FAYETTEVILLE CITY SCHOOLS

Policies and Procedures

Administration of General Education Program, School Nutrition Program and

Administration of Federal Education Programs

Aligned with the Requirements of the

New Uniform Grants Guidance

Compiled 06/01/2020

Table of Contents

I. Introduction 1

II. Financial Management System 1

A. Financial Management Standards 1

Identification 1

Financial Reporting 2

Accounting Records 3

Internal Controls 3

Budget Control 8

Cash Management 8

Allowable Costs 8

B. Overview of the Financial Management/Accounting System 9

C. Budgeting 10

The Planning Phase: Meetings and Discussions 10

Before Receiving the Grant Award Letter 10

Reviewing and Approving the Budget 10

After Receiving the grant award letter 11

Amending the Budget 11

Budget Control 11

D. Accounting Records 11

E. Spending Grant Funds 12

Direct and Indirect Costs Defined 13

Determining Whether a Cost is Direct or Indirect 13

Indirect Cost Rate 13

Applying the Indirect Cost Rate 13

Determining Allowability of Costs 14

Selected Items of Cost 16

Frequent Types of Costs 19

Travel....19
Helpful Questions for Determining Whether a Cost is Allowable....20
F. Federal Cash Management Policy/Procedures....20
Payment Methods....21
Reimbursements....21
Advances....22
G. Timely Obligation of Funds....22
When Obligations are Made....22
Period of Availability of Federal Funds....23
State-Administered Grants....23
Direct Grants....23
Carryover....23
State-Administered Grants....23
Direct Grants....24
H. Program Income....24
Definition....24
Use of Program Income....25
III. Procurement System....26
A. Responsibility for Purchasing....26
B. Purchase Methods....26
Purchases up to $10,000....26
Purchases over $10,000....27
Competitive Proposals....28
Architectural/Engineering Professional Services....30
Contract/Price Analysis....30
Noncompetitive Proposals (Sole Sourcing)....31
Educational Consultants and Similar Services....31
Cost Price Analysis and Sole Source....31
C. Purchase Cards....31

D. Full and Open Competition 32
Geographical Preferences Prohibited 32
Prequalified Lists 32
Solicitation Language 33
E. Federal Procurement System Standards 33
Avoiding Acquisition of Unnecessary or Duplicative Items 33
Use of Intergovernmental Agreements 33
Use of Federal Excess and Surplus Property 33
Debarment and Suspension 34
Maintenance of Procurement Records 34
Time and Materials Contracts 34
Settlements of Issues Arising Out of Procurements 34
Protest Procedures to Resolve Dispute 35
F. Conflict of Interest Requirements 35
Standards of Conduct 35
Organizational Conflicts 35
Disciplinary Actions 36
Mandatory Disclosure 36
G. Contract Administration 36
IV. Property Management Systems 36
A. Property Classifications 36
Equipment 36
Supplies 36
Computing devices 36
Capital assets 36
B. Inventory Procedure 37
C. Inventory Records 37
D. Physical Inventory 37
E. Property/Equipment Maintenance 37

F. Lost or Stolen Items 38
G. Use of Equipment 38
H. Disposal of Equipment 38
V. Written Compensation Policies 39
A. Time and Effort 39
Time and Effort Standards 39
Time and Effort Procedures 40
Reconciliation and Closeout Procedures 40
Employee Exits 41
B. Human Resources Policies 42
VI. Record Keeping 44
A. Record Retention 44
B. Collection and Transmission of Records 44
C. Access to Records 44
D. Privacy 45
VII. Subrecipient Monitoring 46
VIII. Frequently Asked Questions 47
IX. Legal Authorities and Helpful Resources 48

I. Introduction

This manual sets forth the policies and procedures used by the Fayetteville City Schools to administer federal funds. The manual contains the internal controls and grant management standards used by the District to ensure that all federal funds are lawfully expended. It describes in detail the District's financial management system, including cash management procedures, procurement policies; inventory management protocols; procedures for determining the allowability of expenditures; time and effort reporting; record retention; and sub-recipient monitoring responsibilities.

New employees of the District, as well as incumbent employees, are expected to review this manual to gain familiarity and understanding of the District's rules and practices. If you have any questions regarding the administration of federal education grants, including questions related to specific federal grant programs, please do not hesitate to contact the applicable program office at the Tennessee Department of Education (TDOE).

II. II. Financial Management System

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

A. Financial Management Standards

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

Identification

The District must identify, in its accounts, all federal awards received and expended and the federal programs under which they were received. Federal program and award identification must include, as applicable, the CFDA title and number, federal award identification number and year, name of the federal agency, and, if applicable, name of the pass-through entity.

www.comptroller.tn.gov

Fayetteville City identifies the CFDA title and number, Federal award identification number and year, name of the Federal agency, and name of the pass-through entity, if applicable. A list of federal awards are also maintained showing a listing of all federal grants awarded by name, the grant amount awarded and the corresponding CFDA# with that particular federal grant. This is maintained on all federal grants.

Via Local Government and EPLAN the specific federal program being reviewed is correctly identified both by title/name of grant and subfund. Any corresponding report viewed or printed for a specific federal grant reflects same title towards top of page and individual identifying subfund. Revenue codes and expenditure line items used in a federal program budget are followed by the corresponding subfund for each of the federal grants received.

Financial Reporting

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

Fayetteville City maintains and has on file accurate, current, and complete disclosure of the financial results of each Federal award or program in accordance with the reporting requirements set forth in §§200.327 Financial reporting and 200.328 Monitoring and reporting program performance. All financial reports, records, files and annual audit results for federal grants are available for review and files are maintained for a minimum of ten years at current location via record retention. Fayetteville City uses proper Records Management requirements in the filing, storage, maintaining, and archiving of all federal programs and corresponding documents and records. The finance department maintains copies of annual audited financial statements which include single audit section relating to federal programs. These reports can also be found at www.comptroller.tn.gov.

(Reference Fayetteville Board Policy 2.701)

Financial Reports and Records (Policy 2.701)

Accounting Records

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

Fayetteville City maintains records that identify adequately the source and application of funds for federally-funded activities. These records contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, expenditures, and income and are supported by source documentation. Fayetteville City uses Revenue, expenditure, sub funds and reserve codes which are designated for each of the federal program funds and are used to ensure segregation and identification of program funds from other funds. All records for each federal grant include required information whether in our accounting software or printed records and are diligently maintained in the Finance Office and Federal Programs office. Printouts from the accounting software show at any given time during the fiscal year, the award (revenue) and any funds requested and received from the state. Our accounting software also provides a Statement of Expenditures and Encumbrances for each separate federal grant that shows the; account number, account description, budget, current/amended budget, MTD expenditures, YTD/current expenditures, (encumbrances/obligations), and unencumbered balances, percent of budget expenditures. The Trial Balance of each federal grant summarizes much or all of this information showing totals of revenue received, expenditures, , cash on hand, liabilities and assets.

(Reference Fayetteville Board Policy 2.701)

Financial Reports and Records

Internal Controls

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

“Internal controls” are tools to help program and financial managers achieve results and safeguard the integrity of their program. Internal controls should be designed to provide reasonable assurance that the following objectives are achieved:

- Effectiveness and efficiency of operations;
- Adequate safeguarding of property;
- Assurance property and money is spent in accordance with grant program and to further the Selected objectives; and

- Compliance with applicable laws and regulations.

INTERNAL CONTROL POLICY
FAYETTEVILLE CITY SCHOOL SYSTEM

1. PURPOSE

Internal Control is a management process for keeping an entity on course in achieving its organizational objectives. A management control system, including comprehensive internal controls, should provide reasonable assurance that entity objectives are being met. A good internal control system is necessary to assist employees in meeting all of their responsibilities.

The objectives of the Fayetteville City School System are as follows:

a. Effectiveness and efficiency of operations
b. Reliability of financial reporting
c. Compliance with the State of Tennessee Comptroller of the Treasury, Division of Municipal Audit.

Internal Controls are essential and can be best described as activities or safeguards that are in place to provide reasonable assurance that things are "going as planned". It is a process put into effect by the entity's board of directors, administration and other personnel, designed to provide reasonable assurance regarding the achievement of objective of effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations.

The purpose of this policy is to ensure accountability for financial control purposes with regard to the delegation of authority to qualified persons to initiate, approve, process and review business transactions, security measures and adequate records in the Fayetteville City School System. It also serves as the basis for holding those persons responsible for the validity, correctness and appropriateness of their actions. This policy helps to insure that employees in the office are accountable for negative results attributable to their failure to maintain reasonable internal control activities.

2. OBJECTIVES

The objective of this process is to structure an internal control system that outlines the methods and procedures that serve to safeguard the assets of the system; insure the accuracy, reliability and timeliness of financial reporting; promote compliance with policies, procedures, regulations and laws to further efficiency of operation. It is the intent of the Director of Schools that internal controls be properly employed in his office to provide reasonable assurance that only appropriate transactions are authorized, executed and recorded and that any errors are detected in a timely manner.

The Director of Schools recognizes that the consequences of weak internal controls can be inaccurate or incomplete information, the waste or misuse of assets, as well as embezzlement and theft.

Fayetteville City School System's Internal Control Policy reflects certain fundamental concepts:

a. It is a process. It is a means to an end, not an end in itself.
b. It is accomplished unilaterally by the Central Office employees. It is not merely policy, procedures and forms.
c. It can provide only reasonable, not absolute, assurance that assets and resources are safeguarded.

3. WHY ARE INTERNAL CONTROLS IMPORTANT?

There are checks and balances to support the office's mission and to help prevent fraud, waste and abuse. Internal Controls are the first line defense to prevent and detect fraud. The Fayetteville City School System needs internal controls for the following reasons:

a. Ensure mission accomplishment
b. Reduce opportunities for fraud
c. Prevent loss of funds or other resources
d. Establish standards of performance
e. Assure compliance with laws, regulations, policies and procedures
f. Preserve integrity
g. Eliminate adverse publicity
h. Insure public confidence
i. Protect school system assets
j. Promote effectiveness and efficiency of operations
k. Ensure reliability of financial reporting
l. Stay in compliance with applicable laws and regulations

4. KEY ELEMENTS OF THE FAYETTEVILLE CITY SCHOOL SYSTEM INTERNAL CONTROL POLICY

a. Separation of Duties: Duties shall be divided so that no one person has complete control over a key function or activity of the system.
b. Authorization and Approval: Proposed transactions will be authorized only when they are consistent with policy and funds are available.
c. Custodial and Security Arrangements: The responsibility for custody of assets shall be separated from the related bookkeeping.
d. Review and Reconciliation: Records shall be examined and reconciled to determine that transactions were properly processed and approved on a timely basis.
e. Physical Controls: Equipment, inventories, cash and other assets shall be secured physically, counted periodically and compared with amounts shown on control records
f. Training and Supervision: Employees shall be well-trained and supervised to ensure that control processes function properly
g. Documentation: Policies and procedures shall be adopted to promote employee understanding of job duties and ensure continuity during employee absences or turnover

h. Cost/Benefit: It shall be the goal to insure that costs associated with control processes should not exceed the expected benefits.

5. INTERNAL CONTROL RESPONSIBILITY AND ORGANIZATION

The Director of Schools is responsible for establishing specific internal control policies and procedures as is appropriate for his office. Every employee is responsible for ensuring that established internal controls are followed and applied. All personnel are responsible for communicating upward observed or suspected problems involving fraud or other improprieties involving school funds or resources.

External auditors will be utilized to review control systems for impact they have on financial reporting and compliance with requirements of external agencies.

6. SPECIFIC RESPONSIBILITY FOR INTERNAL CONTROL WITHIN THE OFFICE OF THE FAYETTEVILLE CITY SCHOOL SYSTEM

School Department funds are administered by the Central Office. All funds utilize one accounting system, i.e., all transactions are processed through the Central Office by the same employees utilizing the same accounting methods and internal control procedures. Local Government Data Processing Corporation is utilized for all funds within the accounting system; therefore, input, processing and output are uniform for all funds. System generated financial statements consist of a Balance Sheet and Statement of Operations Summary and Detail compared with budget. Also generated is a detailed account analysis which shows each revenue source, cash disbursement and journal entry. All reports are printed at least monthly. Year-to-date information can be printed for any account or for all accounts at any point in time. Cash receipt/revenue entries are designated by the letters CR, cash disbursement/expenditures are designed by the letters CD, journal entries by the letters JE and payroll entries by PA. The closing process is automated.

Central Office Employees by Function:

- Lisa Williams, CFO Payroll/Federal Bookkeeper/HR/Board Secretary
- Patricia Bean Bookkeeper General Fund /Cafeteria Funds

Revenue and Receivables:

Funds from the State of Tennessee or from Federal funds are posted and paid through Edison, which is the state computer system and followed up with a paper remittance advice. All funds are credited to the General Education bank account by ACH and are receipted into the correct revenue account as designated on Edison and/or on the remittance advice and are then posted to the appropriate revenue account through Local Government.

In the case of federal funds, those funds are first deposited to the General Education checking account by the procedures listed above and are then transferred to the federal checking account

by phone transfer by the general bookkeeper. According to state procedures, only one checking account per system can be utilized for ACH deposits.

Expenditures:

All purchases, regardless of amount, are handled by purchase orders, unless they are recurring payments. A purchase order is first requested by an employee and approved by the appropriate Supervisor and Director of Schools. Upon receipt of goods, the purchase is inventoried and all items are accounted for. A signed and dated packing slip is then sent to the Central Office stating that all items on the order have been received and payment can be made. A check is then issued when the invoice and packing slip are received by bookkeeping. All checks and invoices are approved by the Director of Schools.

Balancing of Funds:

At month-end, each bank account (those being general, federal, cafeteria and insurance) is balanced by personnel that do not have 100% control over that account. Receipts and expenditures are checked against statement amounts and any necessary corrections are made. After all bank accounts are balanced, that month is closed out through Local Government Accounting System. All month-end closing documents are reviewed by the Director of Schools.

Credit Card Purchases

The Fayetteville City School System utilizes one credit card, that being in the name of Bill Hopkins, Director of Schools. The system also maintains a Wal-Mart credit card. An open-end purchase order is issued at the beginning of each school year for the Wal-Mart account. Any Central Office employee as well as the F.A.S.T. Supervisor can use the Wal-Mart Card. Each individual must sign the card out and sign back in after use. A signed sales slip must be turned in to accounts payable.

Payroll and Related Liabilities

The Central Office processes payroll for all Fayetteville City School System full and part-time employees. The following is a brief summary of the payroll process:

- The Central Office utilizes LGDPC (Nextgen) software for processing payroll. Two payrolls are processed each month.
- Most rates of pay are determined by a scale issued by the Tennessee Department of Education. Each employee's rate of pay is adjusted during the annual budget process based on this pay scale. Rates of pay are entered by the payroll clerk at the beginning of each new school year or when an employee is hired.
- Payroll sheets are prepared by employees and submitted to their supervisor for approval.
- The payroll clerk recalculates the time sheet figures and then enters time into the computerized system and processes the payroll.
- All employees receive their payroll by direct deposit. Check stubs are issued to each employee.

- The payroll software produces several reports which are printed each month: Check register, check register by department, payroll deduction reports, payroll leave summary reports, payroll tax deposit information, quarterly 941 report summary and other miscellaneous reports.
- The LGDPC software produces summary payroll journal entries which interface with the general ledger. Payroll entries are designated on the general ledger by the letters PA.
- Payroll deduction liability accounts clear out on a monthly basis. Federal tax deposits are made by electronic transfer. All other disbursements against payroll deduction accounts are processed as described under expenditures above except that purchase orders are not typically used for these payments.

Budget Control

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

In preparing the budget for each federal grant award, each Federal Program Director always plans carefully and budgets to fully utilize in the most effective and appropriate way the exact amount of the grant award. Local Government provides comparison of expenditures with budgeted amounts for each Federal award. It also provides a Statement of Expenditures and Encumbrances for each separate federal grant that shows the current/amended budget, YTD/current expenditures, and unobligated balances. The Trial Balance of each federal grant summarizes much or all of this information showing totals of grant award, budget, and revenue received, expenditures, cash on hand, liabilities and assets. Copies are readily available for each Federal Program Director for their particular federal grants so that they may review and see the process and progress of expenditures versus budget at any given time. Also, each program director can contact the finance department at any time to receive updated reports.

Cash Management

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

Fayetteville maintains procedures required to implement the requirements of 200.305 – Payment. These written procedures describe the method that Fayetteville uses (Tennessee is a reimbursement state) for cash management control. These procedures serve to minimize time elapsing between reimbursement request and disbursement to comply with Cash Management Improvement Act (CMIA) and EDGAR.

PROCEDURE FOR CASH MANAGEMENT AND TO DETERMINE DRAWDOWNS NEEDED FOR FEDERAL FUNDS:
• Funds are requested on a reimbursement basis as required. Request for funds is performed after purchase order is issued, order is placed, item is received and packing slip is signed and received by central office personnel and/or after payment is made.

Allowable Costs

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

All requisitions are in compliance with grants guidance for allowable costs and approved by the federal program directors. (below is from eCFR rules) Fayetteville uses these factors that affect allowability of costs: Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards: (below copied from eCFR) (a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles. (b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items. (c) Be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the non-Federal entity. (d) Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost. (e) Be determined in accordance with generally accepted accounting principles (GAAP), except, for state and local governments as otherwise provided for in this part. (f) Not be included as a cost or used to meet cost sharing or matching requirements of any other federally-financed program in either the current or a prior period. See also §200.306 Cost sharing or matching paragraph (b). (g) Be adequately documented. See also §§200.300 Statutory and national policy requirements through 200.309 Period of performance of this part

(Refer to Board policy 2.800)

http://images.pcmac.org/Uploads/TennesseeSBA/TennesseeSBA/Departments/DocumentsCategories/Documents/2800_45.pdf

B. Overview of the Financial Management/Accounting System

Fayetteville School System uses Local Government Data Processing Software to maintain all aspects of the systems financial records and reporting. While this system interacts with our purchasing procedures, it does not interact with inventory. The inventory systems is maintained at the School Board level for all District funds, whether federal, state, or local. The Federal Bookkeeper does both the maintenance, tracking and accounts payable for all federal funds. Pursuant to 2 C.F.R. § 200.302, the Federal Bookkeeper maintains a list that shows the CFDA title and number, federal award identification number and year, name of the federal agency, and, if applicable, name of the pass-through entity. As stated previously, through our accounting software a specific federal program is correctly identified both by title/name of grant and subfund. Any corresponding report viewed or printed for a specific federal grant reflects same title towards top of page and individual identifying subfund. Revenue codes and expenditure line items used in a federal program budget are followed by the corresponding subfund for each of the federal grants received. Here are the steps showing when a budget is loaded onto system: • State reviews and approves federal budget(s) and/or consolidated application in ePlan. • Budget is sent to local Board of Education for approval at next scheduled meeting. • After budget is approved by State and local Board of Education, budget is loaded onto system by Federal Bookkeeper by doing a Budget Entry or BG. The finance department and Federal Bookkeeper is responsible for managing budgets and accounts payable for each federal program. The Federal Programs Bookkeeper is responsible to preparing timely and accurate financial reports. Reports are submitted to Federal Program Directors on a monthly basis or if requested at any time. They use these reports to review progress and activity in those federal programs. Reports are also filed as needed with the State in accordance to deadlines and requirements set forth by the Federal Programs Office, TDOE; and also as specified by the reporting clause of each grant or contract award

document. Financial reports reflect monthly and cumulative expenditures, original and amended project budgets, and column showing unencumbered balance.

(Refer to Board policy 2.7)

Accounting System

C. Budgeting

The Planning Phase: Meetings and Discussions

Before Receiving the Grant Award Letter: It is customary for Federal Program Directors and the Finance Dept. to work in conjunction with one another to review, discuss, prepare and initiate budgets for each specific federal grant. This must occur before the grant award takes place to make ready for the budget process and submission. The federal programs begin their preparation for the budget development in the spring based on the current grant award. The department heads and principals meet with the Director of Schools and Director of Finance to make projections and discuss needs. The individual schools and departments complete a needs assessment and submit to specific federal supervisors. A system wide strategic plan is developed as well as individual school plans which drives our funding recommendations. Fayetteville School Board Policy address the following aspect of fiscal management: Annual Operating Budget:
(Refer to Board Policy 2.200)

http://images.pcmac.org/Uploads/TennesseeSBA/TennesseeSBA/Departments/DocumentsCategories/Documents/2200F.pdf

Reviewing and Approving the Budget: By early spring, the department heads and principals meet with the Director of Schools to review the items in the budget to ensure allowability if/when approved. If the federal programs supervisor determines that a cost is not allowable, then appropriate adjustments are made to meet allowability. Fayetteville City Schools Federal Programs Budget Procedures: Federal Program Directors are responsible for preparing the preliminary budget each spring and the final budget each fall for submission to the State of Tennessee Dept. of Ed. The original budget and budget amendments are filed with/by the appropriate corresponding Federal Program. Once a federal program original budget or amendment has been fully approved by the State and local Board of Education, the Federal Bookkeeper, will do a Budget Entry (BG) and enter it into the accounting program for tracking.

(Refer to Board Poliicy 2.200)

Annual Operating Budget

After Receiving the grant award letter

Upon the receipt of the grant letter, the department heads work with personnel to oversee the implementation of the grant project (i.e. finance, principals, teachers, etc.).

Amending the Budget

Federal Program Supervisors are responsible for the budget and any budget amendment; and for line item transfers and transfers between major budget categories as needed after periodically reviewing budget needs. These amendments are submitted to the State for approval by the appropriate Federal Program Director. The original budget and budget amendments are filed with/by the appropriate corresponding Federal Program Director. Once a federal program original budget or amendment has been fully approved by the State, the Federal Bookkeeper, will do a Budget Entry (BG) and enter it into the accounting program for tracking. Budget, amendments, addendums and/or changes are prepared by the appropriate Federal Programs Director on ePlan and must be approved by the district fiscal representative, the state, the director of schools.

Budget Control

The District monitors its financial performance by comparing and analyzing actual results with budgeted results.

Throughout the year, the Federal Program Supervisors can request print outs. This is repeated several times up and until the end of the fiscal year so that each Federal Program Director can analyze what they have spent, plan on spending and all the factors that need to be considered for their budget. Reports can be made up of: Statement of Expenditures and Encumbrances, Account Analysis, List of Current PO's, etc. All records for each federal grant are diligently maintained by each Federal Program Supervisor and the Federal Funds Bookkeeper. Printouts from Local Government show at any given time during the fiscal year, the award (revenue) and any funds requested and received from the state. Local Government software also provides a Statement of Expenditures and Encumbrances for each separate federal grant that shows the current/amended budget, YTD/current expenditures, and unobligated balances.

D. Accounting Records

All Federal funds are administered by the Federal Funds Bookkeeper. All funds utilize one accounting system. Local Government Data Processing Corporation – LGDPC is utilized for all funds within the accounting system; therefore, input, processing, and output are uniform for all funds. System generated

financial statements consist of a Balance Sheet and Statement of Operations Summary and Detail compared with budget. The system also generates a detailed account analysis/general ledger which shows each revenue source, disbursement, and journal entry. Other detail reports include a listing of trustee receipts by classification, cash disbursements, and general journal entries. Year-to-date information can be printed for any account or for all accounts at any point in time. Cash receipt/revenue entries are designated by the letters CR, cash disbursements/expenditures/expenses by the letters CD, and journal entries by the letters JE. (Reference Internal Control Policies and Procedures)

DEFINITION OF ACCOUNTS: (GAAFR – Governmental Accounting, Auditing, and Financial Reporting by Stephen J Gauthier)

• Assets – Resources with present service capacity that the government presently controls. The term "control" refers to a government's ability:

• To utilize a resource's present service capacity; and

• To determine the nature and manner of its use. Control does not have to be absolute for this purpose. For example, grant-acquired equipment that must be used for a particular program could still be classified as an asset, despite the restriction. Control normally results from legal ownership (Ex: title to land) or from contractual rights (easement). Control must result from a past event (tax levy) than an inherent power (ability to tax).

• Liabilities – Present obligations to sacrifice resources that the government has little or no discretion to avoid. The concept of avoidability is crucial – an obligation that can be avoided is not a liability. Normally an obligation will be deemed unavoidable because it is legally enforceable:

• Either pursuant to contract (payables); or

• As a result of third-party legislation (environmental regulations).

• Revenues (Receivables) –Revenue is considered to be "available" when it is "collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period."

• Expenses - the cost required for activity, service or item. Expenditure recognition, using modified accrual basic rule, salaries, professional services, supplies, utilities, travel, and similar items are recognized as expenditures in the period in which the government receives the goods or services.

(Reference Internal Control Policies and Procedures)

E. Spending Grant Funds

The process used to determine what items (i.e., goods and services) should be included in the budget is based on needs assessment conducted by staff at the school and district levels. Funds are used to support the goals in school plans that correlate with district level strategic plan. While developing and reviewing the grant budget, the federal programs should keep in mind the difference between direct costs and indirect costs.

Direct and Indirect Costs Defined

Determining Whether a Cost is Direct or Indirect: Direct costs are those costs that can be identified specifically with a particular final cost objective, such as a federal award, or other internally or externally funded activity, or that can be directly assigned to such activities relatively easily with a high degree of accuracy. 2 C.F.R. § 200.413(a). Indirect costs are those that have been incurred for a common or joint purpose benefitting more than one cost objective, and not readily assignable to the cost objectives specifically benefitted, without effort disproportionate to the results achieved. 2 C.F.R. § 200.56. Costs incurred for the same purpose in like circumstances must be treated consistently as either direct or indirect costs. 2 C.F.R. § 200.413(a).

Identification with the federal award rather than the nature of the goods and services involved is the determining factor in distinguishing direct from indirect costs of Federal awards. Typical costs charged directly to a Federal award are the compensation of employees who work on that award, their related fringe benefit costs, the costs of materials and other items of expense incurred for the Federal award. 2 C.F.R. § 200.413(b). The salaries of administrative and clerical staff should normally be treated as indirect costs. Direct charging of these costs may be appropriate only if all of the following conditions are met:

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

Indirect Cost Rate: TDOE approves indirect cost rates for one year.

Applying the Indirect Cost Rate: Once the District has an approved indirect cost rate, the percentage is multiplied against the actual direct costs (excluding distorting items such as equipment, contracts in excess of $25,000, pass-through funds, etc.) incurred under a particular grant to produce the dollar amount of indirect costs allowable to that award. 34 C.F.R § 75.564; 34 C.F.R. § 76.569. Once the District applies the approved rate, the funds that may be claimed for indirect costs have no federal accountability and may be used as if they were non-federal funds. For Direct Grants, reimbursement of indirect costs is subject to the availability of funds and statutory or administrative restrictions. 34 C.F.R. § 75.564.

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

Determining Allowability of Costs

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

When determining how the District will spend its grant funds, Supervisors 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 good or service. All costs supported by federal education funds must meet the standards outlined in EDGAR, 2 C.F.R. § 200.403, which are provided in the bulleted list below. The Federal Supervisor must consider these factors when making an allowability determination.

- **Be Necessary and Reasonable for the performance of the federal award.** District staff must consider these elements when determining the reasonableness of a cost. A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision to incur the cost was made. For example, reasonable means that sound business practices were followed, and purchases were comparable to market prices.

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

  While 2 C.F.R. § 200.404 does not provide specific descriptions of what satisfies the "necessary" element beyond its inclusion in the reasonableness analysis above, necessary is determined based on the needs of the program. Specifically, the expenditure must be necessary to achieve an important program objective. A key aspect in determining

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

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

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

- **Consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the District.**

- **Conform to any limitations or exclusions set forth as cost principles in Part 200 or in the terms and conditions of the federal award.**

- **Consistent treatment.** A cost cannot be assigned to a federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been assigned as an indirect cost under another award.

- **Adequately documented.** All expenditures must be properly documented.

- **Be determined in accordance with general accepted accounting principles (GAAP), unless provided otherwise in Part 200.**

- **Not included as a match or cost-share, unless the specific federal program authorizes federal costs to be treated as such.** Some federal program statutes require the non-

federal entity to contribute a certain amount of non-federal resources to be eligible for the federal program.

- **Be the net of all applicable credits.** The term "applicable credits" refers to those receipts or reduction of expenditures that operate to offset or reduce expense items allocable to the federal award. Typical examples of such transactions are: purchase discounts; rebates or allowances; recoveries or indemnities on losses; and adjustments of overpayments or erroneous charges. To the extent that such credits accruing to or received by the state relate to the federal award, they shall be credited to the federal award, either as a cost reduction or a cash refund, as appropriate. 2 C.F.R. § 200.406.

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

Selected Items of Cost

Part 200 examines the allowability of 55 specific cost items (commonly referred to as Selected Items of Cost) at 2 C.F.R. §§ 200.420-200.475. These cost items are listed in the chart below along with the citation where it is discussed whether the item is allowable. Please do not assume that an item is allowable because it is specifically listed in the regulation as it may be unallowable despite its inclusion in the selected items of cost section. The expenditure may be unallowable for a number of reasons, including: the express language of the regulation states the item is unallowable; the terms and conditions of the grant deem the item unallowable; or State/local restrictions dictate that the item is unallowable. The item may also be unallowable because it does not meet one of the cost principles, such as being reasonable because it is considered too expensive. If an item is unallowable for any of these reasons, federal funds cannot be used to purchase it.

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

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

Item of Cost	**Citation of Allowability Rule**
Advertising and public relations costs	2 C.F.R. § 200.421
Advisory councils	2 C.F.R. § 200.422

Alcoholic beverages	2 C.F.R. § 200.423
Alumni/ae activities	2 C.F.R. § 200.424
Audit services	2 C.F.R. § 200.425
Bad debts	2 C.F.R. § 200.426
Bonding costs	2 C.F.R. § 200.427
Collection of improper payments	2 C.F.R. § 200.428
Commencement and convocation costs	2 C.F.R. § 200.429
Compensation – personal services	2 C.F.R. § 200.430
Compensation – fringe benefits	2 C.F.R. § 200.431
Conferences	2 C.F.R. § 200.432
Contingency provisions	2 C.F.R. § 200.433
Contributions and donations	2 C.F.R. § 200.434
Defense and prosecution of criminal and civil proceedings, claims, appeals and patent infringements	2 C.F.R. § 200.435
Depreciation	2 C.F.R. § 200.436
Employee health and welfare costs	2 C.F.R. § 200.437
Entertainment costs	2 C.F.R. § 200.438
Equipment and other capital expenditures	2 C.F.R. § 200.439
Exchange rates	2 C.F.R. § 200.440
Fines, penalties, damages and other settlements	2 C.F.R. § 200.441
Fund raising and investment management costs	2 C.F.R. § 200.442
Gains and losses on disposition of depreciable assets	2 C.F.R. § 200.443
General costs of government	2 C.F.R. § 200.444
Goods and services for personal use	2 C.F.R. § 200.445
Idle facilities and idle capacity	2 C.F.R. § 200.446
Insurance and indemnification	2 C.F.R. § 200.447
Intellectual property	2 C.F.R. § 200.448
Interest	2 C.F.R. § 200.449
Lobbying	2 C.F.R. § 200.450
Losses on other awards or contracts	2 C.F.R. § 200.451
Maintenance and repair costs	2 C.F.R. § 200.452
Materials and supplies costs, including costs of computing devices	2 C.F.R. § 200.453
Memberships, subscriptions, and professional activity costs	2 C.F.R. § 200.454
Organization costs	2 C.F.R. § 200.455
Participant support costs	2 C.F.R. § 200.456
Plant and security costs	2 C.F.R. § 200.457
Pre-award costs	2 C.F.R. § 200.458
Professional services costs	2 C.F.R. § 200.459
Proposal costs	2 C.F.R. § 200.460
Publication and printing costs	2 C.F.R. § 200.461
Rearrangement and reconversion costs	2 C.F.R. § 200.462
Recruiting costs	2 C.F.R. § 200.463
Relocation costs of employees	2 C.F.R. § 200.464
Rental costs of real property and equipment	2 C.F.R. § 200.465

Scholarships and student aid costs	2 C.F.R. § 200.466
Selling and marketing costs	2 C.F.R. § 200.467
Specialized service facilities	2 C.F.R. § 200.468
Student activity costs	2 C.F.R. § 200.469
Taxes (including Value Added Tax)	2 C.F.R. § 200.470
Termination costs	2 C.F.R. § 200.471
Training and education costs	2 C.F.R. § 200.472
Transportation costs	2 C.F.R. § 200.473
Travel costs	2 C.F.R. § 200.474
Trustees	2 C.F.R. § 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 must consult federal, State and District requirements when spending federal funds. For example, often the State's travel rules are more restrictive than federal rules, which means the State's policies must be followed.

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

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

Fayetteville Board Policies address the following aspects of fiscal management:

Gifts and Bequests: (Board Policy 2.401)

Investment Earnings: (Board Policy 2.402

Bonded Employees: (Board Policy 2.600)

Audits: (Board Policy 2.703)

Expenses and Reimbursements: (Board Policy 2.804)

Student Activity Funds Management: (Board Policy 2.900)

Special Use of School Vehicle: (Board Policy 3.402)

Insurance Management: (Board Policy 3.600)

Compensation Guides and Contracts: (Board Policy 2.808)

Awards and Scholarships: (Board Policy 6.708)

Student Fees and Fines: (Board Policy 6.709)

Frequent Types of Costs

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

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

FAYETTEVILLE WRITTEN TRAVEL POLICY AND REIMBURSEMENT PROCEDURES

(Reference: Board Policies, Fayetteville Fiscal Management, Section 2.0, Descriptor Code 2.804, Descriptor Term – Expenses and Reimbursements)

Expenses and Reimbursements

All school personnel and board members will follow the travel policy and reimbursement procedures of the Fayetteville Financial Management Policies and Procedures Manual.
SCHOOL PERSONNEL School personnel who incur expenses in carrying out their authorized duties will be reimbursed upon submission of an approved voucher and supporting receipts. Expenses for travel will be reimbursed when the travel has the advance authorization of the director of schools. The director of schools may grant this authorization without prior board action when the travel expense has been anticipated and incorporated into the operational budget of the particular program involved. The Board shall be responsible for all expenses pertaining to staff development. Student activity funds shall not be used for this purpose.
BOARD MEMBERS The members of the board shall be paid for transportation, lodging, meals (at state rate) and other pertinent expenses when traveling on business for the Board. Salary and other benefits shall be determined by the Board of Mayor and Aldermen. 2 Attendance at conventions or other educational meetings or travel for other school purposes shall be authorized in advance by the Board. 3 Expenses shall be submitted to the Director of Schools' office within thirty (30) days of the date of completion of such travel. The rate of payment shall be comparable to other city boards. Spouses may

accompany board members; however, all additional expenses incurred by the spouse shall be paid by the board member.

Helpful Questions for Determining Whether a Cost is Allowable

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

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

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

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

F. Federal Cash Management Policy/Procedures

The District will comply with applicable methods and procedures for payment that minimize the time elapsing between the transfer of funds and disbursement by the District, in accordance with the Cash Management Improvement Act at 31 C.F.R. Part 205. Generally, the District receives payment from the TDOE on a reimbursement basis. 2 C.F.R. § 200.305. However, if the District receives an advance in federal grant funds, the District will remit interest earned on the advanced payment quarterly to the federal agency. The District may retain interest amounts up to $500 per year for administrative expenses. 2 C.F.R. § 200.305(b)(9).

According to guidance from the U.S. Department of Education (ED), when calculating the interest earned on ED grant funds, in any situation where the State draws from the G5 system in advance of the District

using non-federal funds to pay vendors and/or employees, the only events and dates that are relevant are: 1) the date on which the federal grant funds are drawn down by the State; and 2) the date on which those funds are disbursed by the District. Any interest earned on those funds while on-deposit in the District's bank account after drawdown and before disbursal must be included in the interest earned calculation.

Payment Methods

Reimbursements: All reimbursements are based on actual disbursements, not on obligations. The District may initially charge federal grant expenditures to nonfederal funds.

The District **Federal Funds Bookkeeper** will request reimbursement for actual expenditures incurred under the federal grants **at least monthly**. Reimbursement requests will be submitted via ePlan. All reimbursements are based on actual disbursements, not on obligations. By using ePlan, all federal requests for reimbursements are tied to budget line items. The Federal Bookkeeper enters the information after working through several steps to determine an accurate estimation of amount to be requested which will be compared to ePlan calculation. The request is generated by entering current YTD expenditures into ePlan for a specific federal grant which directly reflects back to the current approved budget with the state. The program does not allow for any request over the current budget for any line item expenditure. (Please reference procedures for Cash Management previously listed)

Consistent with state and federal requirements, the District will maintain source documentation supporting the federal and will make such documentation available for the TDOE review upon request.

- Requisitions – shows approval by applicable Federal Director/Supervisor
- Purchase orders – shows approval by Federal Director/Supervisors and Director of Schools
- Invoices
- Packing slips – showing receipt of items and signed/dated by receiver
- Check stub
- Check register
- Requests for Reimbursement documentation (including ePlan reports)
- Receivable Warrants
- Payroll stubs – on software and available to employee through software "Five Points"
- Timesheets
- Payroll reports/registers
- Month End and Year End close out reports

Reimbursements of actual expenditures do not require interest calculations.

Advances: To the extent the District receives advance payments of federal grant funds, the District will strive to expend the federal funds on allowable expenditures within 72 hours of receipt. The District will hold federal advance payments in interest-bearing accounts, unless an allowable exception applies. The District will calculate interest earned on cash balances after 72 hours of receipt of advance payments.

Fayetteville does not anticipate any instances of holding advance payments of federal funds more than 72 hours. In the event an advance payment is held longer than 72 hours, Fayetteville Schools does not anticipate the accumulation of interest exceeding 72 hours reaching $500 over a 12 month period.

Interest will be calculated quarterly by taking the advance payment amount held over 72 hours and multiplying this amount by an average interest rate time the number of day's interest was earned exceeding 72 hours. tal federal grant cash balances will be calculated on cash balances per grant and applying the District's average interest rate. The District may retain up to $500 of interest earned per year. Within 30 days of the end of the quarter, the District will remit interest earned on U.S. Department of Education grants in excess of $500 to Department of Health and Human Services Payment Management System, Rockville, MD 20852. If over a 12 month period the county determines interest earned on advanced payment held over 72 hours exceeds $500 over 12 months, will cut check.

G. Timely Obligation of Funds

When Obligations are Made

Obligations are 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. 34 C.F.R. § 200.71

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

If the obligation is for:	**The obligation is made:**
Acquisition of property	On the date which the District makes a binding written commitment to acquire the property
Personal services by an employee of the District	When the services are performed
Personal services by a contractor who is not an employee of the District	On the date which the District makes a binding written commitment to obtain the services
Public utility services	When the District receives the services
Travel	When the travel is taken
Rental of property	When the District uses the property
A pre-agreement cost that was properly approved by the Secretary under the cost principles in 2 C.F.R. part 200, Subpart E- Cost Principles.	On the first day of the project period.

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

Period of Availability of Federal Funds

All obligations must occur on or between the beginning and ending dates of the grant project. 34 C.F.R. § 76.707. This period of time is known as the period of availability. The period of availability is dictated by statute and will be indicated in the grant award letter. Further, certain grants have specific requirements for carryover funds that must be adhered to.

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

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

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

Carryover

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

The district Final Expenditure Report (FER) is reconciled and submitted to TDOE via ePlan. Any carryover funds are automatically transferred to the current grant application to be budgeted prior to expending. For programs with carryover limitations (i.e. ESEA Title I, Title III) a carryover waiver request letter will be submitted to TDOE when the carryover exceeds the cap. FER's or Final Expenditure Reports are entered and completed by the Federal Bookkeeper for all state and federal grants in ePlan forFayetteville. Grants

subject to carryover are Title I, Title II, Title III, Title Vi, IDEA and Preschool. Federal grant Carl Perkins is not subject to carryover and any funds not obligated or expensed by 06/30 will be released once FER is completed in ePlan. Fayetteville makes a concerted effort to meet all carryover limitations and full and proper expense of grants not subject to carryover.

Direct Grants: Grantees receiving direct federal grants are not covered by the 12 month Tydings period, i.e. ESEA-Title VI, SRSA. However, under 2 C.F.R. § 200.308, direct grantees enjoy unique authority to expand the period of availability of federal funds. The District is authorized to extend a direct grant automatically for one 12-month period. Prior approval is not required in these circumstances; however, in order to obtain this extension, the District must provide written notice to the federal awarding agency at least 10 calendar days before the end of the period of performance specified in the award. This one-time extension may not be exercised merely for the purpose of using unobligated balances.

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

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

H. Program Income

Definition

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

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

Use of Program Income

The default method for the use of program income for the District is the deduction method. 2 C.F.R. § 200.307(e). Under the deduction method, program income is deducted from total allowable costs to determine the net allowable costs. Program income will only be used for current costs unless the District is otherwise directed by the federal awarding agency or pass-through entity. 2 C.F.R. § 200.307(e)(1). The LEA may also request prior approval from the federal awarding agency to use the addition method. Under the addition method, program income may be added to the Federal award by the Federal agency and the non-Federal entity. The program income must then be used for the purposes and under the conditions of the Federal award. 2 C.F.R. § 200.307(e)(2).

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

Fayetteville does not anticipate having any program income from any of our federal programs.

III. Procurement System

The District maintains the following purchasing procedures.

A. Responsibility for Purchasing

Fayetteville School Board Policies address the following aspects of fiscal management:

Expenditure of Funds:

https://tsbanet-my.sharepoint.com/:w:/g/personal/policy_tsba_net/ER7FUaet3zNJu8liTGNhd3ABntICbSjpr0KoW3Dp-X9U2w?e=V8I1Qz&wdLOR=cDAB61218-C306-4F3B-87E7-DC0607A1DBD5

Purchasing/Purchasing Authority:

https://tsbanet-my.sharepoint.com/:w:/g/personal/policy_tsba_net/ESviRkcHCBZEnCIXNh0Ao6oBIrvUDGNZgMHrthH5LZlAoA?e=aLnydX

Fayetteville School District maintains written policies and procedures to address all aspects of purchasing.

• Federal Program Director initiates purchase through submission and approval by signature of a requisition with required documentation.

• Federal Bookkeeper receives the requisition, reviews for funds availability, assures proper documentation and information are provided. Purchasing Agent enters and prints Purchase Order and submits for final approval.

• Director of Schools and Federal Program Director signs the Purchase Order.

• Completed Purchase Order is routed back to Supervisor for order

B. Purchase Methods

The type of purchase procedures required depends on the cost of the item(s) being purchased. **Note, if state or local procurement policy is more restrictive than the federal purchase methods below, districts must always follow the most restrictive policy.**

Purchases up to $10,000

Tennessee Code Annotated (T.C.A.) allows a district to choose to follow the prescribed purchasing procedures of the district's local governing body, or to develop its own policies and procedures and purchase all supplies, furniture, fixtures, and material of every kind through the executive committee.

T.C.A. § 49-2-203(a)(3)(B) states, "If the LEA chooses not to follow the local governing body's purchasing procedures, all purchases of less than ten thousand dollars ($10,000) may be made in the open market without newspaper notice, but shall, whenever possible, be based upon at least three (3) competitive bids."

Bids and Quotations

(Board Policy 2.806)

http://images.pcmac.org/Uploads/TennesseeSBA/TennesseeSBA/Departments/DocumentsCategories/Documents/2806_46.pdf

All purchases of ten thousand dollars ($10,000) or less, including those of individual schools, may be made in the open market without newspaper notice, but shall, whenever possible, be based on at least three (3) competitive bids. The lowest and/or best bid shall be accepted, provided the purchaser reserves the right to reject any or all bids or any part of any bid and, if applicable, to accept that bid which is best as evidenced by reasons relative to the purpose of the purchase. Any bid may be withdrawn prior to the scheduled time for the opening of bids. Any bid received after the time and date specified shall not be considered. The bidder to whom the award is made may be required to enter into a written contract. The practice of splitting an order or dividing items to be purchased in order to avoid the use of bidding or other purchasing procedures is prohibited.

Purchases over $10,000

Tennessee Code Annotated (T.C.A.) allows a district to choose to follow the prescribed purchasing procedures of the district's local governing body, or to develop its own policies and procedures and purchase all supplies, furniture, fixtures, and material of every kind through the executive committee.

Regarding purchases estimated to exceed ten thousand dollars ($10,000), T.C.A. § 49-2-203(a)(3)(A) states "All expenditures for such purposes may follow the prescribed procedures of the LEA's respective local governing body, so long as that body, through its charter, private act or ordinance has established a procurement procedure that provides for advertisement and competitive bidding, except that, if a newspaper advertisement is required, it may be waived in case of emergency. If the LEA chooses not to follow the local governing body's purchasing procedures, all expenditures for such purposes estimated to exceed ten thousand dollars ($10,000) or more shall be made on competitive bids, which shall be solicited by advertisement in a newspaper of general circulation in the county, except that the newspaper advertisement may be waived in the event of an emergency. School districts that have a purchasing division may use a comprehensive vendor list for the purpose of soliciting competitive bids; provided, further, that the purchasing division shall periodically advertise in a newspaper of general circulation in the county for vendors and shall update the list of vendors following the advertisement."

Regarding purchases less than ten thousand dollars ($10,000) T.C.A. § 49-2-203(a)(3)(B) states "If the LEA chooses not to follow the local governing body's purchasing procedures, all purchases of less than ten thousand dollars ($10,000) may be made in the open market without newspaper notice, but shall, whenever possible, be based upon at least three (3) competitive bids."

Board Policy 2.806

http://images.pcmac.org/Uploads/TennesseeSBA/TennesseeSBA/Departments/DocumentsCategories/Documents/2806_46.pdf

All purchases of supplies, materials, equipment, and contractual services in excess of ten thousand dollars ($10,000), including those of individual schools, shall be based on competitive bids. These bids shall be solicited by advertisement in a newspaper of general circulation within the school system. However, said newspaper advertisement may be waived by the purchasing agent in an emergency. The purchasing agent shall advertise for bids and receive quotations.1

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

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

For competitive proposals, EDGAR requires recipients to have a written method for conducting technical evaluations of the proposals received and for selecting recipients.

EXEMPTIONS FROM COMPETITIVE BIDDING Contracts for legal services, educational consultants, insurance purchased through a plan authorized and approved by any organization of governmental entities representing cities and counties2 and similar services by professional persons or groups of high ethical standards shall not be based upon competitive bids but shall be awarded on the basis of recognized competence and integrity.

• Supervisor or Federal Program Director submits a request with minimum specifications.
• Specifications: Quality is as important as price. Quality buying or value analysis is defined as the purchase of goods, supplies, materials, equipment, or services which fulfill but do not exceed the requirements of the intended purpose at the lowest price. Specifications should adequately and clearly define the minimum requirements of the item to be purchased in order to receive the maximum number of bidders. Detailed specifications will be developed for all projects and all items to be bid. Specifications using manufacturer's brand name, brand, and catalog or model number can be adequate. If more than one manufacturers' product meets the specification, the minimum features to be accepted will be specified,

and the provision “or equal” or similar qualifying words will be part of the specifications. Formal bidding procedures (soliciting bids):

• General requirements – bids will be solicited from enough qualified sources to assure full and free competition for procurement of required supplies or services.

• Method for soliciting bids – Finance Director or designee will put announcements of proposed procurements as a paid advertisement in newspapers only when the amount exceeds $25,000. Finance Director or designee will mail, fax or deliver invitations for bid to prospective bidders and will also display copies.

• A copy of invitation to bid will be furnished to the supervisor or Federal Program Director for their inspection and appraisal.

• A record will be kept of the distribution of invitations for bid in the Finance Department.

• Bids will be received, handled, and protected in a manner that will prevent fraud and preserve the integrity of the County’s competitive bidding system. As bids are received in the Finance Department, they will be placed in a file until time for the bid opening. Sealed bids will not be opened, read, or in any manner made public until the time set for opening. The exception is when a sealed bid is received without proper identification on the envelope and may be opened for identification purposes. The bid will be immediately resealed, and no information obtained from the bid will be disclosed. An explanation of why the bid was opened, signed by the person who opened it, with date and hour received will be placed on the envelope. Each bid envelope received will be time stamped or have Lincoln County UGG Manual Page | 65 written on it in ink, the date and hour of actual receipt. The notation will be signed by the person entering the information on the envelope.

• No oral, telephone, or faxed bids will be accepted on formal advertised bids. A late hand carried bid or any other late bid not submitted by mail will not be accepted. All formal invitations to bid specify a date, hour, and location of the public opening. Each vendor will be responsible for seeing that his bid arrives in time to be considered. Incorrect filing, mailing, or lateness resulting from the US Post Office will not be an excuse and such bids will not be accepted. The bidder will be notified of his late bid, and the late bid will be returned unopened.

• In order to be considered, bids will be filled out, executed and submitted in accordance with the instructions accompanying the bid form and in sufficient time to reach the designated office at or before time fixed for the bid opening.

• At the bid opening, all bids received will be publicly opened and read aloud by the official designated to open the bids. Bids will be recorded using a Competitive Bid Summary Form. They may be recorded as they are opened and read or after they are read. Formal bid acceptance criteria:

• Bids will be evaluated to determine the lowest responsible bid.

• All pricing will be checked for accuracy.

• The selection of the bid for award is the lowest, responsible (best) bid that meets the bid specification(s). When the lowest bid received is not awarded, the Finance Director will write a memo of justification and place in the appropriate bid file. Each bid will be carefully evaluated as to quality, price, delivery, and service, and the report will give complete details on why the low bid should be waived. The final decision for bids rests with the Finance Director and the appropriate supervisor or Federal Program Director. The bid will then be forwarded to the Board of Education for approval/final award.

• Equal Low Bid – Tie Bid: Quality and service being equal, identical bids will be decided in favor of the local vendor.

• If a bidder does not conform in accordance with the bid conditions or specifications or if it is found that the bidder had intentionally violated these policies and regulation, they may be removed from the official bid list until the violations are remedied to the satisfaction of all officials/parties concerned.
• Vendors' discounts will be considered in determining the low bidder.
• No employee will split an order, divide the items to be purchased, or use similar practices to avoid the sealed bidding procedures.

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

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

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

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

Purchasing/Purchasing Authority:
https://tsbanet-my.sharepoint.com/:w:/g/personal/policy_tsba_net/ESviRkcHCBZEnCIXNh0Ao6oBIrvUDGNZgMHrthH5LZlAoA?e=aLnydX

Bids and Quotations:
https://tsbanet-my.sharepoint.com/:w:/g/personal/policy_tsba_net/EVaRa6jTcwlJuNpv6F_SJm8BzlTjqgeaiCqFY-xZWUa-wA?e=En5EEB

Requisitions:
http://images.pcmac.org/Uploads/TennesseeSBA/TennesseeSBA/Departments/DocumentsCategories/Documents/2807_41.pdf

Purchase Orders and Contract:
http://images.pcmac.org/Uploads/TennesseeSBA/TennesseeSBA/Departments/DocumentsCategories/Documents/2808_45.pdf

Noncompetitive Proposals (Sole Sourcing)

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

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

Educational Consultants and Similar Services: In order to procure educational consultants in accordance with T.C.A. § 12-4-106(a)(1):

> Contracts by counties, cities, metropolitan governments towns, utility districts and other municipal and public corporations of the state, for legal services, fiscal agent, financial advisor or advisory services, educational consultant services and similar services by professional persons or groups of high ethical standards, shall not be based upon competitive bids, but shall be awarded on the basis of recognized competence and integrity. The prohibition against competitive bidding in this section shall not prohibit any entity enumerated from interviewing eligible persons or groups to determine the capabilities of such persons or groups.

Cost Price Analysis and Sole Source

A cost or price analysis will be performed for noncompetitive proposals when the price exceeds $150,000.

C. Purchase Cards

Credit Card Purchases

The Fayetteville City School System utilizes one credit card, that being in the name of Bill Hopkins, Director of Schools. The system also maintains a Wal-Mart credit card. An open-end purchase order is issued at the beginning of each school year for the Wal-Mart account. Any Central Office employee or Supervisor can use the Wal-Mart Card. Each individual must sign the card out and sign back in after use. A signed sales slip must be turned in to accounts payable.

D. Full and Open Competition

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

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

EDGAR further requires the following to ensure adequate competition.

Geographical Preferences Prohibited

The District must conduct procurements in a manner that prohibits the use of statutorily or administratively imposed state, local, or tribal geographical preferences in the evaluation of bids or proposals, except in those cases where applicable federal statutes expressly mandate or encourage geographic preference. When contracting for architectural and engineering (A/E) services, geographic location may be a selection criterion provided its application leaves an appropriate number of qualified firms, given the nature and size of the project, to compete for the contract.

Prequalified Lists

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

Solicitation Language

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

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

E. Federal Procurement System Standards

Avoiding Acquisition of Unnecessary or Duplicative Items

The District must avoid the acquisition of unnecessary or duplicative items. Additionally, consideration is given to consolidating or breaking out procurements to obtain a more economical purchase. And, where appropriate, an analysis must be made of leases versus purchase alternatives, and another other appropriate analysis to determine the most economical approach. These considerations are given as part of the process to determine the allowability of each purchase made with federal funds.

Use of Intergovernmental Agreements

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

http://images.pcmac.org/Uploads/TennesseeSBA/TennesseeSBA/Departments/DocumentsCategories/Documents/2805_46.pdf

Use of Federal Excess and Surplus Property

The District shall consider 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.

http://images.pcmac.org/Uploads/TennesseeSBA/TennesseeSBA/Departments/DocumentsCategories/Documents/2805_46.pdf

Debarment and Suspension

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

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

The Fayetteville School System contracts and purchases only from legitimate vendors and contractors.

Maintenance of Procurement Records

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

Time and Materials Contracts

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

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

Settlements of Issues Arising Out of Procurements

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

Protest Procedures to Resolve Dispute

The District shall maintain protest procedures to handle and resolve disputes relating to procurements and, in all instances, disclose information regarding the protest to the awarding agency.

Please reference “Bidding Procedures”

F. Conflict of Interest Requirements

Standards of Conduct

In accordance with 2 C.F.R. § 200.18(c)(1), the District maintains the following standards of conduct covering conflicts of interest and governing the actions of its employees engaged in the selection, award and administration of contracts.

No employee, officer, or agent may participate in the selection, award, or administration of a contract supported by a federal award if he or she has a real or apparent conflict of interest. Such a conflict of interest would arise when the employee, officer, or agent, any member of his or her immediate family, his or her partner, or an organization which employs or is about to employ any of the parties indicated herein, has a financial or other interest in or a tangible personal benefit from a firm considered for a contract.

The officers, employees, and agents of the District may neither solicit nor accept gratuities, favors, or anything of monetary value from contractors or parties to subcontracts, unless the gift is an unsolicited item of nominal value.

http://images.pcmac.org/Uploads/TennesseeSBA/TennesseeSBA/Departments/DocumentsCategories/Documents/5600_42.pdf

Organizational Conflicts

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

http://images.pcmac.org/Uploads/TennesseeSBA/TennesseeSBA/Departments/DocumentsCategories/Documents/5601_47.pdf

Disciplinary Actions

http://images.pcmac.org/Uploads/TennesseeSBA/TennesseeSBA/Departments/DocumentsCategories/Documents/5501-FC.pdf

Mandatory Disclosure

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

G. Contract Administration

The District shall maintain oversight to ensure that contractors perform in accordance with the terms, conditions, and specifications of their contracts or purchase orders 2 C.F.R. § 200.318.

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 C.F.R. § 200.33.

Supplies means all tangible personal property other than those described in § 200.33 Equipment. A computing device is a supply if the acquisition cost is less than the lesser of the capitalization level established by the District for financial statement purposes or $5,000, regardless of the length of its useful life. 2 C.F.R. § 200.94.

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

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

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

http://images.pcmac.org/Uploads/TennesseeSBA/TennesseeSBA/Departments/DocumentsCategories/Documents/2702_46.pdf

B. Inventory Procedure

http://images.pcmac.org/Uploads/TennesseeSBA/TennesseeSBA/Departments/DocumentsCategories/Documents/2702_46.pdf

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.

http://images.pcmac.org/Uploads/TennesseeSBA/TennesseeSBA/Departments/DocumentsCategories/Documents/2702_46.pdf

D. Physical Inventory

A physical inventory of the property must be taken and the results reconciled with the property records at least once every year. Every two years inventories are signed off on by Principals of the building, and Technology Supervisor (specific to technology.)

http://images.pcmac.org/Uploads/TennesseeSBA/TennesseeSBA/Departments/DocumentsCategories/Documents/2702_46.pdf

E. Property/Equipment Maintenance

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

http://images.pcmac.org/Uploads/TennesseeSBA/TennesseeSBA/Departments/DocumentsCategories/Documents/3300_47.pdf

G. 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. Equipment that is stolen is reported to local jurisdiction of law enforcement.
http://images.pcmac.org/Uploads/TennesseeSBA/TennesseeSBA/Departments/DocumentsCategories/Documents/2702_46.pdf

H. Use of Equipment

Equipment must be used in the program or project for which it was acquired as long as needed, whether or not the project or program continues to be supported by the federal award, and the District will not encumber the property without prior approval of the federal awarding agency and the pass-through entity. 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.

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.

http://images.pcmac.org/Uploads/TennesseeSBA/TennesseeSBA/Departments/DocumentsCategories/Documents/3205_48.pdf

I. Disposal of Equipment

When it is determined that original or replacement equipment acquired under a federal award is no longer needed for the original project or program or for other activities currently or previously supported by a

federal awarding agency, the shall contact the awarding agency (or pass-through for a state-administered grant) for disposition instructions.

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

If acquiring replacement equipment, the District may use the equipment to be replaced as a trade-in or sell the property and use the proceeds to offset the cost of the replacement property.

http://images.pcmac.org/Uploads/TennesseeSBA/TennesseeSBA/Departments/DocumentsCategories/Documents/2403_45.pdf

V. Written Compensation Policies

A. Time and Effort

Time and Effort Standards

All employees who are paid in full or in part with federal funds must keep specific documents to demonstrate the amount of time they spent on grant activities. C.F.R. § 200.430(i)(1). In addition, employees who are paid from state and local funds, but whose salaries are used for cost sharing or matching must also keep time and effort documentation. 2 C.F.R. § 200.430(i)(4).

Charges to federal awards for salaries and wages must be based on records that accurately reflect the work performed. In accordance with 2 C.F.R. § 200.430(i)(1), 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.

Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to federal awards, but may be used for interim accounting purposes provided that the system for establishing the estimates produces reasonable approximations of the activity actually performed. 200.430(i)(1)(viii).

Time and Effort Procedures

In order to meet the above requirements, all employees who must complete time and effort forms must submit either a semi-annual certification or a personnel activity report (PAR) as required below. The type of form depends on the number of cost objectives that an employee works on.

A cost objective is a program, function, activity, award, organizational subdivision, contract, or work unit of which cost data are descried and from which provision is made to accumulate and measure the cost of processes, products, jobs, capital projects, etc. 2 C.F.R. § 200.28.

All employees who work on a single cost objective must complete a semi-annual certification. The semi-annual certification must be:

1. Completed at least every six (6) months;
2. Be signed by the employee or the supervisor with direct knowledge of the work being performed;
3. Reflect an after-the-fact distribution of the actual activity; and
4. Account for the total activity for which each employee is compensated.

All employees who work on multiple cost objectives must complete PARs that support the distribution of their salaries /wages that meet the following standards:

1. Reflect an after-the-fact distribution of the actual activity;
2. Account for the total activity for which each employee is compensated;
3. Are prepared at least monthly & coincide with one or more pay periods; and
4. Are signed by the employee.

Reconciliation and Closeout Procedures

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

If using budget estimates for interim accounting purposes, EDGAR requires recipients to identify and enter into the records in a timely manner any significant changes in the corresponding work activity. Additionally, the recipient must have a system of internal controls to review after-the-fact interim charges made to a federal award based on budget estimates. All necessary adjustments must be made such that the final amount charged to the federal award is accurate, allowable, and properly allocated.

https://tsba.net/fayetteville-board-of-education-policy-manual/

KEY ELEMENTS OF THE FAYETTEVILLE CITY INTERNAL CONTROL POLICY Key elements of this policy include the following principles: a) Separation of Duties: Duties shall hereafter be divided so that no one person has complete control over a key function or activity of the school system. b) Authorization and Approval: Proposed transactions will be authorized only when they are consistent with policy and funds are available. c) Custodial and Security Arrangements: The responsibility for custody of assets shall be separated from the related recordkeeping. d) Review and Reconciliation: Records shall be examined and reconciled to determine that transactions were properly processed and approved on a timely basis. e) Physical Controls: Equipment, inventories, cash and other assets shall be secured physically, counted periodically and compared with amounts shown on control records. f) Training and Supervision: Employees shall be well-trained and supervised to ensure that control processes function properly. g) Documentation: Policies and procedures shall be adopted to promote employee understanding of job duties and ensure continuity during employee absences or turnover. h) Cost/Benefit: It shall be the goal to insure that costs associated with control processes should not exceed the expected benefits. 5. INTERNAL CONTROLS RESPONSIBILITIES AND ORGANIZATION HEIRARCY Within the structure of Fayetteville City Schools the Chief Fiscal Officer shall oversee control of the City School System accounting function and shall have the authority to supervise adherence the financial operation of the school system. Management, including the Director of Schools and appointed supervisors, are responsible for establishing specific FCS UGG Manual Page | 8 internal control policies and procedures as is appropriate for their office. Every employee is responsible for ensuring that established internal controls are followed and applied. Fayetteville City Schools Chief Fiscal Officer, Director of Schools, Supervisors and elected school board members at all levels of the city are responsible for ensuring that an appropriate and effective control environment is in place in their areas of responsibility. All FCS personnel are responsible for communicating upward observed or suspected problems involving fraud or other improprieties involving FCS resources. Supervisors will evaluate the effectiveness of control systems, monitor control systems, and contribute to ongoing effectiveness of control systems. External auditors from Dan Hancock CPA firm audit on behalf of the Tennessee Comptroller's Office will be utilized to review control systems for impact they have on financial reporting and compliance with requirements of external agencies. 6. SPECIFIC RESPONSIBILITY FOR INTERNAL CONTROL WITHIN THE FAYETTEVILLE CITY SCHOOLS IS AS FOLLOWS: Primary Government Funds and School Department Funds are administered by the FCS. All federal funds utilize one accounting system. (i.e. all transactions are processed through the FCS Finance Department by the same employees utilizing the same accounting methods and internal control procedures.) One software package (Local Government Data Processing Corporation – LGDPC) is utilized for all funds within the accounting system; therefore, input, processing, and output are uniform for all funds. The system is not complex and the financial statements and reports generated by the system are basic. System generated financial statements consist of a Balance Sheet and Statement of Operations Summary and Detail compared with budget. The system also generates a detailed account analyst/general ledger which shows each revenue source, disbursement, and journal entry. Other detail reports include a listing of trustee receipts by classification, cash disbursements, and general journal entries. All reports are printed monthly. Year-to-date information can be printed for any account or for all accounts at any point in time. Cash receipt/revenue entries are designated by the letters CR, cash disbursements/expenditures/expenses by the letters CD, and journal entries by the letters JE

Employee Exits

Tenured Employees

http://images.pcmac.org/Uploads/TennesseeSBA/TennesseeSBA/Departments/DocumentsCategories/Documents/5200_49.pdf

Nontenured Employees

http://images.pcmac.org/Uploads/TennesseeSBA/TennesseeSBA/Departments/DocumentsCategories/Documents/5201_45.pdf

Non-certified

http://images.pcmac.org/Uploads/TennesseeSBA/TennesseeSBA/Departments/DocumentsCategories/Documents/5202_46.pdf

B. Human Resources Policies

The District shall have human resource policies which at least cover (1) how employees are hired (2 C.F.R. § 200.430(a)(2)); (2) the extent to which employees may provide professional services outside the District (2 C.F.R. § 200.430(c)); (3) the provision of fringe benefits, including leave and insurance, (2 C.F.R. § 200.431)); (4) the use of recruiting expenses to attract personnel (2 C.F.R. § 200.463(b)); and (5) reimbursement for relocations costs. 2 C.F.R. § 200.464.

Fayetteville Department Personnel Guide:

http://images.pcmac.org/Uploads/FayettevilleCitySchools/FayettevilleCitySchools/Divisions/DocumentsCategories/Documents/EMPLOYEE_HANDBOOK_2017-18.pdf

Fayetteville School Board Policies address the following aspects of personnel:

Application for Employment:

http://www.fcsboe.org/?DivisionID=13786&ToggleSideNav=ShowAll

Short Term Leaves of Absence:

http://images.pcmac.org/Uploads/TennesseeSBA/TennesseeSBA/Departments/DocumentsCategories/Documents/5300_33.pdf

Emergency and Legal Leave:

http://images.pcmac.org/Uploads/TennesseeSBA/TennesseeSBA/Departments/DocumentsCategories/Documents/5301_48.pdf

Sick Leave:
http://images.pcmac.org/Uploads/TennesseeSBA/TennesseeSBA/Departments/DocumentsCategories/Documents/5302_49.pdf

Bereavement Leave for Professional and Support Personnel:

http://images.pcmac.org/Uploads/TennesseeSBA/TennesseeSBA/Departments/DocumentsCategories/Documents/5302_49.pdf

Personal and Professional Leave:

http://images.pcmac.org/Uploads/TennesseeSBA/TennesseeSBA/Departments/DocumentsCategories/Documents/5303_48.pdf

Long Term Leaves of Absence:

http://images.pcmac.org/Uploads/TennesseeSBA/TennesseeSBA/Departments/DocumentsCategories/Documents/5304_49.pdf

Family and Medical Leave:

http://images.pcmac.org/Uploads/TennesseeSBA/TennesseeSBA/Departments/DocumentsCategories/Documents/5305_20.pdf

Military Leave:

http://images.pcmac.org/Uploads/TennesseeSBA/TennesseeSBA/Departments/DocumentsCategories/Documents/5306_47.pdf

Physical Assault Leave:

http://images.pcmac.org/Uploads/TennesseeSBA/TennesseeSBA/Departments/DocumentsCategories/Documents/5307_47.pdf

Sabbatical Leave:

http://images.pcmac.org/Uploads/TennesseeSBA/TennesseeSBA/Departments/DocumentsCategories/Documents/5308_33.pdf

Legislative Leave:

http://images.pcmac.org/Uploads/TennesseeSBA/TennesseeSBA/Departments/DocumentsCategories/Documents/5309_42.pdf

Vacations and Holidays:

http://images.pcmac.org/Uploads/TennesseeSBA/TennesseeSBA/Departments/DocumentsCategories/Documents/5310_43.pdf

Non-School Employment:

http://images.pcmac.org/Uploads/TennesseeSBA/TennesseeSBA/Departments/DocumentsCategories/Documents/5607_42.pdf

Recruitment and Selection:

http://images.pcmac.org/Uploads/TennesseeSBA/TennesseeSBA/Departments/DocumentsCategories/Documents/5801_48.pdf

VI. Record Keeping

A. Record Retention

The District maintains all records that fully show (1) the amount of funds under the grant or subgrant; (2) how the subgrantee uses those funds; (3) the total cost of each project; (4) the share of the total cost of each project provided from other sources; (5) other records to facilitate an effective audit; and (6) other records to show compliance with federal program requirements. 34 C.F.R. §§ 76.730-.731 and §§ 75.730-.731. The District also maintains records of significant project experiences and results. 34 C.F.R. § 75.732. http://images.pcmac.org/Uploads/TennesseeSBA/TennesseeSBA/Departments/DocumentsCategories/Documents/2701_43.pdfnts must be retained and made available for programmatic or financial audit.

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

http://images.pcmac.org/Uploads/TennesseeSBA/TennesseeSBA/Departments/DocumentsCategories/Documents/2701_43.pdf

B. Collection and Transmission of Records

http://images.pcmac.org/Uploads/TennesseeSBA/TennesseeSBA/Departments/DocumentsCategories/Documents/2701_43.pdf

C. Access to Records

The District provides the awarding agency, Inspectors General, the Comptroller General of the United States, and the pass-through entity, or any of their authorized representatives the right of access to any

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

D. Privacy

http://images.pcmac.org/Uploads/TennesseeSBA/TennesseeSBA/Departments/DocumentsCategories/Documents/1407_50.pdf

VII. Subrecipient Monitoring

In the event that the District awards subgrants to other entities, it is responsible for monitoring those grant subrecipients to ensure compliance with federal, state, and local laws. Monitoring is the regular and systematic examination of all aspects associated with the administration and implementation of a program. Each program office that awards a subgrant must have its own monitoring policy. This policy must ensure that any monitoring findings are corrected.

This does not pertain to Fayetteville Schools

VIII. Frequently Asked Questions

IX. 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 C.F.R. Part 200)
  - http://www.eC.F.R..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 C.F.R. Part 3474)
  - http://www.eC.F.R..gov/cgi-bin/text-idx?SID=ccccf77e01c9e6d4b3a377815f411704&tpl=/eC.F.R.browse/Title02/2C.F.R.3474_main_02.tpl

- Federal program statutes, regulations, and guidance
  - http://www.ed.gov/
  - [Include any additional links to (or reference citations to) federal statutes, regulations and guidance.]

- State regulations, rules, and policies
  - TN State Board of Education Rules and Regulations
    - http://www.tn.gov/sbe/rul_reg.shtml
  - TN State Board of Education Policies, Standards, and Guidelines
    - http://www.tn.gov/sbe/policies.shtml

- District regulations, rules, and policies
  - [Include links to (or reference citations to) district regulations, rules, and policies.]

- Organizational Chart
  - [Include the District organizational chart as an attachment to this policy document or insert a link to the District organizational chart.]