms and conditions of the federal award when written notice is provided to the federal awarding agency at least ten (10) calendar days prior to the end of the period of performance. (2 CFR Sec. 200.308(d)(2))

The Business Manager in cooperation with the Superintendent will decide when an extension of the period of performance is necessary and will recommend that the board approve this process.

The Business Manager will develop the required written notice, including the reasons for the extension and revised period of performance; the notice will be issued no later than ten (10) calendar days prior to the end of the currently documented period of performance in the federal award.

The district must seek approval from the federal awarding agency for an extension of the period of performance when the extension is not contrary to federal law or regulations, and the following conditions apply:

1. The terms and conditions of the federal award prohibit the extension;

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2. The extension requires additional federal funds; or
3. The extension involves any change in the approved objectives or scope of the project. (2 CPR Sec. §200.308)

The Business Manager in conjunction with the Superintendent will determine when an extension must be requested for approval by the federal awarding agency, draft the written request and notify the Board of the requested extension.

Management of Property Acquired With Federal Funds

*Contract and Purchasing Administration -*

The district maintains internal controls, administrative regulations, and procedures to ensure that contractors deliver goods and services in accordance with the terms, conditions, and specifications of the designated contract, purchase order, or requisition.

*Property Classifications -*

Property shall be classified as **real or personal property** as defined and specified in accordance with law and regulations.

*Inventory Control/Management -*

All personal property, other than intangible property, which is purchased with federal funds, regardless of cost, will be inventoried as a safeguard.

Inventory will be received by the department or program requesting the item; designated staff will inspect the property, compare it to the applicable purchase order or requisition, and ensure it is appropriately logged and tagged in the district's property management system.

Items acquired will be physically labeled by source of funding and acquisition date.

Inventory records of equipment and computing devices must be current and available for review and audit, and include the following information:

1. Description of the item, including any manufacturer's model number.
2. Manufacturer's serial number or other identification number.
3. Identification of funding source.
4. Acquisition date and unit cost.
5. Source of items, such as company name.

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6. Percentage of federal funds used in the purchase.
7. Present location, use, condition of item, and date information was reported.
8. Pertinent information on the ultimate transfer, replacement or disposition of the item and sale price of the property.

Inventory will be updated as items are sold, lost, stolen, or cannot be repaired and new items are purchased.

*Physical Inventory* -

Physical inventory of property will be completed by designated district staff in accordance with applicable federal law and regulation and board policy DIC.

The physical inventory of items will be conducted annually, and the results will be reconciled with the inventory records and reported to the federal awarding agency.

*Maintenance* -

The district establishes adequate maintenance procedures to ensure that property is maintained in good condition in accordance with law, regulation, and board policy.

*Sa/Jigyards* -

The district ensures that adequate safeguards are in place to prevent loss, damage, or theft of property:

1. Any loss, damage or theft will be reported to the Superintendent and Business Manager to be investigated and fully documented, and may be reported to local law enforcement.
2. If stolen items are not recovered, the district will submit copies of the investigative report and insurance claim to the federal awarding agency.
3. The district may be responsible for replacing or repairing lost, damaged, destroyed, or stolen items.
4. Replaced equipment is property of the originally funded program and should be inventoried accordingly.
5. District property may only be loaned in accordance with board policy KGA and administrative regulations and procedures.

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*Disposition of Property Acquired with Federal Funds -*

When the district determines that real property, including land, land improvements, structures, and accessories thereto, acquired under a federal award is no longer needed for the originally authorized purpose, the district must obtain disposition instructions from the federal awarding agency or pass-through entity administering the program, in accordance with applicable law and regulations. (2 CFR Sec. 200.311)

When the district determines that equipment or supplies acquired under a federal award are no longer needed for the original project or program or for other activities currently or previously supported by a federal awarding agency, the Superintendent will contact the federal awarding agency or pass-through entity administering the program to obtain disposition instructions, based on the fair market value of the equipment or supplies.

Generally, items with a fair market value of \$5,000 or less that are no longer effective may be retained, sold, purged, or transferred to the district. For items with a fair market value greater than \$5,000, the federal awarding agency is entitled to the federal share of the current market value or sales proceeds.

If the district will be replacing the equipment or supplies, the district may use the existing equipment or supplies as a trade-in or sell the property and use the proceeds to offset the cost of the replacement property.

The Superintendent will be responsible for contacting the federal awarding agency and determining the process for disposition of equipment or supplies.

The district may use the following methods in disposing of unnecessary equipment or supplies acquired with federal funds:

- { ) Public auction and/or online sale - generally conducted by a licensed auctioneer.*
- { } Salvage - scrap sold to local dealers.*
- { } Negotiated sale - normally used when disposing of items of substantial value.*
- { } Sealed bid - normally used for items of substantial value or unique qualities.*
- { } Pre-priced sale - large quantities of obsolete or surplus equipment or supplies may be sold by this method.*
- { } Donation to charitable organizations, for equipment or supplies with little to no value.*
- { } Disposition to trash for equipment or supplies with no value.*

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The Business Manager will be responsible for maintaining records of obsolete and surplus property disposed of, and will report to the federal awarding agency when required.

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KASB Recommendation - 6/17