

Federal Programs & SCE Department

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

These federal grant policies and procedures are applicable to all federal grants awarded to the District. All employees who deal with federal grants must be familiar with them and must fully comply with all requirements contained herein.

Federal Grant Policies and Procedures Manual

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

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Introduction

Purpose

This manual sets forth the policies and procedures used by Donna Independent School District to administer federal funds pursuant to [Title 2 of the Code of Federal Regulations \(2 CFR\) Part 200](#), which took effect for non-federal entities on December 26, 2014. It also includes requirements and references from the federal regulations in [EDGAR](#) (*Education Department General Administrative Regulations*) as well as certain policies and laws pertaining specifically to Texas school districts.

The manual contains the internal controls and grant management standards used by the District to ensure that all federal funds are lawfully expended. It describes in detail or references the District's financial management system, including cash management procedures; procurement policies; inventory management protocols; procedures for determining the allowability of federal expenditures; time-and-effort reporting; record retention; and monitoring responsibilities. All employees of the District who deal with federal funds in any capacity are expected to review this manual to gain familiarity and understanding of the District's rules and practices and to comply with all requirements.

Effective Date

For awards made prior to December 26, 2014, the uniform requirements found in 34 CFR Parts 74 and 80 of [EDGAR](#) still apply. For awards made on or after December 26, 2014, the uniform grant guidance in [2 CFR Part 200](#) applies. Much of the substance found in the previous 34 CFR Parts 74 and 80 is now found in 2 CFR Part 200.

Therefore, for formula grants administered by the Texas Education Agency (TEA), the policies and procedures in this document are in effect beginning July 1, 2015, in conjunction with the formula grant period that begins July 1, 2015. These policies and procedures will also be in effect for any new discretionary grants administered by TEA that begin on or after July 1, 2015.

For existing multi-year discretionary grants administered by TEA or by another awarding agency where the initial grant period began before July 1, 2015, the policies and procedures that were previously in effect remain in effect for the duration of that multi-year project period unless significant changes are made to the program. In that case, the policies and procedures in this document are in effect beginning with the year that significant changes were in effect.

In all cases, the Notice of Grant Award (NOGA) from TEA or the Grant Award Notification (GAN) from another awarding agency will specify which set of rules is in effect for that particular grant. If the grant award specifies that grantees must comply with 2 CFR Part 200 or with the requirements in EDGAR, then the policies and procedures contained in this manual must be followed.

Scope

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

Monitoring for Compliance and Consequences for Non-compliance

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

Definitions

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

Two terms used frequently in 2 CFR Part 200 are “state-administered grants” and “direct grants.” “*State-administered grants*” are those grants that pass through a state agency (i.e., a *pass-through agency*) such as TEA. The majority of grants the District receives are state-administered grants. Both TEA and the subgrantees must comply with the requirements in 34 CFR Part 76 in addition to the requirements in 2 CFR Part 200.

“*Direct grants*” are those grants that do *not* pass through another agency such as TEA and are awarded directly by the federal awarding agency to the grantee organization. These are usually discretionary grants that are awarded by the U.S. Department of Education (USDE) or by another federal awarding agency. In many instances, TEA may apply for a direct grant from the USDE on a competitive basis and then award subgrants. Or the District may apply directly from the USDE for a competitive grant. In either case, these grants are “*direct grants*,” and the District

must comply with the requirements in 34 CFR Part 75 in addition to the requirements in 2 CFR Part 200.

All of the requirements outlined in these policies and procedures apply to both *direct* grants and *state-administered* grants.

The federal provisions contained and referenced in this document apply to all non-federal entities receiving and expending federal funds. A “non-federal entity” as defined in 2 CFR Part 200 means, “a state, local government, Indian tribe, institution of higher education (IHE), or nonprofit organization that carries out a federal award as a recipient or subrecipient.” Thus, for the purposes of these federal grant policies and procedures, a “non-federal entity” means a school district, open-enrollment charter school, or regional education service center (ESC).

Education Department General Administrative Regulations (EDGAR)

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

EDGAR	Applicability
34 CFR Part 75 – Direct Grant Programs	Applies to grants awarded directly to the District by the USDE or by another federal awarding agency; also applies to subgrants awarded by TEA for a competitive grant that TEA applied for and received
34 CFR Part 76 – State-Administered Programs	Applies to all formula grants administered by TEA and to all grants allocated to TEA based on a formula
34 CFR Part 77– Definitions that Apply to Department Regulations	Applies to all federal education grants
34 CFR Part 81 – General Education Provisions Act (GEPA) – Enforcement	Applies to all federal education grants
34 CFR Part 82 – New Restrictions on Lobbying	All federal grants (government-wide)
34 CFR Part 84 – Government-wide Requirements for Drug-Free Workplace	Applies to all entities that receive grants directly from the USDE or from any other federal agency. It does not

	apply to LEAs that only receive funds through TEA or another pass-through agency.
34 CFR Part 86 – Drug and Alcohol Abuse Prevention	Applies to IHEs (i.e., colleges and universities) receiving federal funds directly from the USDE or any other federal agency
34 CFR Part 97 – Protection of Human Subjects	Applies to all research involving human subjects conducted, supported, or otherwise subject to regulation by the USDE or any other federal department or agency that makes it applicable. There are exemptions for certain educational activities.
34 CFR Part 98 – Student Rights in Research, Experimental Programs, and Testing	Applies to all federal education grants unless specifically exempted in the regulations
34 CFR Part 99 – Family Educational Rights and Privacy	Applies to all entities receiving federal education funds
2 CFR Part 200 – Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards	Applies to all new federal grants awarded as of December 26, 2014
2 CFR Part 3474 – Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (adopts 2 CFR Part 200 in its entirety with two minor exceptions)	Applies to all federal education grants awarded as of December 26, 2014
2 CFR Part 3485 – Nonprocurement Debarment and Suspension	Applies to all entities that receive federal grants, subgrants, and subcontracts (government-wide)

Organization of District

The District is organized into the following departments and divisions:

- Board of Trustees: The primary responsibility of the board of directors is to establish policies in accordance with federal and state laws.
- Superintendent of Schools: Oversees all the operations of the District including:
 - Executive Director of Leadership & Federal Programs,
 - Executive Director of Leadership & CCMR,
 - Executive Director of Curriculum & Instruction,
 - Athletics,

- o Police Department,
 - o Human Resources,
 - o Public Relations Officer
- Deputy Superintendent oversees:
 - o PEIMS,
 - o Policy & Administrative Procedures,
 - o Special Projects & Long Range Planning,
 - o Executive Director of Organizational Development
- Chief Financial Officer oversees:
 - o Chief Operations Officer,
 - o Business & Finance,
 - o Custodial Services,
 - o Grants,
 - o Risk Management
- Executive Director of Organizational Development oversees:
 - o 21st Century Learning,
 - o Parent & Family Engagement,
 - o Migrant Education,
 - o Teacher Incentive Allotment,
 - o Technology
- Executive Director of Leadership & Federal Programs oversees:
 - o Elementary Schools,
 - o Federal Programs,
 - o Academic Support,
 - o School Improvement,
 - o Special Education
- Executive Director of Leadership & CCMR oversees:
 - o Secondary Schools,
 - o Advanced Academics,
 - o CCMR Supports,
 - o CTE,
 - o Student Support & Behavior Management
- Executive Director of Curriculum & Instruction Oversees:
 - o Bilingual Education,
 - o Core Content,
 - o Early Childhood Education,
 - o Fine Arts,

- o Testing & Evaluation

Routing Information & Protocols

- **Submit to Accounts Payable:**
 - o All confirmed and signed receivers for goods, reimbursements and travel approvals.
 - o All Invoices. Make sure to notate the Purchase Order number(s).
 - o Travel and Expense Request documentation that followed the Purchase Order Process
 - o All Lease, Uniforms, and Utility requests for payment. Provide the designated payment account(s).
 - o Requests for IRS Form 1099's
 - o Wal-Mart, Lowes, Home Depot, H.E.B., etc. credit cards: District employees must provide a copy of the purchase order(s) at pick-up. All credit cards must be returned before 5:00 p.m.
 - o Gas credit cards: District employees and the Transportation Department and must provide the designated account number used for payment at pick-up.
- **Submit to Purchasing:**
 - o Requests for new Vendor packet, Conflict of Interest Questionnaire, & W-9 Form
- **Submit to Payroll:**
 - o Timesheets, Extra Duty Pay, Stipends, etc. for payments after the appropriate department has approved
 - o Completed Direct Deposit Authorization Forms
- **Submit to Bookkeeper:**
 - o Cash receipts to be deposited into the District's bank accounts
 - o Bank Deposit Slips complete with receipts and designated account number(s)
 - o Checks payable to the District or affiliated club or organization
- **Submit to Accounting and Business Services:**
 - o Grant Applications, Notice of Grant Awards (NOGA's), Grant Budget, etc.
 - o Journal Entries to be processed
 - o Student Activity transfers forms with support

I. Federal Grant Application Process

Budget Process for Federal and State Grant Funds

The Grant Directors/Managers are responsible for overseeing the budget process for Federal Grants received by Donna ISD. When allowable, indirect costs may be included when formulating budgets prior to application submission. The rates are determined by the Texas Education Agency (TEA) based upon information submitted using the Modified Total Direct Costs (MTDC) method and are effective for the period of July 1 – June 30 of each grant year. A comprehensive needs assessment is conducted annually and is used for developing all Federal and Grant Budgets. Depending on the grant, the budget process is either done during the writing of the grant or after amounts have been awarded. In each case, the Grant Director has budget planning meetings with the various departments involved with the grant. Budget amendments are done with the input from the Grant Director and the campuses involved. If a budget amendment is necessary during the plan year, the grant Director will submit an amendment to the appropriate entity. The following reasons are allowable for all.

Federal and Grant Funds:

1. 25% rule
2. Change in the number of funding positions
3. Change in program intent
4. Change in funding amount

II. Financial Management System

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

The District maintains a proper financial management system in order to receive both direct and state-administered grants and to expend funds associated with a grant award. Certain fiscal controls and procedures are in place to ensure that all federal financial management system requirements are met. Failure by the District to meet a requirement may result in return of funds or termination of the award.

Financial management requirements for Texas school districts are established through a pyramid consisting of

- federal regulations
- *Texas Education Code* (TEC)
- *Texas Administrative Code* (TAC), Title 19
- TEA's *Financial Accountability System Resource Guide* (FASRG)

Texas Law and Rule

TEC, Section 44.007 requires the State Board of Education (SBOE) to establish a mandatory fiscal accounting system with which all school districts, ESCs, and open-enrollment charter schools in Texas must comply. TEC further requires each school district and open-enrollment charter school to adopt and install a standard accounting system that conforms with generally accepted accounting principles (GAAP) and that meets the minimum requirements prescribed by the commissioner of education. It also requires these entities to maintain records of all revenues and expenditures.

[Title 19 of the *Texas Administrative Code* \(19 TAC\), Chapter 109](#), establishes the SBOE rule for school district budgeting, accounting, and financial reporting. The detailed requirements of the financial accounting system adopted by the SBOE are published in TEA's [FASRG](#) (*Financial Accountability System Resource Guide*), adopted and incorporated by reference as TEA's official rule.

A. Financial Management Standards

The federal standards for financial management systems are found at 2 CFR § 200.302. The mandatory accounting requirements established by TEA in the [Financial Accountability System Resource Guide \(FASRG\)](#) conform to these federal financial management standards. Therefore, in accordance with federal regulations, the District's financial management system, including records documenting compliance with federal statutes, regulations, and the terms and conditions of the award, is sufficient to permit:

- the preparation of reports required by general and program-specific terms and conditions; and

- the tracing of funds to a level of expenditures adequate to establish that funds have been used according to the federal statutes, regulations, and the terms and conditions of the federal award.

The District complies with the required federal standards for financial management systems by complying with the minimum budgeting, accounting, auditing, and reporting requirements established in TEA’s *Financial Accounting and Reporting (FAR) Module 1* of the FASRG. Based on generally accepted accounting principles, FAR details a mandatory account code structure which all school districts, ESCs, and open-enrollment charter schools must use in accounting for all funds received and expended, including state and local funds and federal grant funds.

The account code used for all financial transactions must match the intended expenditure. Budget amendments and/or transfers shall be submitted for approval in order to appropriate necessary funding to the corresponding accounts.

Failure to adhere to the required account code structure may result in data quality errors in PEIMS reporting and the district’s financial statements. Additional consequences may be the loss of funds due to non-compliance with audit or grant requirements.

Account Code Structure

XXX –	XX-	XXXX-	XX-	XXX-	X-	XX-	X-	XX-
199	11	6399	01	001	2	11	0	00
Fund	Function	Object	Sub-	Organization	Fiscal	Program	Local	Local
Codes	Codes	Codes	Object	Codes	Year	Intent	Option	Option
			Codes		Code	Codes	(1)	(2)

This is the account code structure for all Donna ISD budget codes. All accounts must have 20 digits as illustrated above for state reporting purposes.

- *Fund Code* – A mandatory 3-digit code is to be used for all financial transactions to identify the fund group and specific fund.
- *Function Code* – A mandatory 2-digit code that identifies the purpose of the transaction that is applied to expenditures.
- *Object Code* – A mandatory 4-digit code identifying the nature and object of an account, a transaction, or a source.
- *Sub-Object Code* – A 2-digit code for optional use to provide special accountability at the local level.
- *Organization Code* – A mandatory 3-digit code identifying the organization, i.e., high school, middle school, elementary school, superintendent’s office, etc.
- *Fiscal Year Code* – A mandatory single digit code that identifies the project year of inception of a grant project. In Frontline TEAMS, the number “3” will not be shown for the following funds: 199, 101, 16X, 171, 18X, 599, 699, and 753. For Special Revenue Funds, the Fiscal Year Code in Frontline TEAMS will be called Program Year.
- *Program Intent Code* - A 2-digit code used to designate services provided to students.
- *Local Optional Code (1) & (2)* – An optional code that may be used by the school district to further describe the transaction.

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

Identification of All Federal Awards

The District identifies, in its accounts, all federal awards received and expended and the federal programs under which they were received. Federal program and award identification includes, as applicable, the Catalog of Federal Domestic Assistance (CFDA) title and number, federal award identification number and year, name of the federal agency, and, if applicable, name of the pass-through entity. Upon receipt of each grant award, the District obtains the required information from TEA’s Notice of Grant Award (NOGA) or other awarding agency’s Grant Award Notification (GAN) and enters the information in the general ledger using the assigned 3-digit fund code.

Financial Reporting

Accountability is the paramount objective of financial reporting. Accurate, current, and complete disclosure of the financial results of each federal award or program is made in accordance with the financial reporting requirements set forth in 2 CFR § 200.327 - .328 and in EDGAR. The District collects and reports financial information with the frequency required in the terms and

conditions of the award and monitors its activities under federal awards to assure compliance with applicable federal requirements.

Accounting Records

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

The accounting system mandated in FAR conforms to generally accepted accounting principles (GAAP). The accounting structure is organized and operated on a fund basis and is organization-wide covering all funds. The District uses the 3-digit fund code specified in FAR for each grant received to identify the source of funds. The use of funds is identified by using the required function code, object code, organization code, program intent code, and fiscal year code specified in FAR.

The District uses the minimum 15-digit account code structure mandated in FAR to record all revenues, encumbrances, and expenditures.

Allowable Costs

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

Please see *II. Financial Management System, F. Expending Grant Funds* of this document for the written procedures for determining allowability of costs.

B. Budgeting Grant Funds

Budgeting - The Planning Phase: Meetings and Discussions

Before Developing the Grant Budget and Submitting the Application: The grant budget must be based on the proposed activities planned and described in the grant application. Prior to developing the budget, the program manager must know the intent of the federal program and the activities that are allowable to be conducted with grant funds. The program manager must coordinate with other District staff as appropriate to conduct the appropriate needs analysis using

the appropriate data to determine the goals and objectives for the program and the activities that will be implemented to accomplish the goals and objectives. Once the goals, objectives, strategies, and activities are outlined, then the budget to carry out the identified strategies and activities should be developed.

Prior to completing the application, the program manager develops a detailed budget in a document (such as in an Excel spreadsheet) separate from the application. The program manager coordinates with the District's Business Office in preparing the budget to ensure budgeted items are categorized according to the proper class/object code. This detailed budget, which serves as the guide for expenditures and becomes part of the "working papers" maintained by the program manager, is used to complete the application. In most instances, particularly for formula grants, the budget entered into the grant application will not be as detailed. The detailed budget is to be modified or revised as necessary to accommodate changes, which may result in an amendment to the application prior to incurring certain expenditures.

If the grant program will be implemented on a Title I schoolwide campus, the planned activities and expenditures must be identified in the schoolwide plan. Conducting activities and expending funds that are not included in the schoolwide plan could result in an audit exception or monitoring finding for the District. Therefore, the program manager is responsible for coordinating with the Title I program director and for ensuring the activities and anticipated expenditures are described in the schoolwide plan.

Seeking grant funds such as state, federal or from other sources is very desirable due to the impact of reduced local resources. It is recommended that grant applications be developed through a team approach to ensure that all stakeholders develop the grant goals, strategies and activities. Campus-based grant applications should be incorporated into the Campus Improvement Plan (CIP). All grant applications shall be reviewed and approved by the Superintendent and appropriate Programs Director prior to submission to the granting agency. Some granting agencies require matching funds, in-kind funds, or other specific requirements that may pose a financial liability to the school district.

After the school district has received confirmation that a grant application has been approved, typically through a Notice of Grant Award, the Director of the program shall prepare and enter the grant budget on the general ledger. No funds may be expended until the grant approval has been received from the granting agency.

The Director of each grant shall serve as the district's grants management administrator(s).

The grants management administrator(s) shall work cooperatively with the Finance Director to ensure compliance with all grant requirements as they relate to grant activities, expending of funds, supplement versus supplant, submitting reimbursement requests, financial reports, and evaluation reports.

Two weeks prior to submission, the Program Director with the assistance of the Federal Programs Coordinator and/or Federal Programs Accountant reviews the items in the proposed budget to ensure budgeted items are listed in the correct class/object code according to FAR and the District's classification chart and to ensure the items are allowable. The budget is also reviewed to ensure that any costs requiring specific or prior approval are specifically identified and listed. See *II. Financial Management System, E. Expending Grant Funds*, for a discussion on performing allowability determinations.

Once the director for each specific area determines that all budgeted items are allowable and are budgeted in the proper class/object code according to FAR, the budget is sent to the Business Office for final review and approval. Generally, the budget receives final approval by August 31. The assigned program manager then enters the final approved budget into the appropriate budget schedules of the grant application.

Negotiating the Submitted Application

Once the grant application is submitted to the awarding agency, the designated program contact, usually the Program or Project Director assigned to the grant program, is available via phone and/or e-mail in the event that the awarding agency needs to contact the District to negotiate the application or to ask questions or seek clarification related to the proposed program and/or budget. The assigned Program/Project Director will seek guidance, if needed, from appropriate District personnel and will respond to any inquiries from the awarding agency within 24 hours. A delay in contacting the awarding agency delays final approval of the grant application, which delays grant program implementation and providing services to intended beneficiaries of the grant.

After Receiving the Approved Application and NOGA/GAN

The District must adopt a budget not later than August 31st of each year. The Board of Trustees shall publish a notice and conduct a public hearing regarding the budget prior to adoption of the budget. The District must also publish a notice regarding the proposed budget on the district website.

At a minimum, the Board of Trustees shall adopt a budget that includes the General Fund, Food Service Fund, and Debt Service. The budget shall be adopted at the function code level; therefore, any changes to the budget at the functional level shall be approved by the Board of Trustees prior to exceeding a functional expenditure category.

The adopted budget shall be reported to TEA on an annual basis through the fall PEIMS submission.

The Accounting Supervisor shall be responsible to coordinate the development and adoption of the district budget.

Every campus and department shall be responsible for monitoring and amending their respective budget to ensure that it meets the identified needs of the campus or department. The adopted budget shall correlate directly and/or indirectly to the District Improvement Plan and Campus Improvement Plans.

Amending the Application

The District consults and complies with the guidelines and procedures provided by TEA or other awarding agency as it pertains to when and how to submit an amendment to an approved application. TEA publishes its requirements for [when to amend the application](#) online. Specific deadlines for submitting amendments are published in the corresponding RFA and/or in the *Critical Events* calendar on the [TEA Grant Opportunities Page](#) for the specific grant program. Procedures are in place to ensure the District does not exceed any maximum allowable variation in the budget.

Budget Amendments

A budget amendment is defined as a transfer of funds across different functions. For example: a budget amendment would result if instructional funds (function 11) were requested to be transferred to the library (function 12). Budget amendment line items should exceed \$300, and be stated in whole dollars.

Budget amendments must be approved by the Board of Trustees. Requests should be submitted in accordance with agenda deadlines posted by the Superintendent. Remember that if a purchase order is pending the outcome of a budget amendment, the purchase order will not be processed until after the School Board has approved the request.

Budget Transfers

A budget transfer is defined as a transfer of funds which is not across different functions. The budget accountant shall approve all budget transfers. Budget transfer line items should exceed \$300, and be stated in whole dollars.

To keep budget transfers to a minimum, each budget manager should review his/her budget on at least a monthly basis to determine if any budget transfers are necessary. Each budget manager is encouraged to limit budget transfers to no more than 10-15 per year. Exceeding this recommended level or budget transfers may substantially change the budget document that was presented to the School Board during the budget adoption process.

C. Timely Obligation of Funds

When Obligations Are Made

“Obligations” are defined as *orders placed for property and services, contracts and subawards made, and similar transactions during a given period that require payment by the non-Federal entity during the same or a future period.* (This does *not* mean obligations for which goods and services will be delivered in a future *grant* period.) Essentially, an obligation is a *commitment to pay*.

All obligations for all goods and services must occur during the grant period (i.e., between the beginning and ending dates as stated on the NOGA), and those goods and services must be delivered during the grant period in sufficient time to provide substantial benefit to the grant to be considered *necessary* to carry out the objectives of the grant. 34 CFR § 200.71

Per TEA’s [General and Fiscal Guidelines](#), in some instances, goods or services delivered near the end of the grant period may be viewed by TEA as not necessary to accomplish the objectives of the current grant program. TEA will evaluate such expenditures on a case-by-case basis. Please note that a TEA monitor or an auditor may disallow those expenditures if the District is unable to (1) document the need for the expenditures, (2) demonstrate that program beneficiaries receive benefit from the late expenditures, or (3) negate the appearance of “stockpiling” supplies or equipment.

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

If the obligation is for:	The obligation is made:
Acquisition of property	On the date which the District makes a binding written commitment to acquire the property

Personal services by an employee of the District	When the services are performed
Personal services by a contractor who is not an employee of the District	On the date which the District makes a binding written commitment to obtain the services
Public utility services	When the District receives the services
Travel	When the travel is taken
Rental of property	When the District uses the property
A pre-agreement cost that was properly approved by TEA prior to the obligation	On the first day of the grant project period.

34 CFR § 75.707; 34 CFR § 76.707.

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

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

Period of Availability of Federal Funds

All obligations must occur on or between the beginning and ending dates of the grant project. 34 CFR § 76.707. This period of time is known as the *period of availability*. The *period of availability*, or the period between the beginning and ending dates of the grant, are dictated by statute and will be indicated on TEA's NOGA or other awarding agency's GAN. Further, certain grants have specific requirements for carryover funds that must be adhered to.

TEA Grants: As a general rule, federal funds administered by TEA are available for obligation within the fiscal year for which Congress appropriated the funds. However, given the unique nature of educational institutions, for many formula education grants, pursuant to provisions in the *General Education Provisions Act* (GEPA), the *period of availability* is 27 months. This consists of an initial grant period of 15 months (i.e., July 1 – September 30 of the following year), plus a 12-month carryover period authorized by the "Tydings Amendment." 34 CFR §

76.709. For example, funds awarded on July 1, 2015, would remain available for obligation by TEA through September 30, 2017.

July – September (Forward Funding)	3 months
October – September (Federal fiscal year)	12 months
October – September (carryover period; Tydings Amendment)	<u>12 months</u>
	27 months

Federal education formula grant funds are typically awarded on July 1 of each year. While funds not obligated during the initial 15-month grant period remain available as carryover in the subsequent 12-month period, the District will always plan to spend to the best of its ability all current grant funds within the year for which the funds were initially appropriated. Per TEA, excess carryover and lapsing of funds may be an indicator in TEA's risk assessment process.

TEA calculates and manages the carryover process each year after final expenditure reports from the prior year are processed. Any carryover funds from the prior year are added to the application and NOGA for the subsequent year. Carryover funds must be used in accordance with the federal statute and regulations in effect for the carryover period and with any approved state plan or application. 34 CFR 76.710

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

D. Accounting Records

The Business Office is responsible for maintaining the official accounting records of the District. All grant budgets are entered into the accounts of the District in the general ledger. Funds are accounted for and records are kept in accordance with the requirements in TEA's FAR. The chart of accounts provided in FAR provides the framework for the accounting system, and the District uses the accounting terminology specified in FAR and generally accepted accounting principles (GAAP).

The Business Office maintains (on paper or electronically) original source documentation to support all expenditures recorded in the general ledger. Source documentation may include but is not limited to purchase orders/requisitions, invoices, itemized receipts, travel authorizations and travel vouchers, contracts, proof of delivery, copies of checks, bank statements, etc.

If electronic source documentation is maintained, the District ensures the documentation is easily retrievable and is readable in accordance with the requirements in 2 CFR § 200.335. Refer to *Section VII. Record Keeping* of this manual for more information about these requirements.

Documentation Associated With Using District Credit Cards/Pro-Cards

Purchases made with credit cards or procurement cards must be closely controlled and monitored to prevent fraud, waste, and abuse. The appropriate and corresponding entries must be made in the general ledger as with any other individual purchase.

Employees who receive and use district-issued credit cards must submit to the Accounting Office *the original itemized receipt* that identifies each item purchased (and not just the credit card receipt). The itemized receipt constitutes the required original source documentation and must be legible and must clearly identify the date of the transaction and *each item* that was purchased. The employee must provide documentation, either on the receipt itself, or in a separate file cross-referencing that particular transaction, how each item was used to benefit the grant program. If the employee does not provide an original, itemized receipt, the expenditure will not be charged to a federal grant.

The District must also maintain all other appropriate internal accounting records, such as travel vouchers, expense reimbursement vouchers, purchase orders, etc., related to the credit card purchase.

The classification of costs by funding source and expense type and the maintenance of adequate original source documentation are necessary for reporting purposes to TEA or other awarding agencies. It is also necessary to demonstrate compliance with state and federal cost principles, standards of financial management systems, and conformance with GAAP. Lastly, it is a requirement of the Internal Revenue Code applicable to all business entities.

The District's general ledger will reflect each individual charge on each credit card statement with each of the following:

- The individual vendor name (not just the credit card company name)
- The grant funding source/fund code
- The expense category (i.e., supplies, instructional materials, equipment, travel, etc.)
- The actual date of the charge (as opposed to the billing statement or the date the credit card bill was paid)

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

E. Expending Grant Funds

All costs charged to a federal grant are classified as either *direct* or *indirect*. While developing and reviewing the grant budget and when expending grant funds, program and fiscal staff should keep in mind the difference between *direct* costs and *indirect* costs as defined in the federal cost principles. All costs must be properly and consistently identified as either *direct* or *indirect* in the accounting system.

Direct 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 CFR § 200.413(a).

Indirect costs are those that have been incurred for a common or joint purpose benefitting more than one *cost objective*, and not readily assignable to the *cost objectives* specifically benefited, without effort disproportionate to the results achieved. 2 CFR § 200.56. Costs incurred for the same purpose in like circumstances must be treated consistently as either *direct* costs or *indirect* costs. 2 CFR § 200.413(a). Indirect costs usually support areas that benefit all activities of the District, such as Accounting, Budget, Human Resources, Purchasing, Building Maintenance, etc.

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

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 conduct program activities for that award, their related fringe benefit costs, and the costs of materials and

other items of expense incurred to carry out the objectives of the federal award. 2 CFR § 200.413(b).

The salaries of *administrative and clerical staff* should normally be treated as *indirect costs*. 2 CFR § 200.413(c). *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 TEA or other awarding agency.
- The costs are not also recovered as *indirect costs*.

Indirect Cost Rate

Pursuant to 34 CFR §§ 75.561 and 76.561, TEA, as the cognizant agency, approves federal indirect cost rates for school districts, ESCs, and open-enrollment charter schools in Texas. The rates are calculated using costs specified in the District's indirect cost plan/proposal submitted to TEA and are effective July 1 through June 30 of each year.

Two indirect cost rates are approved by TEA and are used by the District. The *restricted* rate is used for federal grants containing the *supplement, not supplant* requirement (34 CFR §§ 76.563 and .564). The *unrestricted* rate may be used for federal grants that do *not* contain the supplement, not supplant requirement.

Applying the Indirect Cost Rate: The District must have a current, approved federal indirect cost rate to charge indirect costs to a federal grant. Once the District has an approved indirect cost rate, the percentage is multiplied against the *actual* direct costs (excluding distorting items specified by TEA or other awarding agency, such as the portion of each contract in excess of \$25,000, subgrants, capital outlay, debt service, etc.) incurred under a particular grant to produce the dollar amount of indirect costs allowable to that award. 34 CFR § 75.564; 34 CFR § 76.569. Once the District applies the approved rate, the funds that may be claimed for indirect costs have no federal accountability and may be used as if they were non-federal funds. For *Direct Grants*, reimbursement of indirect costs is subject to the availability of funds and statutory or administrative restrictions. 34 CFR § 75.564.

Indirect costs are part of *administrative* costs (vs. *program* costs). 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. If

administrative costs are limited to 5%, for example, the total *direct* administrative costs plus *indirect* costs claimed for the grant cannot exceed 5%.

Indirect costs are budgeted in the grant application in the corresponding line item. Although the maximum allowable indirect costs may be budgeted in the application, indirect costs can only be *charged* to the grant based on *actual* expenditures of *direct* costs. Therefore, if the District does not expend all of its funds during the grant period, the *maximum* amount of indirect costs budgeted based on the total grant award cannot be charged to the grant. Prior to finalizing expenditures for the grant and submitting the final expenditure report to TEA or other awarding agency, the District adjusts the final amount charged to indirect costs based on the *actual* expenditures.

Determining Allowability of Costs

Grantees are required to have written procedures for determining the *allowability* of costs charged to federal grants. 2 CFR § 200.302(b)(7). All costs must be allowable under the federal cost principles in 2 CFR Part 200, Subpart E, and under the terms and conditions of the specific federal award.

Expenditures must be aligned with budgeted items in the approved grant application. Certain changes or variations from the approved budget and grant application need prior approval from TEA or other awarding agency. Refer to TEA's guidelines on [When to Submit an Amendment](#) (under *Amendment Submission Guidance*) to determine when an amendment to the budget is required for TEA grants.

When determining how the District will spend grant funds, the Federal & SCE Director and Assistant Superintendent of Business & Finance will review the proposed cost to determine whether it is an allowable use of federal grant funds *before* obligating and spending those funds on the proposed goods or services. All expenditures made with federal education funds must meet the standards outlined in EDGAR, 2 CFR Part 3474, and 2 CFR Part 200. The assigned program manager and fiscal staff, including, Federal & SCE Director and Assistant Superintendent of Business & Finance must consider the following factors when making an allowability determination.

Factors Affecting Allowability of Costs

In general, District staff must consider the following elements when determining the allowability of a cost. In accordance with the federal cost principles, all costs budgeted and charged to a federal grant must be:

✓ ***Necessary and Reasonable for the performance of the federal award.***

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

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

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

Necessary Costs: While 2 CFR § 200.404 does not provide specific descriptions of what satisfies the "necessary" element beyond its inclusion in the reasonableness analysis above, *necessary* is determined based on the needs of the program. Specifically, the expenditure must be necessary to achieve an important program objective. It means it is vital or required in order to meet the objectives of the grant or for the grant to be successful. *Necessary* does *not* mean "nice to have," which means it is *not necessary* to accomplish the objectives of the program in that it is not vital or required for the success of the program.

A key aspect in determining whether a cost is *necessary* is whether the district can demonstrate that the cost addresses an existing need and can prove it. For example, the district may deem a language skills software program necessary for a limited English proficiency program.

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

- Whether the cost is needed for the proper and efficient performance of the grant program;
 - Whether the cost is identified in the approved budget or application;
 - Whether there is an educational benefit associated with the cost;
 - Whether the cost aligns with identified needs based on results and findings from a needs assessment; and
 - Whether the cost addresses program goals and objectives and is based on program data.
- ✓ **Allocable to the federal award.** A cost is *allocable* to the federal award if the goods or services involved are *chargeable* or *assignable* to the federal award *in accordance with the relative benefits received*. This means that the federal grant program derived a benefit in proportion to the funds charged to the program. 2 CFR § 200.405. For example, if 50% of a supplementary teacher's salary is paid with grant funds, then that teacher must spend at least 50% of his or her time on the grant program. Additionally, if equipment or supplies purchased with grant funds benefits more than one grant program, the purchase must be "split-funded" among the grant programs receiving benefit. The District must be able to demonstrate how a particular cost benefits the specific population being served in the grant. This is an area of frequent audit exceptions.
- ✓ **Consistent with policies and procedures** that apply uniformly to both federally-financed and other activities of the District. For example, personnel whose travel is paid with federal funds is reimbursed at the same rates as personnel whose travel is paid with state or local funds, and the grant is charged accordingly.
- ✓ **Conform to any limitations or exclusions set forth as cost principles** in 2 CFR Part 200, Subpart E, or in the terms and conditions of the federal award.

- ✓ **Consistent treatment.** A cost cannot be assigned to a federal award as a *direct* cost if any other cost incurred for the same purpose in like circumstances has been assigned as an *indirect* cost under another award.
- ✓ **Adequately documented.** All expenditures must be properly documented with original source documentation that is clearly written and maintained on file (either electronically or on paper) with accounting records. Documentation includes purchase orders/requisitions, invoices, receipts, verification of receipt of goods and services, travel authorizations and vouchers, contracts, time-and-effort records, copies of checks, bank statements, etc. Expenditures that are not supported by source documentation cannot be charged to the grant.
- ✓ **Determined in accordance with generally accepted accounting principles (GAAP), unless provided otherwise in 2 CFR Part 200.**
- ✓ **Not included as a match or cost-share of another federal program,** unless the specific federal program authorizes federal costs to be treated as such. Some federal program statutes require the grantee to contribute a certain amount of non-federal resources to be eligible for the federal program.
- ✓ **The net of all applicable credits.** The term “applicable credits” refers to those receipts or reduction of expenditures that operate to offset or reduce expense items allocable to the federal award. Typical examples of such transactions are: purchase discounts; rebates or allowances; recoveries or indemnities on losses; and adjustments of overpayments or erroneous charges, such as credits. To the extent that such credits accruing to or received by the District relate to the federal award, they shall be credited to the federal award, either as a cost reduction or a cash refund, as appropriate. 2 CFR § 200.406.

Treatment of miles, points, or awards accrued for travel: Any miles, points, credits, or awards accrued or earned for employee travel using a *district-issued* credit card (where the credit card bill is paid directly by the District) are the property of the District and will be used for employees traveling on behalf of the District to reduce the overall cost to the District. Any such miles, points, credits, or awards accrued will not be used for personal travel.

2 CFR Part 200’s cost guidelines must be considered when federal grant funds are expended. Federal rules require state- and District-level requirements and policies regarding expenditures to

be followed as well. For example, state and/or District policies relating to travel or equipment may be narrower or more restrictive than the federal rules. In this case, the stricter State and/or District policies must be followed.

Requesting Prior Written Approval

Some costs discussed in the following sections and in the instructions to completing the grant application require *prior written approval* from the awarding agency. For TEA grants, prior written approval must be requested in accordance with TEA's process. The District must submit the request in writing to the TEA Chief Grants Administrator. The Chief Grants Administrator may request additional information, as applicable, and may meet or consult with applicable TEA staff prior to responding to the District in writing.

In addition, for certain costs that it may be difficult to determine reasonableness or allocability, the District may seek *prior written approval* for "special or unusual costs" not identified in the regulations in advance of the incurrence of such costs. This may prevent future disallowance or dispute based on "unreasonableness" or "non-allocability." Prior written approval should include the timeframe or scope of the agreement. 2 CFR § 200.407

Program Administrators will determine if and when the District should seek prior written approval for a certain cost prior to incurring the cost. Federal grant funds will not be expended for any costs that require prior written approval in accordance with 2 CFR 200, Subpart E, or the grant application instructions, if such prior written approval was not properly secured.

Selected Items of Cost – 2 CFR Part 200, Subpart E

2 CFR Part 200, Subpart E, examines the allowability of 55 specific cost items (commonly referred to as *Selected Items of Cost*) at 2 CFR §§ 200.420 -.475. These cost items are listed in the chart below along with the citation where it is discussed. Please do not assume that an item is allowable because it is specifically listed, as it may be *unallowable* despite its inclusion in the selected items of cost section, or it may be allowable only under certain conditions, including prior written approval.

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 or allowable only under certain conditions or circumstances. The item may also be unallowable because it does not

meet one of the factors affecting allowability of costs, such as being reasonable because it is considered too expensive. If an item is unallowable for any of these reasons, the District does not use federal funds to purchase it.

Food and non-food items (such as paper plates, cups, silverware, etc.) shall be for instructional purposes (Food Science & Nutrition, science projects, etc.), for meetings/training sessions, or other approved functions. These food and non-food items may Not be consumed or used for personal use. Excess prepared food items may be consumed or disposed of as appropriate. Food purchases for the Child Nutrition Program shall be subject to the U.S. Department of Agriculture guidelines.

Generally, snacks, food, and non-food supplies for staff development purposes shall be charged to a staff development account code (function 13). Use of District funds for food or snacks shall be allowed only during a “working lunch”. Documentation to support the “working lunch” shall include a meeting agenda with the inclusion of a “working lunch”. If state or federal grants are used for food, all purchases shall be in compliance with the TEA Guidelines for Related Costs (located under Grant Management Resources on the TEA website). Specifically, at no time shall state or federal funds be used to purchase breakfast or other non-allowable food items.

If food or non-food supplies are utilized for faculty, site-based meetings, etc., the costs may be paid from the Campus Activity account(s) (Fund 461). All other uses should be paid from the appropriate account.

The selected items of cost addressed in *2 CFR Part 200, Subpart E* include the following (in alphabetical order):

Item of Cost	Citation of Allowability Rule
Advertising and public relations costs	2 CFR § 200.421
Advisory councils	2 CFR § 200.422
Alcoholic beverages	2 CFR § 200.423
Alumni/ae activities	2 CFR § 200.424
Audit services	2 CFR § 200.425
Bad debts	2 CFR § 200.426

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

Intellectual property	2 CFR § 200.448
Interest	2 CFR § 200.449
Lobbying	2 CFR § 200.450
Losses on other awards or contracts	2 CFR § 200.451
Maintenance and repair costs	2 CFR § 200.452
Materials and supplies costs, including costs of computing devices	2 CFR § 200.453
Memberships, subscriptions, and professional activity costs	2 CFR § 200.454
Organization costs	2 CFR § 200.455
Participant support costs	2 CFR § 200.456
Plant and security costs	2 CFR § 200.457
Pre-award costs	2 CFR § 200.458
Professional services costs	2 CFR § 200.459
Proposal costs	2 CFR § 200.460
Publication and printing costs	2 CFR § 200.461
Rearrangement and reconversion costs	2 CFR § 200.462
Recruiting costs	2 CFR § 200.463
Relocation costs of employees	2 CFR § 200.464
Rental costs of real property and equipment	2 CFR § 200.465
Scholarships and student aid costs	2 CFR § 200.466
Selling and marketing costs	2 CFR § 200.467

Specialized service facilities	2 CFR § 200.468
Student activity costs	2 CFR § 200.469
Taxes (including Value Added Tax)	2 CFR § 200.470
Termination costs	2 CFR § 200.471
Training and education costs	2 CFR § 200.472
Transportation costs	2 CFR § 200.473
Travel costs (<i>TEA restricts to actual costs, not per diem</i>)	2 CFR § 200.474
Trustees	2 CFR § 200.475

Likewise, it is possible for the State and/or District to put additional requirements on a specific item of cost. Under such circumstances, the stricter requirements must be met for a cost to be allowable. Accordingly, employees consult federal, State and District requirements when spending federal funds. For example, the travel rules for grants administered by TEA are more restrictive than the federal cost principles allow, which means TEA's policies must be followed.

Other Considerations for Allowability

In order for a cost to be allowable, the expenditure must also be allowable under the applicable *federal 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*.

Most federal programs also contain the *supplement, not supplant* requirements. In general, this means that the District cannot use federal grant funds to pay for a cost or activity that is usually supported by state or local funds. See *Section X. Programmatic Fiscal Requirements, A.. Supplement, Not Supplant*, of this manual for more information about this requirement.

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

- ✓ *reasonable* in cost (as described above)
- ✓ *necessary* to accomplish the objectives of the grant program (as described above)

- ✓ based on an identified need, concern, or area of weakness within the grant program
- ✓ appropriate under the authorizing program statute
- ✓ consistent with the underlying needs of the program in that it benefits the intended population of students or teachers for which the funds are appropriated
- ✓ *allocable* to the grant based on the relative benefits received (as described above)
- ✓ authorized or not prohibited under state or local laws or regulations
- ✓ consistent with policies, regulations, and procedures that apply to all activities, including other grants and state and local activities
- ✓ treated consistently as either a *direct* cost or as an *indirect* cost
- ✓ determined in accordance with GAAP
- ✓ not used to meet cost sharing or matching requirements of another federal grant (unless specifically permitted in the other program statute or regulations)
- ✓ consistent with the terms and conditions of the grant award
- ✓ budgeted in the approved grant application
- ✓ adequately documented with appropriate supporting original source documentation
- ✓ the net of any applicable credits such as rebates or discounts
- ✓ allowable under the federal cost principles
- ✓ in most cases, supplemental to the core foundation program of the school and to other activities normally conducted by the school (i.e., supplement, not supplant)
- ✓ if the school is a Title I schoolwide program, the grant program's activities and applicable costs must be included in the schoolwide plan, the school must have conducted a comprehensive needs assessment, and the plan must contain the required components specified in statute (see Title I, Part A, §1114[b]).

District personnel responsible for spending federal grant funds and for determining allowability must be familiar with the Part 200 selected items of the cost section. District employees are required to follow these rules when charging these specific expenditures to a federal grant. In addition to checking the selected items of cost in Part 200, District staff must check costs against TEA's [Guidelines Related to Specific Costs](#), the *Request for Application* (RFA), local district policy, and any grant program restrictions to ensure the cost is allowable.

When requisitions are made with federal funds; each program director is to review the requisition; each line item is scrutinized and uses the CIP and CNA along with the EDGAR manual to ensure the purchase of said item is allowable. If the purchase is not allowable the program director will deny and inform the requesting entity.

Travel

All travel requests shall be submitted through TEAMS at least 2 weeks prior to the travel event (meeting, conference, workshop, athletic event, etc.). The travel request shall be forwarded to the appropriate administrator for approval. After the final approval, the travel advance request and requisition shall be submitted for approval by the immediate supervisor.

Travel expenses: All employees travel on a reimbursement basis and original itemized receipts must be submitted to the Accounts Payable Department following any approved travel. The process must follow the requisition and purchase order process. The Travel Request Form acts as approval to attend the event, an estimate of travel expenses. The Travel Request Form acts as the certification that the employee traveled and reconciles actual travel expenses.

The travel rates for meals, lodging, mileage, and airline are limited to the rates and amounts stated in Travel Guidelines for the District and subject to state or federal limits. Refer to the Donna ISD Purchasing Manual for all current policies and procedures.

Travel Approval & Reimbursement

Part 1.

The Travel Request Form shall be utilized by all staff to request travel funds for travel expenses such as registration, meals, transportation, lodging, etc. In addition, the form shall be utilized by campus staff to request travel funds for student travel expenses such as registration, meals, transportation, lodging, etc. The immediate supervisor and/ or the program administrator shall approve all travel requests.

The current staff travel rates shall be in accordance with the rates set by the district and the current mileage and travel reimbursement rates applicable to state and federal grants as published by TEA. Specifically, the domestic maximum per diem rates for travel with state and federal grants shall be limited to the rates as listed on the General Services Administration (GSA) website: <http://www.gsa.gov/portal/category/21287>.

- The local staff travel rates are \$59.00 per day for meals.
- The local student travel rates are \$30.00 per day for meals.
- Rates set forth by the GSA are applicable to all lodging.

Part 2.

The estimated travel expenditures shall be entered into the TEAMS. Funds must be available and encumbered for all estimated expenditures. Typically, several requisitions would be entered to encumber funds for meals, lodging, registration, transportation and other expenses to the respective payee.

Part 3.

The Request for Reimbursement/Travel Request Form shall be submitted within 10 days after the return of the traveler in order to ensure the employee is reimbursed timely. All actual travel expenses shall be recorded on the settlement form, with receipts for all expenses except mileage. Itemized meal receipts are required. Federal regulations 2 CFR 200.305 outlines federal payment disbursement mandates. For more information, see the *Federal Programs Manual*.

All monies due to the traveler will be paid upon approval of the immediate supervisor and availability of budgeted funds. A Requisition is used to allocate the travel expenditures to local and/or state/federal funds, as appropriate.

The TEA Travel Guidelines for state and federal funds shall be utilized to ensure that all travel expenditures are in compliance with state and federal guidelines. The guidelines may be found at the TEA website: <http://ritter.tea.state.tx.us/taa/plangraneval013111.html>

The district may use federal grant funds for travel costs. All travel-related expenditures from grant funds shall comply with the allowable federal cost principles, SGE Travel Guidelines, School Board Policy, and the district's Travel Guidelines and Procedures.

Federal regulations 2 CFR 200.475 defines travel costs as: expenses for transportation, lodging, subsistence, and related items incurred by employees who are in the travel status on official business of the non-Federal entity. Such costs may be charged on an actual cost basis, on a per diem or mileage basis in lieu of actual costs incurred, or on a combination of the two, provided the method used is applied to an entire trip and not to selected days of the trip, and results in charges consistent with those normally allowed in like circumstances in the non-Federal entity's non-federally funded activities and in accordance with non-Federal entity's written travel reimbursement policies.

Refer to the District's *written travel reimbursement policy*, which complies with TEA's guidelines related to travel, for specific provisions related to travel. 2 CFR § 200.474(a).

Hotel Occupancy Tax Exemption Form

This form shall be used with an approved purchase order for in-state school-related travel to conferences, workshops, etc. Copies may be obtained from the Business Office or via the web at the Texas Comptroller of Public Accounts website:

<http://www.window.state.tx.us/taxinfo/taxforms/01-forms.html>

Lodging taxes will not be reimbursed should the traveler fail to present the certificate to the hotel. The Hotel Occupancy Tax Exemption Form is not applicable to out-of-state travel.

Entertainment Costs and Field Trips

Pursuant to 2 CFR § 200.438, costs of *entertainment*, including amusement, diversion, and social activities and any associated costs are *unallowable*, except where specific costs that might otherwise be considered entertainment have a programmatic purpose. TEA interprets this section to include some *field trips*, depending on the nature and purpose of the field trip. All field trips require the prior written approval of TEA.

All field trips shall be submitted on paper and electronically (TEAMS) at least two weeks prior to a field trip. The field trip request should be forwarded to the appropriate administrator for approval. The final approval will rest with the Designee. A purchase order shall be submitted for admission fees, meals, etc., if any. In addition, a student meals request form shall be completed and submitted 2 weeks prior to the field trip to the restaurant.

Overnight and out-of-state student trips shall be subject to the guidelines as stated in School Board Policy FMG Local. Approvals from the parents, campus principal, and Superintendent or designee must be obtained prior to the student trip. If School Board approval is also required for an overnight or out-of-state trip, an action item must be placed on a School Board meeting agenda.

If a district-owned vehicle or school bus is requested, specific details regarding the destination, type of vehicle, departure and return times shall be submitted on paper and electronically (TEAMS) at least 2 weeks prior to the field trip.

Educational field trips funded with state or federal grants shall adhere to the TEA Guidelines for Related Costs (located under Grant Management Resources on the TEA website). Specifically, the following documentation must be submitted to support the expenditures with grant funds:

- Destination of each field trip

- Costs associated with each field trip
- Objectives to be accomplished from conducting the field trip
- Teacher’s lesson plan and follow-up activities

State or federal grant funds will not be utilized for field trips that are for social, entertainment, or recreational purposes or are not properly documented in accordance with the guidelines. A Campus Improvement Plan (CIP) showing validity shall be submitted with the supporting documentation to the business office.

TEA’s [Guidance Related to Specific Costs](#) (under *Allowable Cost Guidance*) includes information about allowable and unallowable field trips. District staff will consult these guidelines and secure prior written approval from TEA prior to planning and scheduling any field trips.

Use of Federal Funds for Religion Prohibited

Without exception, federal funds will not be used to pay for any of the following:

- religious worship, instruction, or proselytization
- equipment or supplies to be used for any of those activities

34 CFR § § 75.532 and 76.532

Use of Federal Funds for Construction or Major Remodeling and Renovation

Federal funds will not be used to purchase real property or for construction unless the costs are specifically permitted by the authorizing program statute or implementing regulations for the program, and the costs are properly budgeted and approved in the applicable federal grant application. 34 CFR § 76.533.

Remodeling and Renovation: Major remodeling and renovation is defined as *construction*.

Therefore, all of the federal requirements apply to any major remodeling or renovation paid with federal funds.

The term *construction* does *not* include *minor* remodeling and renovation. *Minor remodeling* as defined in 34 CFR Part 77 means

“minor alterations (that do not affect structural supports) in a previously completed building. The term also includes the *extension* of utility lines, such as water and electricity, from points beyond the confines of the space in which the minor remodeling is undertaken but within the confines of the previously

completed building. The term does *not* include building construction, structural alterations to buildings, building maintenance, or repairs.”

The purchase of a portable building is a capital purchase (i.e., equipment) and may be allowable under certain federal programs if necessary to carry out the objectives of the grant program, if appropriate for the circumstances, and if approved in the applicable grant application. However, preparing the site for the installation of the portable building, including ground leveling, electrical wiring, plumbing, and constructing a sidewalk and steps, is considered *construction* and is not allowable from a federal grant unless the authorizing federal program statute specifically permits construction and it is approved in the grant application.

If construction and/or major remodeling and renovation are allowable and approved under a particular federal program, there are numerous laws and regulations with which the District must comply. The District will comply with all applicable state and federal laws, regulations, and guidelines for construction and/or major remodeling and renovation, including those found in 34 § CFR 76.600 and in 34 CFR §§ 75.600 - .617, as well as those found in 2 CFR §§ 200.317 - .326 related to procurement. In addition, the District will comply with requirements under the Department of Labor’s [Davis-Bacon and related Acts](#), as well as bonding requirements specified in 2 CFR § 200.325. Failure to comply with these requirements could result in the repayment of funds.

F. Reporting Expenditures

TEA Grants

The [General Provisions and Assurances](#) that accompany every grant application funded by or through TEA contains an assurance that grantees agree to comply with expenditure reporting requirements. The District will submit expenditure reports in the time and manner requested by TEA.

TEA requires that districts and other grantees use a standard format for reporting expenditures for grants funded through TEA. Reports are submitted electronically through the automated [Expenditure Reporting](#) (ER) system by class/object code. The *Program Guidelines* for each RFA published by TEA and/or the *Critical Events* calendar provided on the TEA [Grant Opportunities page](#) for a specific program identify the required expenditure reporting dates. However, even though dates for submitting interim expenditure reports may not be specified, the District will

submit expenditure reports more frequently, such as monthly, to indicate that grant activities and expenditures are occurring as planned and there are no major delays in the project.

Final expenditure reports are generally due 30 days after the ending date of the grant. If the grant program has a cost share or matching funds requirement, the District must also report the total cost share or matching funds in ER.

Each District employee who reports and/or certifies expenditures in ER is required to have a TEASE (TEA Secure Environment) username and password to access ER. (As of the writing of this template, TEA was in the process of migrating to a new secure environment, [TEA Login \(TEAL\)](#), which replaces the older TEASE. ER and eGrants will eventually be transferred to TEAL.) The District reports cumulative expenditures to date in ER, and the system automatically calculates the amount already paid to the District and the amount owed and generates a payment to the District.

When filing interim reports, the District will only report actual expenditures, and any expenditures that will be paid out within three business days once payment is received by the District. In addition, the District will comply with the cash management procedures described in *II. Financial Management System, H. Federal Cash Management Policy/Procedures* of this manual.

The Special Revenue Bookkeeper in the District's Business Office submits the reports in ER. Each report is certified by Superintendent or Assistant Superintendent of Business & Finance, an authorized official who attests that expenditures are true and correct. Effective July 1, 2015, the fiscal reports requesting payment will include a certification signed/certified by an official who is authorized to legally bind the District. 2 CFR § 200.415. The certification reads as follows:

“By signing this report, I certify to the best of my knowledge and belief that the report is true, complete, and accurate, and the expenditures, disbursements and cash receipts are for the purposes and objectives set forth in the terms and conditions of the federal award. I am aware that any false, fictitious, or fraudulent information, or the omission of any material fact, may subject me to criminal, civil or administrative penalties for fraud, false statements, or false claims or otherwise. (U.S. Code Title 18, Section 1001 and Title 31, Sections 3729-3730 and 3801-3812).”

See *II. Financial Management System, H. Federal Cash Management Policy/Procedures* in this manual for more information on requesting grant payments and the “three-day rule,” as well as the calculation of interest earned on funds not paid out upon receipt.

The ER system automatically rejects expenditure reports if:

- The District is claiming expenditures in a class/object code not budgeted in the application.
- The total amount reported exceeds the total amount awarded.

TEA (or other agency administering the grant on behalf of TEA) reserves the right to require supporting documentation (such as an accounting ledger) that lists the individual expenditures by object code, as well as invoices, receipts, travel vouchers, and other expenditure documents for expenditures at any time during or after the grant period for as long as the records are retained according to requirements for record retention. The District will be required to reimburse all expenditures that are unsupported by appropriate documentation or found to be unallowable under the grant. Depending upon the severity of noncompliance with allowable cost principles, additional sanctions may be imposed, up to and including termination of the grant and refund of all unallowable costs.

In addition, failure to submit the expenditure reports according to the required reporting dates could cause the grantee to be identified as high risk and could result in additional sanctions. (See *Part VIII. Monitoring, B. TEA Monitoring, Identification as a High-Risk Grantee* in this manual.)

G. Federal Cash Management Policy/Procedures

Generally, grantees receiving state and federal grants from TEA receive payment from TEA by reporting cumulative expenditures (by class/object code) and requesting payment in TEA’s electronic Expenditure Reporting (ER) system. Specific expenditure reporting requirements are provided in TEA’s [General and Fiscal Guidelines](#) that accompany each *Request for Application* (RFA) from TEA. These guidelines are updated regularly and must be consulted on a regular basis.

Payments through ER are deposited into the District’s depository bank by the state comptroller’s office within six to seven business days of the payment request (provided TEA receives any supporting documentation requested in a timely manner and there are no other complications with the automated system).

Two methods of payment are provided in federal regulations: *advance* and *reimbursement*. The District uses the reimbursement method for requesting grant payments from TEA and other awarding agencies.

Reimbursement Method

Federal funds must be accounted for and expended in accordance with federal statute, state laws, and the terms and conditions of the federal award. On a reimbursement basis, Donna ISD shall draw down federal grant funds from the TEA Expenditure Reporting System (ER). Proper accounting records shall be maintained to support federal grant drawdowns. Expenditure reporting must be conducted at minimum, on a bi-annual basis. Administrative processes must follow federal regulations code 2 CFR 200.302-305.

All reimbursements are based on actual disbursements (i.e., payments already made), not on obligations.

In order to ensure compliance with program or grant guidelines the grant administrator shall actively monitor and review all expenditures to ensure that the activities and use of grant funds are allowable prior to the drawdown. To be eligible to be charged for a grant, cost must meet criteria per 2 CFR 200.403. All costs must be reasonable and necessary in order to accomplish the intent of the federal or grant program. *See the DISD Federal Programs Manual for more information.*

Expenditure monitoring and review is to be conducted by the grant administrator at minimum, on a monthly basis. Personnel semi-annual certification is conducted in December and June of each year. Purchase requisitions shall be approved by the grant administrator prior to payment. Procurement standards must follow policy outlined in: *DISD Purchasing Manual, TEA FASRG and federal regulations 2 CFR 200.317-200.336.*

Reporting of expenditures in the ER is conducted by Business Office using the following procedures:

1. A general ledger is created for the appropriate reporting period.
2. A detailed expenditure report is created.
3. From the above two reports, expenditures from each object code (i.e., 6100, 6200, etc.) are recorded. The grant administrator shall validate.
4. The ER system is accessed and year-to-date expenditures are reported for each grant.
5. The DISD Finance Director verifies and certifies the entries.
6. All expenditures must be incurred before a request to draw down is submitted.

Reporting of expenditures for other grants requiring paper or other electronic methods of reporting is conducted by the Business Office using the following procedures:

1. A general ledger is created for the appropriate reporting period.
2. A detailed expenditure report is created.
3. From the above two reports, expenditures from each object code (i.e., 6100, 6200, etc.) are recorded. The grant administrator shall validate.
4. Appropriate reports are completed for each grant.
5. All expenditures must be incurred before a request to draw down is submitted.
6. Report(s) and G/L are sent to the DISD Finance Director for verification.
7. Reports(s) and G/L are sent to the Assistant Superintendent for Business & Finance or designee for a signature.
8. Report(s) and required documentation are sent to the appropriate ESC or organization.

Noncompliance with Cash Management Requirements

Pursuant to the provisions of 2 CFR § 200.338, grantees that fail to comply with cash management requirements, including the repayment of interest earned, may be subject to the following special conditions or enforcement actions:

Identification as a high-risk grantee, pursuant to the provisions of 2 CFR § 3474.10 and 2 CFR § 200.207, which may involve the imposition of special conditions and being placed on reimbursement basis only (District would not be able to draw down its own funds in the ER system without first submitting supporting documentation for expenditures)

- Temporarily withholding cash payments pending correction of the deficiency
- Disallowing all or part of a cost not in compliance
- Suspension or termination of the award
- Withholding further awards for future grants from TEA
- Debarment or suspension from receiving any future federal funds from any entity
- Other remedies that may be legally available

III. Procurement System

Module 3 of TEA's [FASRG](#) outlines requirements and best practices related to the purchasing function. Reflecting state (and some federal) requirements for purchasing, *Module 3* is based on statutes containing requirements for districts for competitive *purchasing/contracting processes* found in the *Texas Education Code*, *Local Government Code*, *Texas Government Code*, *Texas Revised Civil Statutes*, Texas Attorney General Opinions, federal regulations and other sources.

The *Handbook on Purchasing for Texas Public Schools, Junior Colleges and Community Colleges (Appendix 1 of Module 3)* was written to provide information about purchasing and also be a ready reference regarding:

- Purchasing ethics
- Questions and answers on bidding and purchasing topics
- Example purchasing documents
- Purchasing laws
- Texas Attorney General Opinions
- Definitions of purchasing terms

According to *Section 271.003(9), Local Government Code*, "school district" means an independent school district, common school district, community college district, junior college district or regional college district organized under the laws of this state. Therefore, the District is required to comply with all requirements outlined in *Module 3* and in state law.

In accordance with TEA's *purchasing policy* established in *Module 3*, the District's objective is to purchase the best products, materials, and services at the lowest practical prices within relevant statutes and policies. It is important to acquire goods and services for the best price through fair and open competition to protect the interest of the local, state, and federal government while still maintaining the desired quality and minimizing exposure to misuse of funds.

Also in accordance with *Module 3*, the District's administrative *procedures* pertaining to purchasing goods and services shall reflect *quality assurance* and *quality control*, including an analysis of products provided through the procurement process, a review of services provided, and a review of vendor performance. Additionally, the District's purchasing practices and procedures must comply with federal procurement standards, some of which are already incorporated into *Module 3*. It should be noted that some state requirements for purchasing are more restrictive than the federal requirements. Key state requirements that are more restrictive are noted in this section.

The District's purchasing procedures, which are located in the Purchasing Manual, address operational procedures such as how to establish a purchase requisition or purchase order.

A. Conflict of Interest Requirements

In accordance with Board Policy DBD (LEGAL), an employee who exercises discretion in connection with contracts, purchases, payments, claims, or other pecuniary transactions shall not

solicit, accept, or agree to accept any benefit from a person the employee knows is interested in or likely to become interested in any such transactions of the District. Penal Code 36.08(d). A conflict of interest is defined as any circumstance that could cast doubt on an employee's ability to act with total objectivity with regard to the District's interest. Local Government Code Chapter 176 provides information regarding conflict of interest statements to be filed by vendors and certain school district employees. The Texas Conflict of Interest statutes apply to the District's officers and elected officials. There are specific rules regarding what constitutes a conflict of interest in regards to a business transaction or real property transaction. For more information, please review the information provided on the [Texas Ethics Commission website](#):

In addition to the state requirements pertaining to standards of conduct and avoiding conflict of interest, in accordance with 2 C.F.R. § 200.318(c)(1), the District's standards of conduct covering conflicts of interest and governing the actions of its employees engaged in the selection, award, and administration of federal contracts include the following federal standards.

No employee, officer, or agent may participate in the selection, award, or administration of a contract supported by a federal award if he or she has a real or apparent conflict of interest. Such a conflict of interest would arise when the employee, officer, or agent, any member of his or her immediate family, his or her partner, or an organization which employs or is about to employ any of the parties indicated herein, has a financial or other interest in or a tangible personal benefit from a firm considered for a contract. The officers, employees, and agents of the District may neither solicit nor accept gratuities, favors, or anything of monetary value from contractors or parties to subcontracts, unless the gift is an unsolicited item of nominal value. (See state requirements above.) "Immediate family" means a spouse, children or parent. A "Partner" is an individual engaged in a business venture with a financial interest in such business engagement.

The Purchasing Department shall require all new vendors to submit a Conflict of Interest Questionnaire (CIQ) before approval to conduct business with the District.

Cooperative Purchasing Alliance – Through Board of Trustee approval, Donna ISD is a member of several purchasing alliances. These alliances send out bid requests to prospective vendors. Once the vendor has been approved through the cooperative, they also become an approved vendor for Donna ISD. Cooperatives play a key role in satisfying the bid requirements of the Purchasing Laws. They also assist us by providing competitive prices for regularly purchased commodities. Contact the Purchasing Department at 956-464-1620 extensions 1125, 1126 and 1128 for any login information that may be required.

The following are Cooperatives for which Donna ISD maintains membership:

- ESC Region I – www.esc1.net
- The Cooperative Purchasing Network (TCPN)- www.tcpn.org.
- Texas Buy Board <http://www.buyboard.com>
- State of Texas Co-Op (CPA Co-op)- www.window.state.tx.us
- U S Communities- <http://www.uscommunities.org>
- Harris County Department Education Purchasing Cooperative-www.hcde-texas.org
- KPN-Keystone Purchasing Network-National Purchasing Program-info@theKPN.org

Priority should be given to these vendors since the goods and/or services have been subjected to the rigor of a competitive bid process.

New Vendors - Requests to add new vendors shall be accompanied with a New Vendor Packet. The packet shall include the following. Other documents may be required based on the services to be performed by the vendor.

- W-9 form,
- Conflict of Interest Questionnaire (CIQ), and
- Felony Conviction Notice
- SB-9 compliance Other documents may include a Criminal History check and fingerprinting if the vendor will work directly with students, and/or a Certificate of Insurance if the vendor will perform services on district property. The Certificate of Insurance shall include the minimum level of insurance in the areas of auto liability, general liability, and workers' compensation.

The W-9 Form is essential to add the business or contractor to the vendor database. The name of the vendor, as stated on the W-9 Form, shall be entered on the vendor database.

As a matter of law, all existing and new vendors shall be required to complete and file a CIQ. The governing body (School Board) and the Superintendent shall complete and file Local Government Officer Conflicts Disclosure Statement (CIS) with the Business Office.

The Felony Conviction Notice shall be collected from all vendors that enter into a contract with the school district. The Texas Education Code, Section 44.034(a) states that a person or business entity that enters into a contract with a school district must give advance notice to the district if the person or an owner or operator of the business entity has been convicted of a felony. The notice must include a general description of the conduct resulting in the conviction of the felony.

Furthermore, Section 44.034(b) states that a school district may terminate a contract with a person or business entity if the district determines that the person or business entity failed to give

notice as required by Subsection (a) or misrepresented the conduct resulting in the conviction. The district must compensate the person or business entity for services performed before the termination of the contract.

Lastly, Section 44.034 (c) states that this section does not apply to a publicly held corporation.

In addition to the felony conviction verification, the district shall obtain a criminal history background check and/or fingerprinting verification for all vendors that will work directly with students.

Local Government Officer Conflicts Disclosure Statement SB-9 Compliance DISD Packet 1 or Packet 2

Disciplinary Actions – Fraudulent or Other Dishonest Acts

All Board of Trustees, employees, vendors, contractors, consultants, volunteers and other parties involved with the District shall act with integrity and diligence in duties involving the District's financial resources. Fraud and other dishonest acts will not be tolerated by the District. Violators shall be disciplined, may be terminated and may be reported to the appropriate authorities. 2 CFR 200.318(c)(1).

Any and all concerns about potential fraudulent activities should be reported immediately to any supervisor, the Superintendent or designee, the Board President, or Donna ISD Police department. Neither the Board, nor any District employee, shall unlawfully retaliate against a person who in good faith perceived fraud or financial impropriety.

Fraud and financial impropriety shall include but not be limited to:

1. Forgery or unauthorized alteration of any document or account belonging to the District.
2. Forgery or unauthorized alteration of a check, bank draft, or any other financial document.
3. Misappropriation of funds, securities, supplies, or other District assets, including employee time.
4. Impropriety in the handling of money or reporting of District financial transactions.
5. Profiteering as a result of insider knowledge of District information or activities.
6. Unauthorized disclosure of confidential or proprietary information to outside parties.
7. Unauthorized disclosure of investment activities engaged in or contemplated by the District.
8. Accepting or seeking anything of material value from contractors, vendors, or other persons providing services or materials

- a. to the District, except as otherwise permitted by law or District policy. [See Policy DBD]
9. Inappropriately destroying, removing, or using records, furniture, fixtures, or equipment.
10. Failure to provide financial records required by state or local entities.
11. Failure to disclose conflicts of interest as required by law or District policy.
12. Any other dishonest act regarding the finances of the District.

The Superintendent or designee shall be responsible for conducting all fraud investigations. If an investigation substantiates fraud, the report shall be provided to the Superintendent and the Board of Trustees. The report shall include the findings, action(s) taken and/or recommendation(s) for action. If any employee is found to have committed fraud, they shall be subject to disciplinary action, up to and including termination of employment and referral to law enforcement or regulatory agencies, as appropriate.

B. Full and Open Competition

All procurement transactions paid with federal funds are conducted in a manner providing *full and open competition* consistent with 2 C.F.R § 200.319. In an environment of full and open competition, no proposer or bidder has a competitive advantage over another. All potential proposers and bidders must be provided the same information and have the same opportunity to submit a bid or proposal. Providing a competitive advantage to one or more potential proposers or bidders over another can open up the potential for disputes and lawsuits that can be costly and can significantly delay the completion of projects.

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 (RFPs) are excluded from competing for such procurements. The District does not engage in the following situations that may restrict *full and open competition*, including but 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. 2 CFR § 200.319(a)

The District also complies with the following requirements in 2 CFR 200 to ensure full and open competition when purchasing with federal funds.

Prequalified Lists

The District ensures 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. 2 CFR § 200.319(d). The District accomplishes this by conducting internet searches, including using [vendor searches available through the Texas Comptroller of Public Accounts](#), and by using other less technologically-advanced tools to locate and identify potential contractors. The District advertises all Bids/RFPs in The Monitor so that all potential vendors have a chance to respond. In addition to using internet searches, the District also utilizes current vendors to send Bid/RFP proposals. Also, the District will not preclude potential bidders from qualifying during the solicitation period. The Purchasing department and Purchasing Agent are responsible for reviewing pre qualified lists and determining if they include an adequate number of qualified sources.

Solicitation Language

All solicitations will incorporate a clear and accurate description of the technical requirements for the material, product, or service to be procured. Such description will not, in competitive procurements, contain features which unduly restrict competition. The description will include a statement of the qualitative nature of the material, product or service to be procured and, when necessary, will set forth those minimum essential characteristics and standards to which it must conform if it is to satisfy its intended use. Detailed product specifications will 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 will be clearly stated and will identify all requirements which the offerors must fulfill and all other factors to be used in evaluating bids or proposals. 2 CFR § 200.319(c)

C. Federal Procurement System Standards

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

Avoiding Acquisition of Unnecessary or Duplicative Items

The District avoids the acquisition of unnecessary or duplicative items. Additionally, the District considers consolidating or breaking out procurements to obtain a more economical purchase. And, where appropriate, the District makes an analysis of leases versus purchase alternatives, and other appropriate analyses to determine the most economical approach. 2 CFR § 200.318(d)

These considerations are given as part of the process to determine the allowability of each purchase made with federal funds. See *II. Financial Management Standards, F. Expending Grant Funds, Determining Allowability of Costs*, for written procedures on determining allowability.

Use of Intergovernmental Agreements

To foster greater economy and efficiency, the District enters into state and local intergovernmental agreements where appropriate for procurement or use of common or shared goods and services. 2 CFR § 200.318(e). This includes cooperative purchasing agreements as well as shared services arrangements (SSAs) where practical and beneficial. Cooperative purchasing is described in section 3.5 of *Module 3*. SSAs as they pertain to a particular grant program are described in section 1.3.1 of *Module 1* (FAR).

Use of Federal Excess and Surplus Property and Procurement of Recovered Materials

The District considers the use of federal excess and surplus property in lieu of purchasing new equipment and property whenever such use is feasible and reduces project costs. 2 CFR § 200.318(f).

Procurement of Recovered Materials: In addition, the District complies with section [6002 of the Solid Waste Disposal Act, as amended by the Resource Conservation and Recovery Act](#). 2 CFR § 200.322. The requirements of section 6002 include procuring only items designated in guidelines of the Environmental Protection Agency (EPA) at [40 CFR Part 247](#) that contain the highest percentage of recovered materials practicable, consistent with maintaining a satisfactory level of competition. The requirements apply to state and local governments, including school districts, and include the purchase of everyday items such as paper products, non-paper office

products, office furniture, floor mats, and awards and plaques, as well as many other items, where the purchase price of the item exceeds \$10,000 or the value of the quantity acquired by the preceding fiscal year exceeded \$10,000. Requirements also include

- procuring solid waste management services in a manner that maximizes energy and resource recovery and
- establishing an affirmative procurement program for procurement of recovered materials identified in the EPA guidelines.

Pursuant to section 6002, the decision *not* to procure recovered materials must be based on a determination that such procurement items—

- A. are not reasonably available within a reasonable period of time;
- B. fail to meet the performance standards set forth in the applicable specifications or fail to meet the reasonable performance standards of the District; or
- C. are only available at an unreasonable price. Any determination under subparagraph (B) shall be made on the basis of the guidelines of the Bureau of Standards in any case in which the material is covered by the guidelines.

Awarding Contracts to Responsible Contractors

The District awards contracts only to responsible contractors possessing the ability to perform successfully under the terms and conditions of a proposed procurement. The District considers such

Consultants and contracted vendors are non-employees who are contracted to perform a personal or professional service such as staff development, medical services, repairs, etc. that cannot be performed by a school district employee. A Contractual Service Form or Agreement is required for every consultant and contracted vendor.

Contractual Agreements - Administrators, with notification given to the Purchasing Director/ Agent, may initiate discussions with a vendor for goods and/or services. All contracts must be approved and signed by the Purchasing Director/ Agent or the Assistant Superintendent for Business and Finance.

Who Signs District Contracts?

When a Principal / Director receive a vendor contract / agreement form they should:

- Review the form
- Sign and / or initial the form

- Forward the form to the Purchasing Department

The contract / agreement will be reviewed by Procurement and forwarded to the Assistant Superintendent for Business and Finance or the Purchasing Director/ Agent. All District contracts are reviewed and signed by the Superintendent and Purchasing Agent.

No other employee is authorized to sign a contract or agreement on behalf of the District. An employee who signs a contract or agreement, without proper authorization, will be personally liable for the terms of the contract or agreement.

Contracts that exceed \$50,000 shall be approved by the Superintendent and the School Board.

The selection criteria of a consultant or contracted vendor may include the following:

- Vendor credentials, including license, education level, or specialized skills
- Vendor reputation, as evidenced by references from past clients
- Past experience with the school district
- Cost of service(s)
- Other criteria selected by the district

Consultants and contracted vendors shall be selected through a competitive procurement process in accordance with the state purchasing laws and School Board Policy. According to Board Policy CH Legal, the purchasing requirements of Education Code 44.31 do not apply to a contract for professional services rendered, including the services of an architect, attorney, certified public accountant, engineer, or fiscal agent.

There shall be a separation of the solicitation and evaluation functions from the contract award function. The Purchasing Director/ Agent shall be responsible for oversight of the solicitation and evaluation of all competitive bids and/ or proposals. The Board of Trustees shall be responsible for approval of contracts. Local, state and federal regulations shall be followed in accordance with TEC 44.031 and federal regulation 2 CFR 200.320. More information regarding the methods and procedures of procurement followed by DISD can be found at: <https://tx50000621.schoolwires.net/Page/104> or [Purchasing Manual](#)

Please follow these procedures when submitting a Contractual Service Form or Agreement:

- Submit a completed Contractual Service Form or Agreement to the Principal or Director for review and first line approval. Forward the form to the Purchasing Director/ Agent for final approval.
- Obtain the following documents from the consultant or contracted vendor:

- o A completed W-9 form
- o Conflict of Interest Questionnaire
- o A Felony Conviction Form
- o SB-9 Compliance-if the consultant will work directly with students, a Criminal Check Authorization form and State Board of Educator Certification fingerprinting documentation.

Contracted services include services such as repairs, maintenance, technical support, and related services. Documentation of insurance, such as general liability, workers' compensation, and auto liability, shall be submitted to the business office with the purchase order. The Certificate of Insurance shall name "DONNA ISD" as additional insured. No work shall be performed by the consultant or contracted vendor until *all* required documents, especially proof of insurance, are received by the business office.

Payments to consultants and contracted service vendors will not be made until the person responsible for monitoring and/or accepting contract performance has approved a detailed invoice. The detailed invoice must include the date(s) of service, service(s) performed, and the negotiated rate of pay.

Purchases from vendors that operate on a cash basis (do not accept purchase orders) or cash on delivery (COD) will Not be allowed. The District participates in several cooperative purchasing programs. A list of these programs is available from the Purchasing Department.

Maintenance of Procurement Records

Per *Module 3* of [FASRG](#),

“accurate record-keeping and documentation should be a fundamental element of the procurement process. Precise and systematic record-keeping and records management withstands the constant scrutiny of various interest groups including vendors, the general public, and outside agencies as well as internal groups which are the users or customers of the purchasing system. This records management function should support the school district's overall information management plan described in the Data Collection and Reporting module and generally provide for:

- Both the *flow and retention of forms* including requisitions, purchase orders, petty cash and cash reimbursement receipts.

- *Full documentation of all competitive procurements* with comprehensive competitive procurement files containing specifications, competitive procurement advertisement, pre-competitive procurement conference minutes (as appropriate), competitive procurements submitted, competitive procurement tabulation, board minutes indicating competitive procurement awards (or a similar award notice) and related records.
- *Full documentation of procurement procedures* utilized to obtain goods and services through competitive sealed proposals, design/build contracts and other procurement options.
- *Documentation of price quotations* obtained when purchasing with federal funds.

The records management function may rely on electronic formats. Alternatively, it may use hard copy or a combination of methods.”

Therefore, the District will select the methods best suited to its needs.

In addition, in accordance with federal standards, the District maintains records sufficient to detail the history of all federal procurements, including but not necessarily limited to, the following:

- the method of procurement and the rationale for choosing that method (i.e., the reason the District chose procurement by micro-purchase, small purchase procedures, sealed bid, competitive proposals, or noncompetitive proposals)
- the type of contractual agreement or instrument used and rationale for using that type
- the process used to either select the contractor or to reject the contractor (what was the process and what were the factors considered in selecting or rejecting the contractor; this must be in writing)
- the basis used for determining the price of the contract (including a cost or price analysis), and
- verification that the contractor is not suspended or debarred. 2 CFR § 200.318(i)

Please see section *VII. Record Keeping* for more information on the District’s records management policies.

D. Responsibility for Purchasing

For purchases with federal funds, the Federal Programs Director reviews and approves all proposed purchases related to the federal program for which he or she is responsible. All departments within the District have the authority to initiate purchases; the District does not have a centralized purchasing department. Each school principal or department's director can assign this duty to any supervisor within their department. School Principal/Directors are responsible for complying with all Federal, State and local regulations for each award they monitor and for purchases made for each award. Departments determine, with the assistance of the Purchasing Department, if a Bid/RFP is the best method for certain purchases. The purchasing Department performs a solicitation process for those services/goods that benefit the entire District (for example, instructional materials, books, general supplies, etc.) and its member districts through its purchasing cooperatives.

E. Purchase Methods When Using Federal Funds

In some situations, the federal requirements pertaining to purchasing methods are more restrictive than state of Texas requirements. In other situations, the state requirements are more restrictive than the federal requirements. Therefore, when determining the method that must be used in a particular purchasing situation, the more restrictive method or requirement must be used in each case.

State Requirements Related to Purchasing Methods

Unless otherwise more restrictive in federal law for procurement with federal funds, the District complies with the purchasing methods prescribed in TEA's [FASRG](#) and in state law for all purchases regardless of the funding source (i.e., state, local, or federal).

Texas Education Code § 44.031 (a) states that all school district contracts for the purchase of goods and services valued at **\$50,000 or more** in the aggregate, for each 12-month period are to be made by the method that provides the best value to the district. This does not apply to contracts for the purchase of produce or vehicle fuel.

The law enumerates several options for competitive procurement that are available to school districts. One of these options must be used for contracts expected to equal or exceed \$50,000 regardless of the funding source (i.e., state, local, or federal):

- (1) competitive bidding
- (2) competitive sealed proposals

- (3) request for proposals, for services other than construction services
- (4) interlocal contracts
- (5) design-build contracts
- (6) contract to construct, rehabilitate, alter, or repair facilities that involve using a construction manager
- (7) a job order contract for the minor construction, repair, rehabilitation, or alteration of a facility
- (8) reverse auction procedure as defined by Section 2155.062(d), Government Code; or
- (9) the formation of a political subdivision corporation under Section 304.001, Local Government Code."

Professional and Consulting Services

Several exceptions to following one of these competitive procurement methods are identified in TEC § 44.031. This section does not apply to a contract for *professional services* rendered, including services of an architect, attorney, certified public accountant, or engineer (which must be selected in accordance with [Chapter 2254 of the Government Code](#).) A school district may, at its option, contract for professional services rendered by a *financial consultant* or a *technology consultant* in the manner provided by Section 2254.003, Government Code, in lieu of the methods provided by this section.

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

Professional services are further defined in the *Handbook on Purchasing* as “infrequent, technical, and/or unique functions performed by independent contractors whose occupation is the rendering of such services.” Finally, professional services as described in [Attorney General Opinion DM-418](#), referenced in the *Handbook*, includes not only the services of lawyers, physicians, or theologians, “but also those members of disciplines requiring special knowledge or attainment and a high order of learning, skill, and intelligence including guest speakers, consultants, writers, and artists.” A professional is only one who “is a member of [a] discipline with widely accepted standards of required study or specified attainments in special knowledge as distinguished from mere skill.” Id. (quoting Wooddell, 230 S.E.2d at 470).

Certain *professional services*, specifically those covered under Chapter 2254, Subchapter A of the Texas Government Code, (i.e., architects, CPAs, registered engineers, optometrists, physicians, surgeons, land surveyors, landscape architects, registered nurses and state certified or state licensed real estate appraisers) are not selected based on competitive bidding. Rather, they must be selected

based on demonstrated competence and qualifications obtained through a *Request for Qualifications* or similar document. After the District makes its selection based on demonstrated competence and qualifications, a fair and reasonable price for the services is then negotiated and agreed upon.

Consulting services: According to FAR (Module 1 of TEA's [EASRG](#)), consulting services

“refer to the practice of helping districts to improve performance through analysis of existing problems and development of future plans. Consulting may involve the identification and cross-fertilization of best practices, analytical techniques, change management and coaching skills, technology implementations, strategy development, or operational improvement. Consultants often rely on their outsider’s perspective to provide unbiased recommendations. They generally bring formal frameworks or methodologies to identify problems or suggest more effective or efficient ways of performing tasks. Consulting services cover all functional areas such as instruction, curriculum, and administration.

Consulting does not include a routine service/activity that is necessary to the functioning of a school district’s programs, such as hiring additional people on contract to supplement present staff. It also does *not* apply to services provided to conduct organized activities (such as training or other similar educational activities.)”

The District shall use a consultant only if the services of the consultant are necessary to accomplish the objectives of the particular program/project, the fees are reasonable in cost, and the District cannot meet the needs by using an employee. 34 CFR 75.515. For example, an employee may have the knowledge, skills, and capability to provide the consulting services, but the employee may not have the time in an already-busy schedule to provide the consulting services in the time required.

Under IRS rules, a person cannot work part of the time as an employee, and part of the time as a contractor/consultant. If an employee provides additional services above and beyond his or regular contracted hours and regular job responsibilities, the employee is paid *extra-duty pay* in accordance with the District’s employee compensation policy, and not a fee based on a contract.

Allowable Professional Service Costs

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

- The nature and scope of the service rendered in relation to the service required;

- The necessity of contracting for the service, considering the District's capability in the particular area;
- The past pattern of such costs, particularly in the years prior to federal awards;
- The impact of federal awards on the District's business (i.e., what new problems have arisen);
- Whether the proportion of federal work to the District's total business is such as to influence the District in favor of incurring the cost, particularly where the services rendered are not of a continuing nature and have little relationship to work under federal awards;
- Whether the service can be performed more economically by direct employment rather than contracting;
- The qualifications of the individual or concern rendering the service and the customary fees charged, especially on non-federally funded activities; and
- The adequacy of the contractual agreement for the service (e.g., description of the service, estimate of time required, rate of compensation, and termination provisions).

Purchasing Goods or Services with Federal Funds

In accordance with [2 CFR Part 200, Subpart E, Cost Principles](#), all purchases made with federal funds, regardless of the method of purchase, must be determined to be:

- *reasonable* in cost (comparable to current fair market value)
- *necessary* to carry out the objectives of the federal program
- *allowable* under the federal cost principles and the terms and conditions of the award
- *allocable* (chargeable or assignable) to the grant program based on the relative benefits received

Prior to each purchase and for each proposed purchase, on each purchase order, purchase requisition, contract, invoice, receipt, travel voucher, or other documentation for obligations, encumbrances, or expenditures, the District documents these criteria are met in the following manner regardless of the purchase method used:

The Assistant Superintendent of Business & Finance in the Business Office verifies the proposed purchase is *reasonable in cost* (i.e., comparable to current fair market value).

The program manager/director assigned to the grant verifies the proposed purchase is necessary to accomplish the objectives of the grant program in that the expenditure is vital or required for the grant program to be successful.

Five Methods for Procuring with Federal Funds

2 CFR § 200.320 provides for five methods that must be used when making purchases with federal funds. In some cases, these *federal* methods are less restrictive than *state* requirements; in other cases, the *state* requirements are more restrictive than these *federal* methods. Additionally, if *local* requirements are more restrictive than either state or federal, then local requirements must be followed. In all cases, the more restrictive requirements or methods must be followed when making purchases with federal funds.

The type of purchase method and procedures required depends on the cost (and type, in some cases) of the item(s) or services being purchased.

- Micro-purchase
- Small purchase procedures
- Sealed bids
- Competitive proposals
- Noncompetitive proposals (sole source)

Purchase Requisition and Order Forms

A purchase order form is used to purchase supplies, equipment, or services from an external vendor. Requisition forms should be created in the TEAMS system by the requesting campus or department and submitted to the Purchasing department for approval of a purchase order. The electronic system allows users to enter purchase requests electronically, verify account balances, select pre-approved vendors, etc. at the point of data entry. Budget codes must be noted on all requisitions. Supporting documentation such as order forms, graphics, etc. shall be submitted to the Purchasing department.

After the requisitions pass all electronic approvals, the purchase order form is generated by the Purchasing department. Each purchase order is uniquely numbered for audit tracking purposes. No employee shall order or receive goods without an approved purchase order. A requisition cannot be used to place an order. All purchase orders should be mailed, emailed or faxed to vendors by the Requesting Campus or Department. Exceptions, if any, should be approved by the Purchasing Director/Agent.

According to Board Policy CH (Local), employees who violate the District purchasing procedures shall be held personally liable for the debt incurred. Note: Refer to District's CH Local for additional guidelines.

Purchases for goods or services from state or federal grant funds shall comply with the TEA Guidelines for Related Costs (located under Grant Management Resources on the TEA website). Specifically, all non-allowable expenditures shall not be funded from state or federal grant funds. The respective grant administrator for the state or federal grant funding sources shall approve all requisitions from the funding source(s) they oversee. All purchases with state and federal grant funds shall include the respective District Improvement or Campus Improvement Plan (DIP & CIP) strategy related to the need for the goods or services.

Purchasing Laws

The Texas Education Code (TEC) addresses the requirement to competitively bid purchases that exceed \$50,000, in the aggregate, over a 12-month period. Since non-compliance may result in criminal penalties, this requirement will be strictly enforced.

The Purchasing Director/ Agent is responsible for monitoring the compliance of purchases to the bid laws and the district's purchasing procedures. When more than one purchasing method is allowed for a particular purchase, the Purchasing Director/ Agent will make the decision as to which method should be used, after working with the applicable administrators and other District employees making the purchase request.

Awarded or Approved Vendors must be used for all purchases of goods or services.

Purchases	Requirements (Do Not split the purchase to get under the required quotes)
<\$500	One (1) quote is required, but comparison of pricing is suggested.
>\$501 <\$3,500	One (1) quote from a DISD awarded vendor or from a purchasing co-op; or *three (3) quotes from DISD approved vendors. Vendor quotes must be in writing (i.e. Vendor Quotation form; Vendor email; Internet Quote, etc.).
>3,501 <\$10,000	Two (2) quotes from a DISD awarded vendor or from a purchasing co-op; or *three (3) quotes from DISD approved vendors. Vendor quotes must be in writing (i.e. Vendor Quotation form; Vendor email; Internet Quote, etc.).
>\$10,000 <\$50,000	Three (3) written quotes on letterhead from awarded vendors or from a purchasing co-op or must go out for bids.
\$50,000 or greater	Any single, budgeted purchase of goods or services that costs \$50,000 or more, regardless of whether the goods or services are competitively purchased, shall require Board approval before a transaction may take place.
>\$250,001 per purchase	Federal Funds: Price Analysis per TEC 44.031(b)
<p>NOTE: For all purchases with federal grant funds, the district shall comply with the federal regulations, EDGAR related to the purchasing of goods and services. [2 CFR 200.317-200.326] effective July 1, 2017.</p> <p>* Submit justification as to why you are requesting to purchase from an approved vendor vs an awarded vendor</p>	

Note: Any single contract or purchase valued at \$50,000 or more must be approved by the Board of Trustees.

All efforts should be made to purchase with Board awarded vendors before soliciting quotes with approved Vendors.

Emergency Requisitions:

Requisition requirements that are deemed as an emergency situation are outlined within the guidelines of Education Code 44.031(h); TEA Financial Accountability System Resource Guide. District personnel shall use all due-diligence in the decision making process to select the appropriate vendor from approved resources. If an approved vendor is not available, selection

shall be made based on those factors that are in the best interest of the District. For purchases or services after regular business hours or on weekends and holidays, an “after the fact” purchase order must be processed on the next business day

Micro-Purchases (Purchases up to \$3,000)

Federal methods provide for procurement by *micro-purchase*. *Micro-purchase* is defined in 2 CFR § 200.320(a) as a purchase of supplies or services using simplified acquisition procedures, the aggregate amount of which does not exceed \$3,000. 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.

In accordance with federal requirements, micro-purchases may be awarded without soliciting competitive quotations *if the District considers the price to be reasonable*. Also, when using federal funds, to the extent practicable, the District must distribute micro-purchases equitably among qualified suppliers.

Small Purchase Procedures (Purchases between \$3,001 and \$49,999 in the Aggregate)

The *federal* threshold for *small purchase procedures* is \$150,000. 2 CFR § 200.320(b). However, with some exceptions noted in TEC § 44.031, the *state* threshold for all school district contracts that do not require competitive bidding is less than \$50,000 in the aggregate. Therefore, the more restrictive *state* threshold of less than \$50,000 must be followed.

Small purchase procedures (as defined in 2 CFR § 200.320[b]) may be used in those relatively simple and informal procurement methods for securing nonprofessional services, supplies, or other property that do not cost more than \$50,000.

For purchases funded from *state or local funds*, to obtain the most competitive price, a district may, at its option, obtain price quotes for items costing less than \$50,000. Per *Module 3*, the district’s purchasing procedures should clearly define the lower figure for which quotes are required and obtain and retain written verification of the prices quoted. Unlike the mandatory competitive procurement described for purchases over \$50,000, if an item to be paid from *state or local funds* costs less than \$50,000, a district may utilize price quotations to stimulate competition and to attempt to receive the most favorable pricing.

However, if using *federal funds* to purchase goods or services, *price or rate quotations must be obtained* from an adequate number of qualified sources for all purchases between \$3,001 and \$49,999. Such price or rate quotations must be documented in writing, and the District must

demonstrate that price or rate quotations were obtained from an adequate number of qualified sources.

The Purchasing Department will also have a list of current Bids/RFPs.

Purchases \$50,000 or More in the Aggregate

All school district contracts, except contracts for the purchase of produce or vehicle fuel, valued at \$50,000 or more in the aggregate for each 12-month period shall be made by the method that provides the best value for the District. Unless the purchase is from a sole source, an approved vendor or through a Board approved Inter- local Agreement, purchases over \$50,000 must be formally bid by the Purchasing department. If approved vendors are available, 3 written quotes must be submitted from the approved vendors. **However, any single, budgeted purchase of goods or services that costs \$50,000 or more, regardless of whether the goods or services are competitively purchased, shall require Board approval before a transaction may take place. As stated in policy, CH (LOCAL).**

E. Contract Administration

The District maintains the following oversights to ensure that contractors perform in accordance with the terms, conditions, and specifications of their contracts or purchase orders. 2 CFR § 200.318(b). To ensure proper administration of contracts and any subgrants that may be awarded by the District, the District uses the following guidelines to determine whether each agreement it makes for the disbursement of federal funds is a *contract*, whereby funds are awarded to a *contractor*, or a *subaward*, whereby funds are awarded to a *subrecipient*. The substance of the relationship is more important than the form of the written agreement. 2 CFR § 200.330

Subawards/Subgrants

A *subaward/subgrant* is for the purpose of carrying out a portion of a federal award and creates a federal assistance relationship with the subrecipient. The District determines who is eligible to receive what federal assistance, and a *subrecipient/subgrantee*:

- Has its performance measured in relation to whether objectives of a federal program are met
- Has responsibility for programmatic decision making
- Is responsible for adhering to applicable federal program requirements, and

- In accordance with the subgrant agreement, uses the federal funds to carry out a program for a public purpose specified in authorizing statute, as opposed to providing goods or services for the District.

Contracts

A *contract* is for the purpose of obtaining goods or services for the District's own use and creates a procurement relationship with the contractor. A *contractor*:

- Provides goods and services within normal business operations
- Provides similar goods or services to many different purchasers
- Normally operates in a competitive environment
- Provides goods or services that are ancillary to the operation of the federal program, and
- Is not subject to compliance requirements of the federal program as a result of the contract, though similar requirements may apply for other reasons.

The District complies with the following *best practices* recommended by TEA for all *professional services contracts* paid with federal funds:

1. The effective dates (i.e., beginning and ending dates) of the contract are within the effective dates of the federal award as stated on TEA's NOGA. A contract may be *negotiated* prior to the effective date of the award, but it may not be signed or be effective until on or after the effective date stated on the NOGA.
2. The District may sign a *letter of intent* with the potential contractor prior to the issuance of the NOGA. The letter of intent must contain a provision that the pending contract is contingent upon receipt of the specific NOGA.
3. To ensure the potential contract is approved by TEA, the contract shall not be signed until after the NOGA is received by the District.
4. The contract will contain the following provisions (in addition to the Contract Provisions required and identified in *III. Procurement System, C. Federal Procurement System Standards, Contract Provisions*.
 - a. All services will be completed during the effective dates of the contract.
 - b. All services will be paid only upon receipt of a proper invoice that coincides with the contract upon verification that the services were satisfactorily performed in accordance with the description in the contract. For ongoing services, payment may be made at the end of every month upon receipt of the invoice. Contractors will not be paid in advance.

- c. 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.
- d. The District complies with the regulations pertaining to procurement in 2 CFR § 200.318 - .323.
- e. The District complies with the provisions in 2 CFR § 200.459 pertaining to allowable professional service costs.
- f. The contract identifies the funding source(s) 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.
- g. The contract identifies and lists only reasonable, necessary, and allocable services to be provided in accordance with the funding sources that will be charged.
- h. The administrative costs charged to the grant in the contract must be reasonable and must comply with any statutory limitations for administrative costs specified in the federal program funding source.

Additionally, the District complies with the *Standards of Conduct* and *Conflict of Interest* policies and procedures related to procurement, including the mandatory disclosure of any potential or real conflicts of interest. (See section III. *Procurement System, A. Conflict of Interest Requirements.*)

Documentation for Contracts

The District maintains the following written documentation, at a minimum, for each contract paid with federal funds:

1. A copy of the written, signed contract/agreement for services to be performed
2. The rationale or procedure for selecting a particular contractor
3. Evidence the contract was made only to a contractor or consultant possessing the ability to perform successfully under the terms and conditions of the contract or procurement
4. Records on the services performed – date of service, purpose of service – ensuring that services are consistent and satisfactorily performed as described in the signed contract or purchase order
5. Documentation that the contractor was *not paid before services were performed*, and
6. Records of all payments made (such as a spreadsheet or report generated from the general ledger), including the total amount paid to the contractor.

Payment Only After Services Are Performed

For both state and federally funded contracts, it is not permissible under Texas law to pay a contractor or consultant in *advance* of performing services. Advance payment to contractors is considered “lending credit” to the contractor and is prohibited under the *Texas Constitution*, Article 3, §§ 40 and 52. For ongoing services that occur monthly, payment can be made at the end of every month (based on a proper invoice submitted by the contractor and verification of work performed) for services performed during the month, or some other similar arrangement.

Consultants and contractors will not be paid without having a properly signed and dated contract or other written agreement in place which clearly defines the scope of work to be performed, the beginning and ending dates of the contract, and the agreed-upon price. The contract should also include a description of the payment procedures.

Upon performance of services (monthly or upon completion of services), the contractor is required to submit an *invoice* to the District that contains at a minimum the following:

- a clear identification of the contractor/consultant, including name and mailing address
- a corresponding contract (or written agreement) number, if applicable
- the dates (beginning and ending date) during which the services were performed (i.e., billing period)
- a description of the services/activities completed during the billing period
- the total amount due to the contractor for the billing period

By submitting a properly-prepared invoice, the contractor is certifying that it is true and correct.

Verification of Receipt of Goods and Services Provided by Contractors

The District utilizes a centralized receiving system. All goods are to be delivered to the District warehouse. A copy of every purchase order for goods (supplies/equipment) will be forwarded to the receiving clerk. Upon receipt of the goods, all items that require an inventory or fixed asset tag will be tagged by the inventory clerk. All orders will be delivered to the respective campus or department with a packing list for “check-off” and verification of receipt. When goods or services are received, the person receiving the goods or service must make sure that the District receives the item(s) ordered. Inspect the goods or service and sign and date the packing slip, invoice, and/or the common carrier delivery ticket. Note any exceptions on these documents prior to the delivery person departing. Discrepancies, if any, should be reported to the receiving clerk. Forward documentation to the Accounts Payable

Department as soon as possible after items are received. Vendors making deliveries are entitled to prompt payment for their goods or services.

Shortages, damaged goods, or other receiving deficiencies shall be reported immediately to the warehouse and Accounts Payable Department. The warehouse department shall contact the appropriate vendor to address the deficiencies. At no time shall a campus or department return merchandise to a vendor or request replacement merchandise. Failure to comply with this procedure may result in overpayments to the vendor.

When items ordered have not been received within a reasonable time period (e.g., 30 days), the campus or department should follow up on the purchase order by calling the vendor to determine if the purchase order was received and, if so, when the delivery may be expected. If it is determined that the item(s) ordered will not be received for any reason or that the length of time involved means that the order should be canceled, e-mail the Accounts Payable department a copy of the purchase order and include the words “void – order canceled”, and indicate the name of the person and date contacted, at the vendor’s place of business. Make sure that the vendor knows the order is canceled. The vendor should be advised in writing that a purchase order is canceled.

The District does not assume responsibility for debts incurred by persons making unauthorized purchases.

Emergency Procedures to approve requisitions using an approved vendor

On an individual basis and at the time of the event, the Board delegates to the Superintendent or designee the authority to make the determination on behalf of the Board as to whether a purchase of goods or services is deemed an emergency as defined in CH (LEGAL). The Board delegates authority to the Superintendent to make emergency purchases. The Superintendent shall report any emergency purchase to the Board. CH (LOCAL)

Anticipated purchases, which may exceed these limits, should be brought to the attention of the Purchasing Department well in advance of the need for the goods or services. The bidding process may take approximately 2 to 3 months, from bid specification development to School Board approval.

According to Board Policy CH Legal, a board member, employee, or agent shall not, with criminal negligence, make or authorize separate, sequential, or component purchases to avoid the purchasing requirements set out in Education Code 44.031. An officer or employee shall not knowingly violate Education Code 44.031 in any other manner. “Component purchases” means purchases of the component parts of an item that in normal purchasing practices would be made in one purchase. “Separate purchases” means purchases, made separately, of items that in normal

purchasing practices would be made in one purchase. “Sequential purchases” means purchases, over a period, of items that in normal purchasing practices would be made in one purchase. Violation of this provision is a Class B misdemeanor and an offense involving moral turpitude, conviction of which shall result in removal from office or dismissal from employment.

G. Submission of Procurement System

In accordance with 2 CFR § 200.324(b), the District will make available upon request from TEA all procurement documents for pre-procurement review, such as requests for proposals or invitations for bids, or independent cost estimates.

In addition, the District may request (in accordance with the process established by TEA) that its procurement system be reviewed by TEA to determine whether the system meets federal standards in order for the system to be certified. The District may also self-certify its procurement system in accordance with the provisions in 2 CFR § 200.324(c), which does not preclude TEA’s right to survey the system.

IV. 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 District for financial statement purposes, or \$5,000. 2 CFR § 200.33. The District’s capitalization level is \$5,000.

Fixed assets are defined as equipment with a unit value over \$5,000. These assets are tracked and recorded on the District’s financial general ledger. Fixed assets that are stolen, obsolete, damaged beyond repair, etc. should be reported to the District Warehouse Secretary for removal from the District’s financial records. All fixed assets must be purchased through the use of an Object Code 66XX. Fixed assets are subject to audit on an annual basis. Documentation shall be maintained to support all additions, deletions, or changes to the fixed asset balances.

Inventory items are defined as equipment with a unit value over \$500, but less than \$5,000. Other items with a unit value under \$500 are also tracked and tagged such as:

- TVs
- DVD players

- digital cameras,
- camcorders,
- e-Readers,
- I-Pads,
- Office furniture
- PDAs, and
- Other items that may have a personal use.

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 \$5,000, regardless of the length of its useful life. 2 CFR § 200.94.

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

Capital assets means tangible or intangible assets used in operations having a useful life of more than one year 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 CFR § 200.12.

B. Inventory Procedure

Inventory items are tracked and recorded on the District’s inventory tracking system. Inventory items that are stolen, obsolete, damaged beyond repair, etc. should be reported to the District Warehouse Secretary for removal from the District’s inventory tracking system. Inventory items are also tracked for insurance purposes. Inventory items (with a unit value between \$500 and \$4999) must be purchased through the use of an Object Code 6395. Inventory items (with a unit value less than \$500) must be purchased through the use of an Object Code 6395.

C. Inventory Records

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

- Serial number or other identification number
- Source of funding for the property
- Who holds title*
- Acquisition date and cost of the property
- Percentage of federal participation in the project costs for the federal award under which the property was acquired
- Location, use, and condition of the property, and
- Any ultimate disposition data including the date of disposal and sale price of the property.

*Pursuant to federal regulations, the District holds a *conditional title* for equipment purchased with federal funds unless a statute specifically authorizes a federal agency to vest title in the District without further obligation to the federal government. Title will vest in the District as long as:

- the District uses the equipment for the authorized purposes of the project until funding for the project ceases, or until the property is no longer needed for the purposes of the project
- the District does not encumber the property without approval of TEA or other awarding agency, and
- the District uses and disposes of the property in accordance with federal rules.

D. Physical Inventory

A physical inventory of the property is taken and the results reconciled with the property records every two years.

E. Equipment Insurance and Maintenance of Equipment

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

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

F. Lost or Stolen Items

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

Items lost due to theft or vandalism must be reported immediately to Donna ISD Police Department for police report and insurance claim purposes.

G. Use of Equipment

Equipment will 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. The District will not encumber the property without prior approval of TEA and the federal awarding agency.

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.

A Fixed Asset Transfer Form should be utilized to transfer equipment from one room to another, one campus/dept. to another, or to transfer obsolete equipment to the Warehouse storage area. The loss or theft of inventory and fixed asset items should be reported immediately to the Donna Police Department and District Warehouse Secretary.

All staff will be provided an inventory list for their respective classroom, office, or work area at the beginning of the school year. After verifying the list, each employee shall return the verified list to his/her immediate supervisor. At the end of the school year, the same process will occur. The end-of-the-year list should include all items that were assigned at the beginning of the year, plus any items purchased throughout the school year. Staff will not be released for the summer until their inventory list has been verified and submitted to the immediate supervisor. Missing items, if any, must be indicated on the inventory list. In addition, an explanation regarding why the item(s) is missing shall also be submitted with the list.

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. However, the original purchase of any equipment to be used in other programs will be properly allocated (i.e., prorated) among the applicable funding sources.

H. Disposal of Equipment and Supplies

Equipment

All supplies and equipment which are deemed to be surplus [not of any use to the district], will be recommended to the Superintendent for disposal.

The Superintendent or designee is authorized to declare District materials, equipment, and supplies to be unnecessary and shall dispose of unnecessary materials, equipment, and supplies for fair market value. If the unnecessary property has no value, the Superintendent or designee may dispose of such property according to administrative discretion. Items obtained as federal surplus shall be managed according to federal regulations.

Neither District supplies, nor equipment, shall be sold or conveyed other than through a surplus sale, unless authorized by the Superintendent or the School Board, as appropriate.

V. Written Compensation Policies

Allowable Compensation

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

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

1. Is reasonable for the services rendered and conforms to the established written policy of the District consistently applied to both federal and non-federal activities;
2. Follows an appointment made in accordance with the District's rules or written policies and meets the requirements of federal statute; and
3. Is determined and supported by documentation that meets the federal *Standards for Documentation of Personnel Expenses*.

Reasonable Compensation

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

Job Descriptions

The Superintendent shall define the qualifications, duties, and responsibilities of all positions and shall ensure that job descriptions are current and accessible to employees and supervisors.

Each employee must have a current job description on file. The immediate supervisor or manager is responsible for developing a complete and accurate job description for each employee under his or her supervision. The job description must describe the employee's job responsibilities as well as delineate all programs or cost objectives under which the employee works.

Job descriptions must be updated as new assignments are made. The supervisor must review the job description with the employee upon hiring and as the job description is updated. The employee must sign and date that he or she has read and understands the job description and the programs under which he or she is working.

The job description must be immediately available upon request by an auditor or monitor.

Job descriptions are provided to employees twice a year once in the fall and once in the spring. Staff paid with federal funds must ensure that he/she works solely on what their job description states and sign a periodic compliance and submit it to the Federal Programs office.

A. Documentation of Personnel Expenses

Standards for Documentation of Personnel Expenses

Charges to federal awards for salaries and wages must be based on records that accurately reflect the work performed. In accordance with 2 CFR § 200.430, these records must:

- Be supported by a system of *internal controls* which provides reasonable assurance that the charges are accurate, allowable, and properly allocated
- Be incorporated into official records
- Reasonably reflect total activity for which the employee is compensated, not exceeding 100% of compensated activities
- Encompass both federally assisted and all other activities compensated by the District on an integrated basis
- Comply with the established accounting policies and practices of the District, and
- Support the distribution of the employee's salary or wages among specific activities or costs objectives if the employee works on:
 - More than one federal award
 - A federal award and a non-federal award
 - An indirect cost activity and a direct cost activity
 - Two or more indirect activities which are allocated using different allocation bases, or
 - An unallowable activity and a direct or indirect cost activity.

All employees who are paid in full or in part with federal funds must keep specific documents to demonstrate the amount of time they spend on grant activities. This includes an employee whose salary is paid with state or local funds but is used to meet a required match or cost share for a federal program.

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

Time and Effort

The new OMB regulations, codified as Title 2 of the Code of Federal Regulations (2 CFR) Part 200, were incorporated into federal regulation on December 26, 2014. The new regulations govern all federal grants awarded by the US Department of Education (USDE) to the state or to an LEA on or after that date. Grants awarded before December 26, 2014, continue to be governed by the OMB circulars that were in effect when the grant was awarded. Visit the EDGAR page of the TEA website for more information on all of the new requirements.

School districts are required to maintain auditable "time and effort" documentation that show how each employee paid with federal funds spent his or her compensated time. Such documentation is written, after-the fact (not estimated or budgeted) documentation of how the time was spent. Time and effort reports should be prepared by any staff with salary charged (1) directly to a federal award, (2) directly to multiple federal awards, or (3) directly to any combination of a federal award and other federal, state or local fund sources. Semi-annual certifications are required for personnel whose compensation is funded solely from federal funds. These certifications document that he/she has been working solely in activities supported by the federal funds (although some district policies require monthly reports for such personnel). The certification must (1) cover a semi-annual period (e.g., September-January and February-June, or September-February and March-August), (2) identify the program, and (3) be signed and dated by an employee and supervisor having first-hand knowledge of the work performed by the employee.

All District employees who are paid in whole or in part with federal funds will maintain documentation in accordance with the following requirements.

All charges to payroll for personnel who work on one or more federal programs or cost objectives must be based on one of the following, depending on the circumstances:

- **Semi-annual certification** (for employees who work 100% of the time on a single program and/or cost objective, in which case a signed and dated job description must be in the employee's personnel file; also see exception for schoolwide programs below)
- **Time-and-effort records** (for employees working on more than one program and/or more than one cost objective)

Additional summary information pertaining to each of these is provided below. Refer to the section "Compensation for personal services" in 2 CFR § 200.430 for more detailed information pertaining to charges to payroll.

Semi-Annual Certification

Semi-annual certification applies to employees who do one of the following:

- Work 100% of their time on a single grant program and/or single *cost objective*
- Work 100% of their time in administering programs that are part of *consolidated administrative funds* (such as a Federal Programs Director who administers only these programs)

- Work 100% of their time under a *single cost objective* funded from eligible multiple funding sources. A Title I, Part A, schoolwide program is a single cost objective. Refer to TEA's page on [Schoolwide Programs](#) for further guidance.

*“Cost objective” means a program, function, activity, award, organizational subdivision, contract, or work unit for which cost data are desired and for which provision is made to accumulate and measure the cost of processes, products, jobs, capital projects, etc. A cost objective may be a major function of the District, a particular service or product, a federal award, or an indirect cost activity.

These employees are not required to maintain time-and-effort records. However, each employee must certify in writing, at least semi-annually, that he/she worked solely on the program or single cost objective for the period covered by the certification. The certification must be signed by the employee or by the supervisor having first-hand knowledge of the work performed and should reference the employee's signed and dated job description maintained in their personnel file. Charges to the grant must be supported by these semi-annual certifications. The semi-annual certifications are maintained by the Payroll Department of the District.

Job Descriptions: These employees are also required to maintain on file a signed and dated job description which clearly shows that the employee is assigned 100% to the program or single cost objective. The job description must be updated annually or when a function or activity is added to or deleted from an existing job description, must clearly identify the function and activities performed by the employee for the applicable fund source(s) or cost objective, and must be maintained in the employee's personnel file.

The semi-annual certification must

- be executed after the work has been completed, and not before
- state that the employee worked solely (i.e., 100% of the time) on activities related to one particular grant program or single cost objective
- identify the grant program or cost objective
- specify the 6-month reporting period
- be signed and dated by the employee or a supervisor with first-hand knowledge of the work performed

Charges to the grant must be supported by these semi-annual certifications. All certifications must be retained for audit and monitoring purposes. It is recommended that the certifications be retained in a central location to facilitate an audit.

VI. Record Keeping

A. Record Retention

In general, records document the use of funds, compliance with program and fiscal requirements, and the performance of the grant. In accordance with 34 C.F.R. §§ 76.730-.731 and §§ 75.730-.731, the District maintains all records that fully show (1) the amount of funds under the grant or subgrant; (2) how the District 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. The District also maintains records of significant grant 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.

Pursuant to the provisions in 34 C.F.R. § 81.31(c), the USDE is authorized to recover any federal funds misspent within 5 years before the receipt of a program determination letter. Consequently, in accordance with TEA's [General Provisions and Assurances](#) and the statute of limitations, the District retains records for a minimum of five (5) years from the date on which the final expenditure report is submitted or the ending date of the grant, whichever is later, unless otherwise notified in writing to extend the retention period by TEA or other awarding agency. 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

Local governments in Texas, including all school districts, open-enrollment charter schools, and ESCs, are required to implement a *Records Management Policy*, designate a *Records Management Officer* to oversee the policy, and comply with a *Records Retention Schedule*. The [Texas State Library and Archives Commission](#) (TSLAC) administers the records management requirements pursuant to the *Local Government Records Act*, *Local Government Code*, Chapters 201-205, and *Chapter 441, Subchapter J*, published as [Local Government Bulletin D](#) on TSLAC's website.

The District retains and destroys records in accordance with these requirements. Failure to produce a program or fiscal record for an auditor or monitor during the 5-year retention period will most likely result in an audit or monitoring finding and the repayment of funds for the missing documentation.

Destruction of Records

Because records establish compliance with the use of funds and with program and fiscal requirements, failure to retain the proper records or to dispose of them prematurely can result in monumental problems for the District, including the repayment of all funds associated with the activity, event, decision, or transaction for which the records are missing. In addition, destroying or disposing of a record improperly or prematurely constitutes a Class A Misdemeanor under state law.

The District cannot destroy any record that is involved in an ongoing

- Litigation
- Claim
- Negotiation
- Public information request (PIR)
- Audit or investigation
- Administrative review or hearing

The District's *Records Management Policy* includes policy and procedures for *disposing* of records. Records can only be destroyed in accordance with the [Records Retention Schedule](#) adopted by the District. Records that are not on the *Records Retention Schedule* may require written permission from the TSLAC prior to disposing. Procedures include maintaining a "records disposition log" that identifies the disposition date and method of disposal of each record.

According to [Local Government Code, §202.003](#), *confidential* records must be *burned, shredded, or pulped*. *Open* records can be *burned, shredded, pulped, recycled, or buried in a landfill*. If a contractor is hired to destroy records, the contractor must comply with all of the state and local government laws pertaining to the destruction of records as if it were the District.

B. Records Management and Retention

The Local Government Records Act of 1989 [and changes that were enacted by the 74th Legislature in 1995], requires all local governments to establish a records management program by ordinance, order or resolution and filed with the Texas State Library and Archives Commission (TSLAC). All local governments must file records, control schedules or a written declaration of adoption of the State schedules. The deadline for compliance was January 4, 1999.

The TSLAC is responsible for the development of record retention schedules for governmental agencies. Various retention schedules address the types of records created and maintained by school districts such as GR – Government Records, EL – Election Records, TX – Tax Records, and especially, SD – School District Records. These schedules reflect the minimum retention period for each type of record.

The District has implemented a Local Records Retention Schedule that includes the types of records created and maintained by the district. This schedule also includes the minimum retention period for each type of record. The local retention period may be greater, but not less than the retention period set by the state.

Board Policy CPC Legal defines a record as noted below:

A “local government record” means any document, paper, letter, book, map, photograph, sound or video recording, microfilm, magnetic tape, electronic medium, or other information-recording medium, regardless of physical form or characteristic and regardless of whether public access to it is open or restricted under the laws of the state, created or received by the District or any of its officers or employees, pursuant to law or in the transaction of public business.

Records of the district may not be destroyed except as prescribed by law and district procedures. The district’s Records Management Officer and Assistant Superintendent for Human Resources shall be responsible for overseeing the records management program to include collecting, archiving, and destroying records as appropriate. The unauthorized destruction of local government records is a Class A misdemeanor and, under certain circumstances, a third degree felony (Penal Code, Section 37.10). Anyone destroying local government records without legal authorization may also be subject to criminal penalties and fines under the Public Information Act (Government Code, Chapter 552).

All requests for District records, under the Public Information Act, shall be directed to Assistant Superintendent for Human Resources.

VIII. Monitoring

A. Self-Monitoring

The District is responsible for oversight of the operations of the federal award-supported activities. The District is responsible for monitoring its activities under federal awards to assure

compliance with applicable federal requirements and to ensure performance expectations are being achieved. This process is known as self-monitoring. Monitoring by the District must cover each program, function, or activity. 2 CFR § 200.328. Additionally, the District must directly administer or supervise the administration of each project. 34 CFR § 76.701

Ongoing monitoring occurs in the course of operations. It includes regular management and supervisory activities and other actions personnel take in performing their duties. The scope and frequency of self-monitoring depends primarily on an assessment of risks and the effectiveness of ongoing monitoring procedures.

Implementing the appropriate and required internal controls and monitoring for compliance with internal controls is one of the District's tools for self-monitoring. Any discrepancies or deficiencies detected or discovered will be immediately corrected and processes or systems put into place to ensure such discrepancies or deficiencies do not occur again.

Additionally, the District will develop a self-monitoring assessment that will be administered at the end of every year. Corrective actions, including the actions required, the persons responsible, and the target date for completion, will be developed to address any deficiencies.

B. TEA Monitoring

Risk Assessment

Pursuant to the provisions in 2 CFR § 200.331(b), TEA, as a pass-through agency, is required to evaluate each subrecipient's risk of noncompliance with federal statutes, regulations, and the terms and conditions of the award for purposes of determining the appropriate subrecipient monitoring. Accordingly, the risk assessment may include:

- The District's prior experience with the same or similar awards;
- The results of previous audits including whether or not the District receives a Single Audit in accordance with Subpart F of 2 CFR, and the extent to which the same or similar award has been audited as a major program;
- Whether the District has new personnel or new or substantially changed systems; and
- The extent and results of USDE monitoring if the District also receives federal awards directly from the USDE.

Special Conditions

Based on the evaluation of risk, TEA *must* consider imposing one or more of the following specific conditions upon the District if appropriate:

- Requiring payments as reimbursements rather than advance payments
- Withholding authority to proceed to the next phase until receipt of evidence of acceptable performance within a given period of performance
- Requiring additional, more detailed financial reports
- Requiring the District to obtain technical or management assistance
- Establishing additional prior approvals. 2 CFR § 200.207(a)

TEA is required to notify the District as to:

- The nature of the additional requirements
- The reason why the additional requirements are being imposed
- The nature of the action needed to remove the additional requirements, if applicable
- The time allowed for completions the actions, if applicable, and
- The method for requesting reconsideration of the additional requirements imposed.

TEA must promptly remove any special conditions once the conditions that prompted them have been corrected.

Identification as a High-Risk Grantee

In accordance with the provisions 2 CFR § 3474.10, TEA has the authority to identify the District as a high-risk grantee:

- Based on the results of the risk assessment;
- If the District has a history of failure to comply with the general or specific terms and conditions of a federal award;
- If the District fails to meet expected performance goals;
- If the District is not otherwise responsible.

TEA may impose one or more special conditions as needed to bring the District into compliance.

Monitoring

TEA must monitor the activities of the District as necessary to ensure that the award is used for authorized purposes, in compliance with the federal statutes, regulations, and the terms and conditions of the award; and that the award performance goals are achieved. 2 CFR § 200.331(d). Monitoring *must* include:

- Reviewing financial and programmatic reports required by TEA;

- Following up and ensuring that the District takes timely and appropriate action on all deficiencies pertaining to the award provided to the District from TEA detected through audits, on-site reviews, and other means; and
- Issuing a management decision for audit findings pertaining to the award.

Depending on the District's assessment of risk by TEA, TEA may use the following monitoring tools (not all-inclusive) to ensure proper accountability and compliance with program requirements and achievement of performance goals:

- Performing desk reviews of certain information;
- Providing the District with training and technical assistance on program-related matters;
- Performing on-site reviews of the District's program operations; and
- Arranging for agreed-upon procedures engagements as described in 2 CFR § 200.425 Audit services.

TEA will also consider taking any enforcement action (i.e., remedies for noncompliance) against the District if it is found to be in noncompliance.

IX. Audits

Audits may be conducted throughout the fiscal year by business office staff and/or regulatory agencies. Audits may include the annual financial audit, the Single Audit (federal grant funds), activity accounts, petty cash, payroll, attendance accounting, PEIMS, drop-out, state compensatory education, or other audits as deemed appropriate. The two most comprehensive audits are noted below.

A. Annual Independent Audit

An annual financial audit must be conducted by an independent CPA firm (Section 44.008 of TEC) selected by the District's Board of Trustees and reviewed by the TEA Division of Financial Audits. The annual financial audit must be submitted to the TEA Division of Financial Audits by the established deadline of 150 days after the end of the fiscal year, specifically for the district's fiscal year ending August 31st, the report shall be filed by January 28th.

The role of the CPA firm is to conduct a district-wide audit of the District's financial statements, internal control procedures, and to test transactions to determine compliance with local, state and federal regulations.

All financial transactions shall be in accordance with local, state and federal audit guidelines. The Financial Accountability System Resource Guide (FASRG) posted on the TEA website shall be utilized to ensure awareness of audit compliance areas. In addition, the OMB Circular A-133 shall be utilized to ensure awareness of audit compliance areas for all state and federal grant funds.

B. Single Audit

The Single Audit Act and OMB Circular A-133 require school districts that expend total federal financial assistance (FFA) equal to or in excess of \$500,000 in a fiscal year to have an audit performed in accordance with the Act. School districts expending less than

\$500,000 in federal financial assistance in a fiscal year are not required to have either an audit under the Single Audit Act and OMB Circular A-133 or a *program audit*, however, they must maintain records to support federal financial assistance programs and must have a financial audit performed under generally accepted auditing standards (GAAS) and *Government Auditing Standards* (GAS), also referred to as the Yellow Book. The single audit must be conducted in accordance with the United States Office of Management and Budget, OMB Circular A-133 and the OMB A-133 Compliance Supplement.

The role of the CPA is to determine the major program(s) for the fiscal year and to issue an opinion on the federal statements for the federal program(s) and test transactions to determine compliance with internal controls and federal program guidelines.

X. Programmatic Fiscal Requirements

A. Supplement, Not Supplant

Donna ISD has implemented guidelines to ensure compliance with the federal fiscal requirement of supplement, not supplant. The purpose of the procedures is to ensure that the level of state and local support for programs remains at least constant and is not replaced by federal funds. Unless otherwise stated in the guidelines of a grant, federal funds are commonly used to supplement (add to, enhance, to expand, create something new, increase) the funds available from non-federal sources, and not to supplant (replace or take the place of) the existing non-federal funds. Federal funds may be used only to supplement or augment the educational programs generally offered with state and local funds. Federal funds may be used only to provide supplemental services that would not have been provided had the federal funds not been

available. State or local funds which previously funded activities may not be diverted to another purpose simply because federal funds are now available to fund those activities. In other words, the use of federal funds may not result in a decrease in state or local funds for a particular activity, which, in the absence of the federal funds, would have been available to conduct the activity. Federal funds must supplement or augment that which must be provided by state law or State Board of Education (SBOE) rule, or any activities which have been adopted as policy by a local school board of education to fund from non-federal sources. If federal funds are used to enhance or expand a state mandate, SBOE rule, or local board policy, the federal supplementary activities must be separately identified and clearly distinguishable from the activities identified as necessary for implementing a state mandate, SBOE rule, or local board policy as outlined in the implementation plan.

B. Maintenance of Effort (MOE)

MOE is one of the fiscal requirements, similar to supplement, not supplant, that ensures that federal funds are used to provide services that are in addition to the regular services normally provided by a District. If MOE is a requirement, it will be included in the authorizing program statute. For example, for most NCLB programs, the MOE requirement is included in Title IX, General Provisions, Part E, Subpart 2, § 9521.

MOE means the District must maintain its expenditures for public education from state and local funds from year to year. A district cannot reduce its own state and local spending for public education and replace those funds with federal funds.

For most federal programs for which MOE applies, such as Title I, Part A, the District's combined fiscal effort per student, or the aggregate expenditures of the District with the respect to the provision of a free public education for the fiscal year preceding the fiscal year for which the determination is made, must be not less than 90% of the combined fiscal effort or aggregate expenditures for the second fiscal year preceding the fiscal year for which the determination is made. (Note: The MOE requirements are different for some grant programs, such as IDEA-B [Individuals with Disabilities Education Act, Part B]).

MOE is based on *actual* expenditures from State and local funds, not on budgeted amounts. The District is responsible for maintaining effort and for documenting compliance with MOE. TEA will verify the District's MOE using fiscal information obtained through the Public Education Information Management System (PEIMS) database.

Expenditures Included in the Determination of MOE

In determining whether the District has maintained fiscal effort, TEA must consider the District's expenditures from State and local funds for free public education. These include expenditures for

- administration
- instruction
- attendance services
- health services
- pupil transportation services
- operation and maintenance of plant
- fixed charges
- net expenditures to cover deficits for food services
- net expenditures to cover deficits for student body activities [34 CFR § 299.5\(d\)\(1\)](#)

TEA calculates MOE for school districts and open-enrollment charter schools. TEA includes expenditures for the following functions (specified in FAR) in determining whether the District has met the MOE requirement:

Category	Function
Instruction	11
Instructional Leadership (previously Administration)	21
Instructional Leadership (previously Administration)	12
Curriculum Development and Instructional Staff Development	13
School Leadership	23
Guidance and Counseling Services	31
Social Work Services	32
Health Services	33
Student (Pupil) Transportation	34
Deficits for Co Curricular/Extracurricular Student Body Activities	36
Deficits for Food Services	35

Category	Function
General Administration	41
Plant Maintenance and Operation	51
Data Processing Services	53

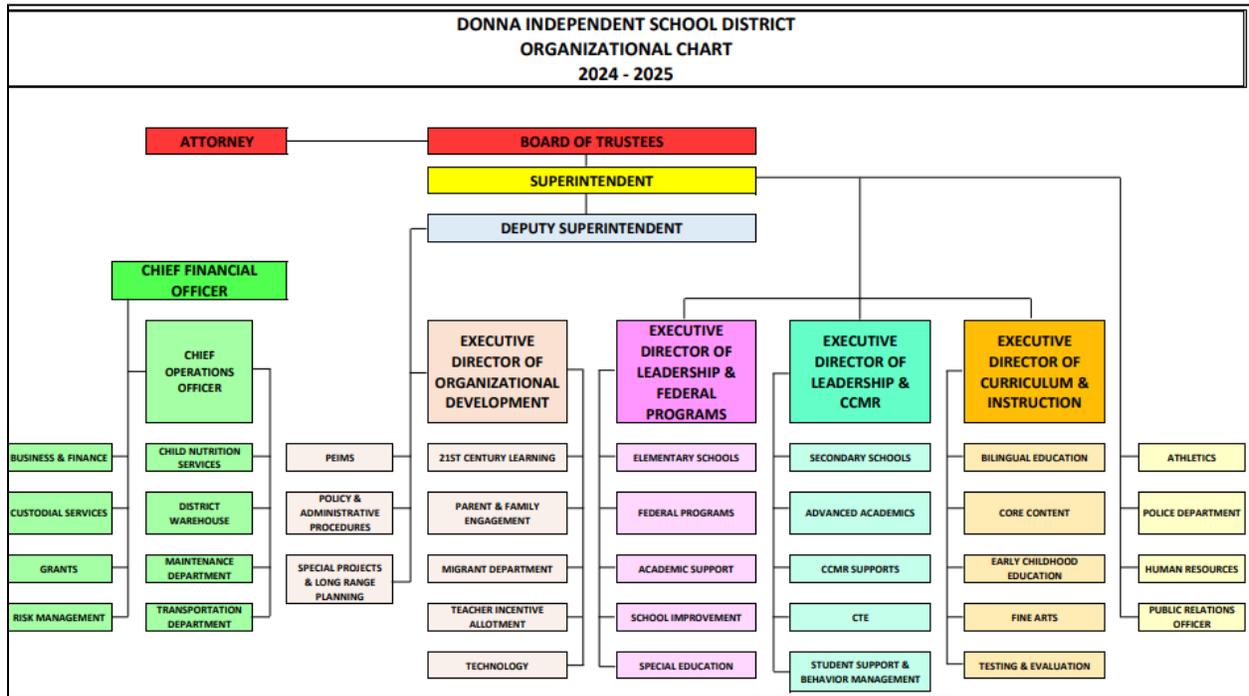
XII. Legal Authorities and Helpful Resources

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

Appendices

Appendix 1 – Organization Chart of the District



Appendix 2 – Standards of Conduct (Policy)

[DISD Employee Handbook](#)

Appendix 3 – Conflict of Interest Policy

[Conflict of Interest](#)