

SHINER ISD

FINANCIAL/ADMINISTRATIVE PROCEDURES MANUAL

2021-2022

EFFECTIVE

SEPTEMBER 1, 2021



SHINER INDEPENDENT SCHOOL DISTRICT

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Shiner Independent School District

Business Office Staff

Business Office

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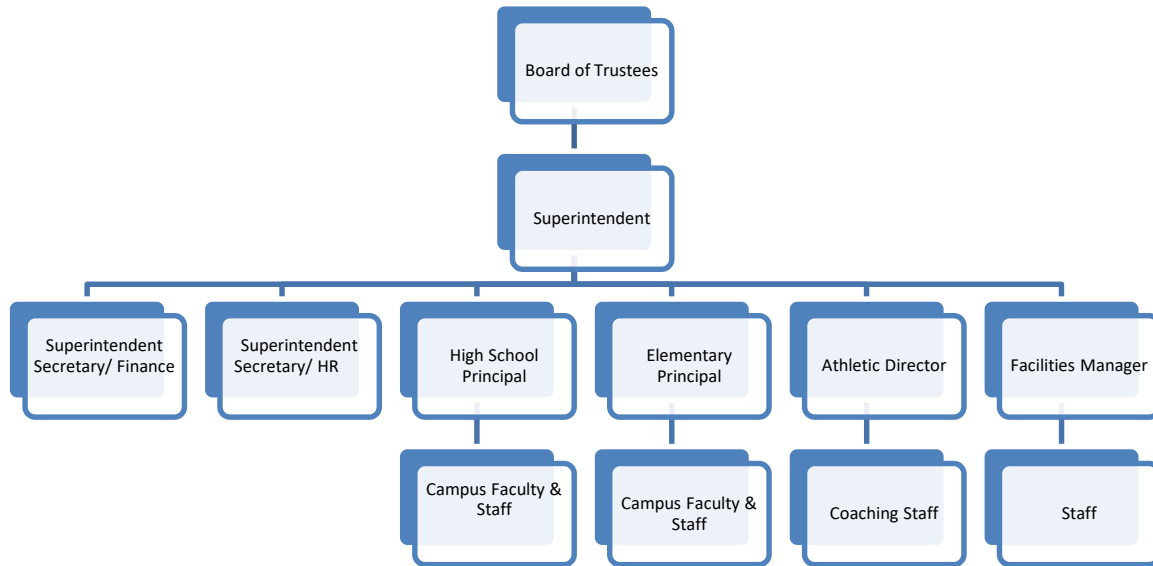
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SHINER ISD
ORGANIZATIONAL CHART



Shiner Independent School District

Finance Manual

Preface

This manual provides guidelines and procedures for budgeting and expending District funds and Federal Grants. It is a compilation of State and Federal laws and local policies and procedures that are to be used for processing all financial and budget related items.

The manual was prepared using input from the Texas Education Agency, Finance Office staff, and other District personnel. Although it is not all-inclusive and cannot address all situations, the manual does provide general information to assist with normal, everyday financial transactions. Any and all District personnel with financial duties are responsible for the contents.

UPDATED _____

TABLE OF CONTENTS

INTRODUCTION.....	
I. FINANCIAL MANAGEMENT SYSTEM	
A. Financial Management Standards.....	
<i>Identification</i>	
<i>Financial Reporting</i>	
<i>Accounting Records</i>	
<i>Internal Controls</i>	
<i>Budget Control</i>	
<i>Cash Management</i>	
<i>Allowable Costs</i>	
B. Overview of the Financial Management/Accounting System	
C. Budgeting	
The Planning Phase: Meetings and Discussions.....	
<i>Before Receiving the NOGA</i>	
<i>Reviewing and Approving the Budget</i>	
<i>Submitting the Grant Application</i>	
After Receiving the NOGA	
Amending the Budget	
Budget Control	
D. Accounting Records	
Accounting Code Structure.....	
E. Spending Grant Funds	
Direct and Indirect Costs	
<i>Determining Whether a Cost is Direct or Indirect</i>	
<i>Indirect Cost Rate</i>	
<i>Applying the Indirect Cost Rate</i>	
Determining Allowability of Costs	
Selected Items of Cost	
Frequent Types of Costs.....	
<i>Travel</i>	
Federal Allowability Rules for Travel Costs	
Texas Travel Reimbursement Guidelines.....	
<i>Mileage</i>	
<i>Meals and Lodging</i>	
<i>In-State Travel</i>	
<i>Non-Overnight Meals</i>	
<i>Applying Meal Funds to Lodging Reimbursement</i>	
<i>Out-of-State Travel</i>	
<i>Hotel Taxes</i>	
<i>Travel Allowances</i>	
<i>Travel Documentation</i>	
Helpful Questions for Determining Whether a Cost is Allowable	
F. Federal Cash Management Policy/Procedures	

	Payment Methods.....	
	<i>Reimbursements</i>	
	<i>Advances</i>	
G.	Timely Obligation of Funds	
	When Obligations are Made	
	Period of Availability of Federal Funds.....	
	<i>State-Administered Grants</i>	
	<i>Direct Grants</i>	
	Carryover.....	
	<i>State-Administered Grants</i>	
	<i>Direct Grants</i>	
H.	Program Income.....	
	Definition	
	Use of Program Income	
II.	PROCUREMENT SYSTEM	
	PURCHASING OVERVIEW	
	Purchasing Policy.....	
	Purchasing Design.....	
	PURCHASING ETHICS	
	Fraud, Waste, and Abuse	
	<i>Reporting Fraud or Financial Impropriety</i>	
	<i>Investigating Reports of Fraud or Financial Impropriety</i>	
	PURCHASING CODE OF ETHICS	
	<i>Statement of Purchasing Policy</i>	
	<i>General Ethical Standards</i>	
	Conflict of Interest Requirements	
	Standards of Conduct (Conflicts of Interest)	
	Disclosure of Conflict of Interest	
	Conflict of Interest Reported to USDE and/or TEA.....	
	Removal from the Procurement Transaction and/or Abstinence from Voting	
	Organizational Conflicts	
	Disciplinary Actions.....	
	Enforcement of Purchase Procedures According to TEC 44.032.....	
	Mandatory Disclosure of Violations of Federal Criminal Law	
	PROCUREMENT STANDARDS	
	General Procurement Standards.....	
	Competition	
	PROCUREMENT METHODS	
	Micro-Purchases - Federal	
	Price Quotes - State.....	
	Purchased Valued at \$50,000 or More - State.....	
	<i>Competitive Procurement Categories</i>	
	<i>Competitive Bidding</i>	
	<i>Competitive Sealed Proposals/Request for Proposals</i>	
	<i>Interlocal Contract/Cooperative Purchasing</i>	
	<i>Certain Exceptions to State Procurement Methods of TEC 44.031(a)</i>	

Computers and Computer-Related Equipment	
Emergencies or Catastrophes	
Preference to Texas and United States Products	
Professional Services Contracts	
School Bus Purchase or Lease	
Procurement by Small Purchase Procedures - Federal.....	
Procurement by Sealed Bids - Federal.....	
Procurement by Competitive Proposals - Federal	
Procurement by Noncompetitive Proposals – Sole Source – State & Federal	
THE PURCHASING PROCESS.....	
Delegation	
Competitive Procurement Process	
Competitive Bids Process	
Electronic Bids or Proposals	
Competitive Sealed Proposals/Requests for Proposals Process.....	
Change Orders Process	
Interlocal Contract/Cooperative Purchasing Agreement Process	
Centralized Purchasing	
VENDOR SELECTION AND RELATIONS.....	
Vendor Communications	
Vendor List.....	
Vendor Award Determination Criteria	
Right to Work.....	
Contract with Person Indebted to the LEA.....	
Debarment and Suspension.....	
Vendor Gifts and Relations.....	
Vendor’s Notification of Criminal History of Contractor	
Vendor Performance Evaluation.....	
Protest Procedures to Resolve Dispute	
CONTRACTS	
Contracting with Small & Minority Businesses, Women’s, Labor Surplus.....	
Contract Cost or Price Analysis	
Contract Provisions	
<i>EDGAR Requirements</i>	
<i>TEA Best Practices for Federally-Funded Contracts</i>	
Contract Administration	
Procedures for Submitting a Consultant Service Contract	
Accountability	
PETTY CASH	
CREDIT, DEBIT, GIFT, & PROCUREMENT CARDS	
Procurement Cards.....	
Credit and Debit Cards	
Gift Cards	
Purchase or Credit/Debit Card Rebates or Discounts.....	

REQUISITIONS .....	.....
Approval of Requisitions .....	.....
Requisition Format .....	.....
Flow of Requisitions.....	.....
ENCUMBRANCES .....	.....
PURCHASE ORDERS .....	.....
Purchase Order Requisition.....	.....
Approval of Purchase Orders .....	.....
Blanket Purchase Orders .....	.....
INVOICES.....	.....
EMERGENCY PURCHASES .....	.....
PURCHASING DEADLINES .....	.....
REQUIRED DOCUMENTATION .....	.....
Registration Fees.....	.....
Sales Tax Exemption Form .....	.....
RECEIVING AND DISTRIBUTING PURCHASES.....	.....
The Receiving Function.....	.....
<i>Centralized Receiving</i> .....	.....
<i>Decentralized Receiving</i>.....	.....
Receiving Report.....	.....
Quality Assurance .....	.....
Distribution.....	.....
CONTROL ENVIRONMENT .....	.....
User Interface .....	.....
Purchasing Functions and Roles .....	.....
Centralized vs Decentralized Purchasing .....	.....
<i>Decentralized Purchasing</i>.....	.....
<i>Centralized Purchasing</i>.....	.....
Training and Staff Development .....	.....
Control Environment.....	.....
Procurement Records .....	.....
Procurement Review by USDE or TEA.....	.....
LEGAL AUTHORITIES AND HELPFUL RESOURCES .....	.....
 III. PROPERTY MANAGEMENT SYSTEMS.....	.....
A. Property Classifications.....	.....
Equipment .....	.....
Supplies .....	.....
Computing Devices .....	.....
Capital Assets .....	.....
B. Inventory Procedure.....	.....
C. Inventory Records.....	.....
D. Physical Inventory .....	.....

	E. Maintenance	
	F. Lost or Stolen Items	
	G. Use of Equipment.....	
	H. Disposal of Equipment.....	
IV.	WRITTEN COMPENSATION POLICIES.....	
	A. Time and Effort.....	
	Time and Effort Standards	
	Time and Effort Procedures	
	Reconciliation and Closeout Procedures	
	Employee Exits	
	B. Human Resources Policies	
V.	RECORD KEEPING.....	
	A. Record Retention	
	B. Collection and Transmission of Records	
	C. Access to Records.....	
	D. Privacy	
VI.	SELF-MONITORING AND AUDIT RESOLUTION	
VII.	QUESTIONS TO CONSIDER DETERMINING ALLOWABLE COSTS	
VIII.	LEGAL AUTHORITIES AND HELPFUL RESOURCES	

Introduction

This manual sets forth the policies and procedures used by Shiner ISD (the “LEA”) to administer federal funds. The manual contains the internal controls and grant management standards used by the LEA to ensure that all federal funds are lawfully expended. It describes in detail the LEA’s financial management system, including cash management procedures, procurement policies; inventory management protocols; procedures for determining the allowability of expenditures; time and effort reporting; record retention; and sub-recipient monitoring responsibilities. New employees of the LEA, as well as incumbent employees, are expected to review this manual to gain familiarity and understanding of the LEA’s rules and practices.

Although this manual is not all-inclusive and cannot address all situations, it does provide general information to assist with standard financial operations and grants management. All LEA personnel with financial duties and program-specific fiscal duties are responsible for the contents.

Waste, Fraud, and Abuse

To ensure the public receives the most value, the LEA strives to ensure its administrative management of public funds is as effective and efficient as possible, with a high standard of accountability to prevent waste, fraud, and abuse.

All trustees, employees, vendors, contractors, consultants, volunteers, and any other parties who are involved in the LEA’s financial transactions shall act with integrity and diligence in duties involving the LEA’s financial resources.

The LEA prohibits fraud and financial impropriety, as defined below, in the actions of its trustees, employees, vendors, contractors, consultants, volunteers and others seeking or maintain a business relationship with the LEA.

Fraud and financial impropriety includes, but is not limited to:

- Forgery or unauthorized alteration of any document or account belonging to the LEA;
- Forgery or unauthorized alteration of a check, bank draft, or any other financial document;
- Misappropriation of funds, securities, supplies, or other LEA assets, including employee time;
- Impropriety in the handling of money or reporting of LEA financial transactions;
- Profiteering as a result of insider knowledge of LEA information or activities;
- Unauthorized disclosure of confidential or proprietary information to outside parties;
- Unauthorized disclosure of investment activities engaged in or contemplated by the LEA;

- Accepting or seeking anything of material value from contractors, vendors, or other persons providing services or materials to the LEA; (Also see Policy DBD)
- Destroying, removing, or inappropriately using records, furniture, fixtures, or equipment;
- Failure to provide financial records required by state and local entities;
- Failure to disclose conflicts of interest as required by policy; and
- Any other dishonest act regarding the finances of the LEA.

Any person who suspects fraud or financial impropriety shall report the suspicions immediately to any supervisor, the Superintendent or designee, the Board President, or local law enforcement.

If assistance is needed in any area of our business operations, please contact any of the staff members listed on page 3 the Business Office Staff.

Financial Management System

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

A. Financial Management Standards 2 CFR §200.302

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

Identification 2 CFR §200.302(b)(1)

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

Financial Reporting 2 CFR §200.302(b)(2)

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), specifically 2 CFR §§200.327 Financial Reporting and 200.328 Monitoring and Reporting Program Performance.

Accounting Records 2 CFR §200.302(b)(3)

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

Internal Controls 2 CFR §§200.302(b)(4); 200.303

Effective control and accountability must be maintained for all funds, real and personal property, and other assets. The LEA must adequately safeguard all such property/assets and must assure that they are used solely for authorized purposes.

“Internal controls” are tools to help program and financial managers achieve results and safeguard the integrity of their program.

The LEA must establish and maintain effective internal controls over the Federal award that provides reasonable assurance that the following objectives are achieved:

- 1) Effectiveness and efficiency of operations;
- 2) Adequate safeguarding of property;
- 3) Assurance property and money is spent in accordance with grant program and to further the Selected objectives; and
- 4) Compliance with applicable laws and regulations, and the terms and conditions of the awards.

The LEA’s internal controls should be in compliance with guidance from the following:

- TEA’s Internal Controls Guidance Handbook *For Fiscal Year 2015 and Beyond* (http://tea.texas.gov/Finance_and_Grants/Administering_a_Grant.aspx), and
- “Standards for Internal Control in the Federal Government” (the “Green Book”) issued by the Comptroller General of the United States (Government Accountability Office – GAO) (<http://gao.gov/products/GAO-14-704G>), or
- The “Internal Control Integrated Framework” issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) (<http://coso.org/IC.htm>)

The United States General Accounting Office (GAO) identifies five components of internal controls:

- i. Control Environment: A strong control environment allows management and employees to maintain a positive and supportive attitude toward internal controls and conscientious management, such as the codes of conduct for ethical and moral behavioral standards, commitment to competence, appropriate managerial attitudes toward financial, budgetary, and

operational and programmatic operations, an organizational structure that clearly defines key areas of authority and responsibility and establishes appropriate lines of reporting, robust human resources policies and practices, and a good relationship with oversight agencies.

ii. Risk Assessment: To establish clear and consistent entity objectives and to determine internal and external risks, such as changes in the operating environment, new personnel, new or enhanced information systems, rapid growth, new technology, and new programs or activities.

iii. Control Activities: To help ensure that management's directives are carried out and that actions are taken to address risks, such as maintaining physical control over valuable assets, segregating key responsibilities among different people, maintaining appropriate documentation, implementing clear written policies in key areas, and restricting access to systems and records.

iv. Information and Communication. To ensure that personnel receive relevant, reliable, and timely information that enables them to carry out their responsibilities. Procedures should be developed for identifying pertinent information and distributing it in a form and time frame that permits personnel to perform their duties efficiently.

v. Monitoring. To assess the quality of internal control performance over time and ensure that any findings are promptly resolved. Monitoring should occur on an ongoing basis in the course of normal operations and can include actions such as regular oversight by supervisors, reconciliations, and formal program reviews or audits. Monitoring systems should include policies and procedures for correcting any findings in a timely manner.

The Superintendent is responsible for reviewing, testing and monitoring, and revising as necessary, the internal controls established for the LEA. Review and monitor of internal controls are performed yearly.

Budget Control 2 CFR §200.302(b)(5)

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

Cash Management 2 CFR §§200.302(b)(6); 200.305

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

Allowable Costs 2 CFR §§200.302(b)(7); Subpart E - Cost Principles

The LEA must maintain written procedures for determining the allowability of costs in accordance with EDGAR, and the terms and conditions of the Federal award.

B. Overview of the Financial Management/Accounting System

Shiner ISD uses an accounting system called TXEIS. This system is a contracted service through Region III ESC. Each year after the budget is approved by the Board of Trustees in August the current budget is then loaded into the TXEIS Finance System. The Business Office Personnel is responsible for managing budgets and accounts payable.

The Business Office Personnel is responsible for compiling timely and accurate financial reports on a monthly basis for review by the Superintendent and/or Board of Trustees. The reports should be prepared and submitted as specified by the financial reporting clause of each grant or contract award document. These reports must include monthly and cumulative expenditures, project budgets, and a balance remaining column.

The LEA's financial management system provides for accurate, current, and complete disclosure of the financial results of each grant project. The system adequately identifies the funding source and use of funds and contains information pertaining to grant awards, authorizations, obligations, unobligated balances, assets, outlays (expenditures), income, and interest. The financial accounting system accommodates the minimum 15-digit account code mandated by FASRG, can generate information needed for PEIMS (Public Education Information Management System) reporting, and ensures adequate accountability of State and federal funds.

General Ledger

The LEA's detailed general ledger includes, at a minimum, the following information for recorded transactions;

- Reference number (such as check number, purchase order number, or journal voucher number)
- Transaction Date
- Vendor's Name
- Brief description of the transaction
- General ledger account code
- Amount encumbered or obligated
- Amount paid and/or encumbered

Additionally, for each account code used to account for federal grant expenditures, the detailed ledger will include, respective of each grant program:

- CFDA Title and number related to source of fund
- Federal award
- Budgeted expenditures
- Encumbrances
- Actual expenditures.
- A chart of accounts for funds reserved for program-specific fiscal requirements and set-asides

The LEA's payroll journal includes, at a minimum, the following information:

- Employee's first and last name
- Employee identification number
- Gross salary and other income
- Deductions
- Net earnings
- For employees paid with federal or State grant funds: The percentage paid out of each grant fund and, if applicable, the percentage paid out of other funding sources

For each pay period, the payroll journal will also include the check date, check number, and fund code to which the payroll costs were charged.

C. Budgeting

1) Budgeting for All Estimated Revenue and Proposed Expenditures According to Texas Education Code Chapter 44 Fiscal Management

Fiscal Year. According to TEC 44.0011, the fiscal year of the LEA begins on July 1 or September 1 of each year, as determined by the board of trustees of the district.

This LEA's fiscal year begins on September 1 and ends on August 31.

Preparation of Budget. According to TEC 44.002, on or before a date set by the State Board of Education, the superintendent shall prepare, or cause to be prepared, a proposed budget covering all estimated revenue and proposed expenditures of the LEA for the following fiscal year. The budget must be prepared according to generally accepted accounting principles, rules adopted by the State Board of Education, and adopted policies of the board of trustees.

The business office will ensure the budget is prepared in accordance with GAAP (generally accepted accounting principles) and State guidelines.

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

The LEA does require that **grant** program budget information be included as a supplement to the LEA's officially adopted annual budget if available at the time of adoption. The LEA does not require board approval for **grant** budgets or amendments.

Records and Reports. According to TEC 44.003, the superintendent shall ensure that records are kept and that copies of all budgets, all forms, and all other reports are filed on behalf of the LEA at the proper times and in the proper offices as required by this code.

Notice of Budget and Tax Rate Meeting; Budget Adoption. According to TEC 44.004, when the budget has been prepared under TEC 44.002, the president shall call a meeting of the board of trustees for the purpose of adopting a budget for the succeeding fiscal year. The president shall provide for the publication of notice of the budget and proposed tax rate meeting according to the standards of TEC 44.004, accessed at <http://www.statutes.legis.state.tx.us/Docs/ED/htm/ED.44.htm>

The LEA publishes the notice in the local weekly newspaper.

The board of trustees, at the meeting called for that purpose, shall adopt a budget to cover all expenditures for the LEA for the next succeeding fiscal year. Any taxpayer of the district may be present and participate in the meeting. The budget must be adopted before the adoption of the tax rate for the tax year in which the fiscal year covered by the budget begins.

The LEA complies with TEC 44.004 for requirements regarding tax rates and certified estimates of taxable value, if applicable.

Publication of Summary of Proposed Budget. According to TEC 44.0041, concurrently with the publication of notice of the budget under TEC 44.004, the LEA posts a summary of the proposed budget on the LEA's Internet website at www.shinerisd.net.

The budget summary includes: (1) information relating to per student and aggregate spending on (a) instruction; (b) instructional support; (c) central administration; (d) district operations; (e) debt service; and (f) any other category designated by the commissioner; and (2) a comparison to the previous year's actual spending.

Filing of Adopted Budget. According to TEC 44.005, on or before a date set by the State Board of Education, the budget must be filed with TEA according to the rules established by the State Board of Education.

Posting of Adopted Budget. According to TEC 39.084, on final approval of the budget by the board of trustees, the LEA will post on the LEA's Internet website a copy of the budget adopted by the board of trustees. The LEA's Internet website must prominently display the electronic link to the adopted budget. The LEA will maintain the adopted budget on the LEA's Internet website until the third anniversary of the date the budget was adopted.

Effect of Adopted Budget; Amendments. According to TEC 44.006, public funds of the LEA may not be spent in any manner other than as provided for in the budget adopted by the board of trustees, but the board may amend a budget or adopt a supplementary emergency budget to cover necessary unforeseen expenses. Any amendment or supplementary budget must be prepared and filed according to rules adopted by the State Board of Education.

According to the FASRG Module 2 Budgeting, budget amendments are mandated by the State for budgeted funds reallocated from one function level to another and from one State and/or Federal project to another. These budget changes are usually the result of unexpected levels of expenditures in certain categories and must be amended in the budget for legal compliance. Other budget amendments are determined by the school board.

All budget amendments are required to be adopted by the last day of the fiscal year.

Based upon the level of detail at which the budget is adopted, budget revisions may or may not be required for reallocations within functional levels or programs. All necessary budget amendments must be formally adopted by the school board and recorded in the board minutes.

To provide an adequate audit trail for budget amendments, the amendments will include:

- The amount of the amendment by fund and function
- Major program or budget changes are reviewed by district administrators to ensure the LEA's legal compliance with state expenditure mandates.

The business office personnel will approve and record budget transfers on a timely basis.

A budget transfer/amendment form is available through the business office.

2) Budgeting for Federal and State Grants

The Planning Phase: Meetings and Discussions

The Grant Administrator and Superintendent is responsible for overseeing the budget process for all Federal Grants received by Shiner ISD. A comprehensive needs assessment is conducted

annually and is used for developing all Federal and Grant Budgets. Depending on the grant, the budget process is done either during the writing of the grant or after the amounts have been awarded. In each case, the Grant Administrator has budget planning meetings with the various departments involved with the grant. Budget amendments are done with the input from the Grant Administrator and the teachers involved.

If a budget amendment is necessary during the plan year, the grant supervisor will submit an amendment to the appropriate entity. The following reasons are allowable for all Federal and Grant Funds:

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

Grant programs are unique and have different program and fiscal requirements. The unique character of grant funds results from both the difference in authority over grant funds and their restriction to specific purposes. Therefore, specific program budgets are prepared for each grant. The grant budget is based on how the grant funds can best aid in the implementation of the program plan. The LEA will take into consideration the legal considerations that may affect how grant funds can be used.

If the grant program has a “Supplement, Not Supplant” requirement, the entire funding picture for the program is examined to ensure that grant funds are not being used to supplant state, local, or other federal funds, as applicable. The Grant Administrator is responsible for ensuring the “Supplement, Not Supplant” requirements are not violated. The Grant Administrator will coordinate with the Campus Administrators to review the program to ensure supplanting is not taking place.

If program requirements stipulate a category or element that must be tracked, but is not identifiable from TEA’s mandatory account code structure, the LEA will designate a local code to track such an expenditure.

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

- Historical data based on previous grant year actual budget;
- Campus Improvement Plan (CIP);
- Needs Assessments;
- District Improvement Plan (DIP);
- Staffing Needs;
- Grant Requirements;
- Carryover Funds, if applicable.

Reviewing and Approving the Budget: Each April, the Superintendent has a budget meeting with campus principals, technology and athletic directors. The finance clerk runs budget worksheets for all department heads. The Superintendent hands out the worksheets to the principals. The principals distribute the worksheets to the appropriate people so that they can create their budget. The principal then takes each budget and compiles the amounts on a master worksheet to be submitted back to the Superintendent. Once the Superintendent has overlooked the campus worksheets, they are then given to the finance clerk for input. There is a preliminary budget workshop with the board members the first part of August. The budget is then adopted by the board before the tax rate is set. This is done at a special called board meeting at the end of August.

Responsibilities for grants submitted via TEA's eGrants applications:

- Budgeting projections are performed by the Grant Administrator.
- The Grant Administrator compiles data using the LEA's federal grant spreadsheet to ensure budgeted amounts match allocations
- The Grant Administrator ensures obligations or expenditures are not incurred prior to submittal of the eGrants application

Submitting the Grant Application for Federal and State awards

The LEA will submit grant applications to TEA by the due date set by TEA. According to TEA Fiscal Guidelines, eGrants applications must be certified and submitted by an individual who has been authorized by the applicant or grantee organization to enter the organization into a legally binding contractual agreement. The "Authorized Official" is the individual who will represent the applicant or grantee in the event any legal disputes arises. For LEAs, this person is usually the superintendent or executive director.

- Data entry into the eGrants application is performed by the Grant Administrator
- The Grant Administrator ensures that the LEA meets TEA's deadlines for submittal of grant applications and amendments.
- The Grant Administrator or Superintendent certifies and submits the completed eGrants application.

Program Specific: IDEA-B: Prior to submitting the grant application for IDEA-B funds, the LEA performs an initial Excess Cost calculation and performs Maintenance of Effort (MOE) analysis to determine expenditure and budget data required for determination of compliance with the MOE Eligibility Standard. The Superintendent or Grant Administrator performs the Excess Cost calculation. This documentation is kept at the Business Office. The initial Excess Cost calculation is performed no later than the end of July. The Superintendent or Grant Administrator performs the analysis for the MOE Eligibility Standard. The MOE analysis is performed each summer. The documentation of the data used in the analysis kept at the business office.

After Receiving the GAN/NOGA for Federal and State Programs Award

When the NOGA is received, the Grant Administrator will compare the approved NOGA with the grant application to identify any budget revisions TEA may have required before issuing the approval.

The Grant Administrator ensures obligations or expenditures are not incurred prior to the effective date, based on the period of obligation established in EDGAR and based on the effective date of the NOGA.

Throughout the grant period, the budget is used as a control measure. The budget is monitored by the Grant Administrator as expenditures are incurred.

The Grant Administrator ensures expenditures with grant funds are for allowable costs as approved in the grant application and are used for the intended beneficiaries and program.

Amending the Budget for Federal and State Programs

Budget amendments are requested before expenditures that exceed acceptable limits are incurred, to ensure that the grant remains in compliance with the granting agency's guidelines. In addition, expenditures requiring a budget amendment generally are not allowable if the obligation is incurred before the approval of the amendment. Expenditure monitoring is performed by the Grant Administrator throughout the grant period as a control measure.

The LEA follows the TEA guidelines for submitting federal and state grant amendments. The Grant Administrator monitors the deadlines for each grant to ensure amendments are submitted in a timely manner.

LEA personnel will refer to TEA's "When to Amend the Application" chart for guidance on when to amend a grant application, dependent on type of grant, based on scenarios in the chart. The chart can be accessed at:

http://tea.texas.gov/Finance_and_Grants/Administering_a_Grant.aspx

Examples taken from the chart:

- For a federally-funded formula grant, an amendment is NOT required to:
 - Increase or decrease the amount of funds currently approved in a class/object code on the Program Budget Summary by 25% or less of the total budgeted amount, as long as a new line item is not being added. (Exception: Coordinated Early Intervening

Services (CEIS) in the Special Education Consolidated grant application always requires an amendment.)

- Increase or decrease the amount of funds budgeted for a line item on any supporting budget schedule (i.e., within a class/object code) as long as the description of the line item does not change and as long as the current amount approved in that class/object code is not changed by more than 25% of the total budgeted amount. (Exception: Coordinated Early Intervening Services (CEIS) in the Special Education Consolidated grant application always requires an amendment.)
- Increase the salary amount of funds budgeted for a line item (i.e., a position type).
- Increase or decrease the number of positions previously approved by 20% or less, as long as a new position type is not being added.
- For a federally-funded formula grant, an amendment IS required to:
 - Add a class/object code not previously budgeted.
 - Increase or decrease the amount of funds currently approved in a class/object on the Program Budget Summary by more than 25% of the total budgeted amount.
 - Add a new line item on any of the supporting budget schedules.
 - Increase or decrease the number of positions approved by more than 20%.
 - Add a type of position not initially approved.
 - Add a new item or increase the quantity of capital outlay items approved for articles costing \$5,000 or more.
 - Add a new item of capital outlay for articles costing less than \$5,000.

The LEA's budget amendment request is initiated by the Grant Administrator. Justification for a budget amendment must include the requested dollar amount, description of the cost item, and reason for the amendment.

The Grant Administrator confirms that the funds are available, the proposed expenditures are allowable use of funds, and the reason for the amendment qualifies under grant requirements and TEA guidelines.

If approved, the data is entered into the applicable grant application by the Grant Administrator.

The eGrants application amendment is certified and submitted by the Grant Administrator or the Superintendent.

Upon receipt of the NOGA, the Grant Administrator records the approved amendment in the accounting records either by journal entry. The accounting records should provide a complete record of the approved grant budget and all amendments, as well as transactions that do not require an official amendment submission to TEA.

Budget Control for Federal and State Programs

The LEA's Grant Administrator monitors its financial performance by comparing and analyzing actual results with budgeted results. Each month at the time of draw downs, the Grant Administrator compares actual expenditures to budgeted amounts. If there is a difference, adjustments will be made accordingly.

The Grant Administrator will monitor actual expenditures to budget projections on a monthly basis.

The Grant Administrator is responsible for performing cost reconciliation on a quarterly basis for federally funds positions of employees working on multiple cost objectives. Adjustments will be performed annually if the difference between actual and budgeted is less than ten percent. Adjustments will be performed quarterly if the difference between actual and budgeted is ten percent or greater.

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

The Business Office Personnel and/or the Grant administrator will monitor expenditures, and obligated and encumbered balances of federal funds, on a monthly basis to ensure purchases benefit the beneficiaries during the grant program and to guard against high carryover amounts.

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

The Business Office Personnel evaluates the budget for its effectiveness in attaining goals and objectives. Evaluation may involve an examination of how funds were expended, what outcomes resulted from the expenditure of funds, and to what degree these outcomes achieved the objectives stated during the planning phase. This evaluation phase is important in determining the following year's budgetary allocations.

D. Accounting Records

1) Accounting System According to Texas Education Code Chapter 44 Fiscal Management

Accounting System. According to TEC 44.007, a standard school fiscal accounting system must be adopted and installed by the board of trustees of each LEA. The accounting system must conform with generally accepted accounting principles. The accounting system must meet at least the minimum requirements prescribed by the commissioner, subject to review and comment by the state auditor.

Records and Reports. According to TEC 44.007, a record must be kept of all revenues realized and of all expenditures made during the fiscal year for which a budget is adopted. A report of the revenues and expenditures for the preceding fiscal year shall be filed with the agency on or before the date set by the State Board of Education, and according to the requirements of the State Board of Education.

2) Accounting Code Structure

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

Local Option Codes:

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

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

Chart of Accounts: Appendix [B] provides the LEA's chart of accounts for all funds and expenditures at the level of the number, name, and description of each account. Locally defined options codes are included, as well as a chart of accounts that identifies funds reserved for various grant requirements.

3) Accounting Records

The LEA must maintain records which adequately identify the source and application of funds provided for federally-assisted activities. These records must contain information pertaining to

Federal awards, authorizations, obligations, unobligated balances, assets, expenditures, income and interest and be supported by source documentation.

Accounting Controls

The Business Office Personnel utilizes a year-end audit preparation checklist to ensure year-end balances are reflected correctly.

The Business Office performs monthly reconciliations.

The Superintendent and Business Office Personnel reviews financial statements for accuracy on a monthly basis.

The Business Office Personnel ensures the annual inventory of capital assets is reconciled with the subsidiary ledger or general ledger.

The Business Office Personnel ensures the Form SF-SAC Data Collection Form for Reporting on Audits of States, Local Governments, and Non-Profit Organizations is filed by the deadline for each fiscal year if applicable.

E. Spending Grant Funds

a) Direct and Indirect Costs

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

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

Indirect Cost Rate: The LEA has an indirect cost rate. The rate is calculated using the spreadsheet tool provided by TEA and uploaded to TEA using the TEASE account. TEA sends out an approved Indirect Cost Rate which are then effective July 1 of the current fiscal year – June 30th of the following year. Currently the LEA is not using the cost rate for Title Programs.

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

b) Determining Allowability of Costs: Subpart E – Cost Principles

Expenditures must be aligned with approved budgeted items. Certain changes or variations from the state-approved budget and grant application need prior approval from the state, according to TEA’s guidance on “When to Amend the Application” accessed at: http://tea.texas.gov/Finance_and_Grants/Administering_a_Grant.aspx

When determining how the LEA will spend its grant funds, the Grant Administrator will review the cost to determine whether it is an allowable use of federal grant funds:

- *Before* submitting their grant application
- *Before* obligating and spending those funds on the proposed good or service
- *After* the cost item is purchased and received, the Campus Administrator will ensure it is being used for its intended purpose (this includes ensuring that the personnel who will use the cost item are aware of its fund source and intended purpose, as applicable; labeling the equipment with its fund source, if applicable)

Except where otherwise authorized by statute, all costs supported by federal education funds must meet the standards outlined in EDGAR, 2 CFR Part 3474 and 2 CFR Part 200, as well as program-specific requirements and State and local rules.

Part 200's cost guidelines must be considered when federal grant funds are expended. Federal rules require state- and local-level requirements and policies regarding expenditures to be followed as well. When differing regulations and rules conflict, the most restrictive rule is followed. For example, state and/or local policies relating to travel or equipment may be narrower than the federal rules and therefore, the stricter State and/or local policies must be followed. Further, certain types of incentives are allowable under federal law, but are not allowable under State law.

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), the Carl D. Perkins Career and Technical Education Act (Perkins), or IDEA-B), along with accompanying program regulations, non-regulatory guidance and grant award notifications.

This manual includes sections on "Basic Considerations", "General Provisions for Selected Items of Cost", and "Questions to Consider When Determining Allowability of Cost with Federal Funds." Fiscal and program staff should refer to these sections to ensure purchases are allowable with federal funds.

(i) Basic Considerations 2 CFR §§200.403-406

Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards:

- **Be Necessary and Reasonable for the performance of the federal award.** 2 CFR §200.403(a). LEA staff must consider the following 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 was made to incur the cost. 2 CFR §200.404. 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 of a type generally recognized as ordinary and necessary for the operation of the LEA or the proper and efficient performance of the federal award. 2 CFR §200.404(a).

- The restraints or requirements imposed by such factors as: sound business practices; arm's-length bargaining; federal, state, local, and other laws and regulations; and terms and conditions of the federal award. 2 CFR §200.404(a).
- Market prices for comparable goods or services for the geographic area. 2 CFR §200.404(c).
- Whether the individuals concerned acted with prudence in the circumstances considering their responsibilities to the LEA, its employees, its students, the public at large, and the federal government. 2 CFR §200.404(d).
- Whether the LEA significantly deviates from its established practices and policies regarding the incurrence of costs, which may unjustifiably increase the federal award's cost. 2 CFR §200.404(e).

While 2 CFR §200.404 does not provide specific descriptions of what satisfies the “necessary” element beyond its inclusion in the reasonableness analysis above, necessary is determined based on the needs of the program. Specifically, the expenditure must be necessary to achieve an important program objective. A key aspect in determining whether a cost is necessary is whether the LEA can demonstrate that the cost addresses an existing need, and can prove it. For example, the LEA may deem a language skills software program necessary for a limited English proficiency program.

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

- Whether the cost is needed for the proper and efficient performance of the grant program.
 - Whether the cost is identified in the approved budget or application.
 - Whether there is an educational benefit associated with the cost.
 - Whether the cost aligns with identified needs based on results and findings from a needs assessment.
 - Whether the cost addresses program goals and objectives and is based on program data.
- **Allocable to the federal award.** 2 CFR §200.403(a). A cost is allocable to the federal award if the goods or services involved are chargeable or assignable to that federal award in accordance with the relative benefits received. 2 CFR §200.405(a). This means that the federal grant program derived a benefit in proportion to the funds charged to the program. 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 that grant program.

The allocable standard is met if the cost:

- Is incurred specifically for the federal award;

- Benefits both the federal award and other work of the LEA and can be distributed in proportions that may be approximated using reasonable methods; and
- Is necessary to the overall operation of the LEA and is assignable in part to the federal award in accordance with the principles in 2 CFR §200.405.

If a cost benefits two or more projects or activities in proportions that can be determined without undue effort or cost, the cost must be allocated to the projects based on the proportional benefit. If a cost benefits two or more projects or activities in proportions that cannot be determined because of the interrelationship of the work involved, the costs may be allocated or transferred to benefitted projects on any reasonable documented basis. 2 CFR §200.405 (d).

- **Conform to any limitations or exclusions set forth as cost principles in Part 200 or in the terms and conditions of the federal award, as to types or amount of cost items.** 2 CFR §200.403(b).
- **Be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the LEA.** 2 CFR §200.403(c). For example, if the state allows two weeks of vacation for employees, then employees paid from federal funds must also be allowed two weeks of vacation.
- **Be accorded 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 allocated to the federal award as an indirect cost. 2 CFR §200.403(d).
- **Be determined in accordance with generally accepted accounting principles (GAAP), unless provided otherwise in Part 200.** 2 CFR §200.403(e).
- **Not be included as a match or cost-share, unless the specific federal program authorizes federal costs to be treated as such.** 2 CFR §200.403(f). 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 adequately documented.** 2 CFR §200.403(g). All expenditures must be properly documented.
- **Be the net of all applicable credits.** The term “applicable credits” refers to those receipts or reduction-of-expenditure-type transactions 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; insurance

refunds or rebates, and adjustments of overpayments or erroneous charges. To the extent that such credits accruing to or received by the LEA relate to allowable costs for the federal award, they shall be credited to the federal award, either as a cost reduction or a cash refund, as appropriate. 2 CFR §200.406.

(ii) General Provisions for Selected Items of Cost 2 CFR §§200.420-200.475

This section provides principles to be applied in establishing the allowability of certain items involved in determining cost, in addition to the Basic Considerations listed above. These principles apply whether or not a particular item of cost is properly treated as direct cost or indirect cost. Failure to mention a particular item of cost is not intended to imply that it is either allowable or unallowable; rather, determination as to allowability in each case of a cost item not listed should be based on the treatment provided for similar or related items of cost, and based on the cost principles described in EDGAR. In the case of a discrepancy between the provisions of a specific federal grant program and the provisions listed below, the specific federal grant program's provisions govern.

55 specific cost items from 2 CFR §§200.420-200.475 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 listed in the, 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 a specific grant program 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.

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	2 CFR §200.421
Advisory councils	2 CFR §200.422
Alcoholic beverages	2 CFR §200.423
Alumni/ae activities	2 CFR §200.424
Audit services	2 CFR §200.425
Bad debts	2 CFR §200.426
Bonding costs	2 CFR §200.427
Collections of improper payments	2 CFR §200.428
Commencement and convocation costs	2 CFR §200.429

Compensation – personal services	2 CFR §200.430
Compensation – fringe benefits	2 CFR §200.431
Conferences	2 CFR §200.432
Contingency provisions	2 CFR §200.433
Contributions and donations	2 CFR §200.434
Defense and prosecution of criminal and civil proceedings, claims, appeals and patent infringements	2 CFR §200.435
Depreciation	2 CFR §200.436
Employee health and welfare costs	2 CFR §200.437
Entertainment costs	2 CFR §200.438
Equipment and other capital expenditures	2 CFR §200.439
Exchange rates	2 CFR §200.440
Fines, penalties, damages and other settlements	2 CFR §200.441
Fund raising and investment management costs	2 CFR §200.442
Gains and losses on disposition of depreciable assets	2 CFR §200.443
General costs of government	2 CFR §200.444
Goods and services for personal use	2 CFR §200.445
Idle facilities and idle capacity	2 CFR §200.446
Insurance and indemnification	2 CFR §200.447
Intellectual property	2 CFR §200.448
Interest	2 CFR §200.449
Lobbying	2 CFR §200.450
Losses on other awards or contracts	2 CFR §200.451
Maintenance and repair costs	2 CFR §200.452
Materials and supplies costs, including costs of computing devices	2 CFR §200.453
Memberships, subscriptions, and professional activity costs	2 CFR §200.454
Organization costs	2 CFR §200.455
Participant support costs	2 CFR §200.456
Plant and security costs	2 CFR §200.457
Pre-award costs	2 CFR §200.458
Professional service costs	2 CFR §200.459
Proposal costs	2 CFR §200.460
Publication and printing costs	2 CFR §200.461
Rearrangement and reconversion costs	2 CFR §200.462
Recruiting costs	2 CFR §200.463

Relocation costs of employees	2 CFR §200.464
Rental costs of real property and equipment	2 CFR §200.465
Scholarships and student aid costs	2 CFR §200.466
Selling and marketing costs	2 CFR §200.467
Specialized service facilities	2 CFR §200.468
Student activity costs	2 CFR §200.469
Taxes (including Value Added Tax)	2 CFR §200.470
Termination costs	2 CFR §200.471
Training and education costs	2 CFR §200.472
Transportation costs	2 CFR §200.473
Travel costs	2 CFR §200.474
Trustees	2 CFR §200.475

State rules on procurement and travel are more restrictive than federal rules. Please refer to the procurement and travel sections of this manual.

In addition to reviewing the “Basic Considerations” and “General Provisions for Selected Items of Cost” sections above, fiscal and program staff should reference “Questions to Consider When Determining Allowability of Cost with Federal Funds” on page 124, when making allowability determinations.

c) Travel Costs:

1) Federal Allowability Rules for Travel Costs:

General. Travel costs are the expenses for transportation, lodging, subsistence, and related items incurred by employees who are in travel status on official business of the LEA. Federal rules allow such costs to be charged on an actual cost basis, on a per diem or mileage basis in lieu of actual costs incurred, or on a combination of the two, provided the method used is applied to an entire trip and not selected days of the trip, and results in charges consistent with those normally allowed in like circumstances in the LEA’s non-federally-funded activities and in accordance with the LEA’s written travel reimbursement policies. 2 CFR §200.474(a). However, a per diem basis in lieu of actual costs is not allowable according to the more restrictive State rules.

Lodging and subsistence. Costs incurred by employees and officers for travel, including costs of lodging, other subsistence, and incidental expenses, must be considered reasonable and otherwise allowable only to the extent such costs do not exceed charges normally allowed by the LEA in its regular operations as the result of its written travel policy. In addition, if these costs are charged directly to the federal award, documentation must be maintained that justifies that (1)

participation of the individual is necessary to the federal award; and (2) the costs are reasonable and consistent with the LEA's established travel policy. 2 CFR §200.474(b).

Dependent Care Costs. Temporary dependent care costs (as dependent is defined in 26 U.S.C 152) above and beyond regular dependent care that directly results from travel to conferences is allowable provided that: (1) the costs are a direct result of the individual's travel for the federal award; (2) the costs are consistent with the LEA's documented travel policy for all LEA travel; and (3) are only temporary during the travel period. Travel costs for dependents are unallowable, except for travel of duration of six months or more with prior approval of the federal awarding agency. 2 CFR §200.474(c).

As needed, the costs of identifying, but not providing, locally available dependent-care resources are allowable conference-related costs. 2 CFR §200.432

Commercial air travel. Airfare costs in excess of the basic least expensive unrestricted accommodations class offered by commercial airlines are unallowable except when such accommodations would: (1) require circuitous routing; (2) require travel during unreasonable hours; (3) excessively prolong travel; (4) result in additional costs that would offset the transportation savings; or (5) offer accommodations not reasonably adequate for the traveler's medical needs. The LEA must justify and document these conditions on a case-by-case basis in order for the use of first-class or business-class airfare to be allowable in such cases. 2 CFR §200.474(e).

2) Texas Travel Reimbursement Guidelines:

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

Designated Headquarters definition:

<https://fmxcpa.state.tx.us/fmx/travel/texttravel/gen/def/index.php>

The area within the boundaries of the city in which the employee's place of employment is located. If an employee's place of employment is located within an unincorporated area, then the area within a five-mile radius of the place of employment is the employee's designated headquarters. If an incorporated area is completely surrounded by the incorporated municipality in which an employee's place of employment is located, then the employee's designated headquarters includes the surrounded municipality or area.

Duty Point definition:

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

The destination, other than a place of employment, to which the LEA employee travels to conduct official LEA business. If the destination is outside the employee's designated headquarters, then the duty point is either the incorporated municipality in which the destination is located or the unincorporated area within a five-mile radius of the destination.

Gratuity definition:

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

Something given voluntarily or beyond obligation, usually in response to or in anticipation of a service.

Incidental Expense definition:

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

An expense incurred while traveling on official LEA business. The term includes a mandatory insurance or service charge and an applicable tax, except a tax based on the cost of a meal. The term does not include a meal, lodging or transportation expense, a personal expense, an expense that an individual would incur regardless of whether the individual were traveling on official LEA business, a tip or a gratuity.

Transportation:

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

An LEA employee is entitled to be reimbursed for transportation charges incurred while conducting LEA business. The employee should select the most cost effective method of transportation available. Details are described in this travel section.

Mileage in personal vehicle:

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

LEA employees are entitled to be reimbursed for mileage incurred to conduct LEA business. The reimbursement may not exceed the product of the actual number of miles traveled for business and the maximum mileage reimbursement rate established by the Texas Comptroller of Public Accounts, or the rate established by the LEA, if lower than the state rate.

Mileage reimbursement rates are subject to change, and must not exceed rates published by the Texas Comptroller of Public Accounts. The LEA is not required to reimburse employees at the

maximum state rate. **The LEA chooses to reimburse at a lower rate of 50 cents per mile traveled.**

The number of reimbursable miles may not exceed the number of miles of the most cost-effective reasonably safe route between two duty points. Travelers are required to select the shortest and most economical route but may justify selection of another route if it was chosen for safety reasons and specific justification of the selection is given. In determining the most cost-effective reasonably safe route, the LEA may consider the route that provides the shortest distance, the quickest drive time or the safest road conditions. Specific justification of the selection should be submitted by the employee in writing to the Business Office if the shortest route is not chosen.

Travelers are required to calculate mileage by one of the following two methods:

- Employee's vehicle odometer reading (supporting documentation must include a point-to-point mileage itemization); or
- Electronic mapping source www.Mapquest.com or any mapping service of this kind. The traveler must print out the driving directions provided by the site and attach them to the travel voucher.
- Travelers traveling to and from the Region III ESC are not required to calculate their mileage by either the odometer reading or electronic mapping source method but will be paid by the LEA based on the 100 miles calculated to drive from the LEA location to the Region III ESC.

The LEA will reimburse an employee for mileage between a residence and an airport. If applicable, the mileage reimbursement is limited to the cost of one two-way trip to and from the airport in the employee's personal vehicle plus parking at the airport.

LEA employees will not be reimbursed for mileage incurred in traveling between the employee's residence and place of employment in a personally owned or leased motor vehicle unless the travel: (1) is necessitated by extraordinary circumstances, and (2) occurs outside of the hours the employee is working. The same restrictions and requirements that apply to the use of a personally owned vehicle apply to an employee's use of mass transit, taxi or limousine when traveling between an employee's residence and place of employment.

Reimbursement expenses for travel by persons with disabilities will conform to Texas Government Code, Section 660.143(a).

<http://www.statutes.legis.state.tx.us/Docs/GV/htm/GV.660.htm#660.143>

Four-per-car rule:

<https://fmxcpa.state.tx.us/fmx/travel/textravel/trans/fourper.php>

When employees travel on the same dates with the same itinerary, they must coordinate travel. When four or fewer employees travel on the same itinerary, only one may be reimbursed for mileage. When more than four employees travel on the same itinerary, only one out of every four may be reimbursed for mileage.

Rental vehicles:

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

LEA employees are entitled to reimbursement for the cost of renting a vehicle to conduct state business. The reimbursement includes all applicable taxes and mandatory charges. It also may include a charge for a collision damage waiver or a loss damage waiver if not already included in the contracted rate for the rental. A charge for an additional driver may only be reimbursed if incurred for a business reason. A charge for a liability insurance supplement, personal accident insurance, safe trip insurance or personal effects insurance is not reimbursable.

When at least two employees share a rental vehicle, each employee is entitled to be reimbursed for his or her share of the rental cost.

For an employee to be reimbursed for a rental expense, the employee must provide proof that the expense was incurred. A complete receipt issued by the rental company serves this purpose. The receipt must include the following: (1) The name of the rental company, and (2) The name of the employee renting the vehicle, and (3) The starting and ending dates of the rental, and (4) An itemization of expenses incurred, and (5) Proof of payment. If a receipt does not include all of the five items listed above, the rental contract may also be included to provide that information.

A receipt that has been altered by any person other than the entity issuing the receipt is unacceptable. A receipt to which additional information has been added is considered unaltered if the information does not conflict with the original information on the receipt.

Commercial air transportation:

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

The LEA employee is entitled to be reimbursed for the actual cost of commercial air transportation incurred to conduct LEA business. The reimbursement may not exceed the cost of the lowest available airfare between the employee's designated headquarters and the employee's duty point.

To be reimbursed, the employee must provide proof that the expense was incurred. A complete passenger receipt issued by a commercial airline company or an itinerary issued by the company or a travel agency serves this purpose. The receipt or itinerary must include the following: (1) The name of the employee and airline, and (2) The ticket number, and (3) The class of transportation, and (4) The travel dates, and (5) The amount of the airfare, and (6) The origin and destination of each flight, and (7) Proof of payment.

A passenger receipt or itinerary that has been altered by any person other than the entity issuing the receipt or the itinerary is unacceptable. A receipt or itinerary to which additional information has been added is considered unaltered if the information does not conflict with the original information on the receipt.

The Employee will be responsible for the booking of the flight and will seek reimbursement.

Baggage Fees:

<https://fm.x.cpa.state.tx.us/fmx/travel/texttravel/trans/commair/excessbags.php>

Baggage charges that are related to LEA business are reimbursable. It is assumed that the first checked bag is necessary to complete business travel. Charges for excessive baggage may be reimbursed as long as it is related to LEA business (e.g. LEA-owned equipment). The LEA will ensure the reasonableness of the reimbursement and number of bags necessary.

Private aircraft:

<https://fm.x.cpa.state.tx.us/fmx/travel/texttravel/trans/privair.php>

An LEA employee is not entitled to be reimbursed for the employee's use of an aircraft owned or leased by the employee.

Mass transit, taxi or limousine:

<https://fm.x.cpa.state.tx.us/fmx/travel/texttravel/trans/mass.php>

The LEA employee is entitled to be reimbursed for the actual cost of transportation by bus, subway, other mode of mass transit or taxi if incurred to conduct LEA business. The cost is only reimbursable if provided by a commercial transportation company.

An LEA employee is entitled to be reimbursed for the actual cost of transportation by limousine only if it was the least costly transportation available considering all relevant circumstances.

If a taxi or limousine is shared by two or more LEA employees, then only the employee who paid for the transportation may be reimbursed for that expense. The other employees may be reimbursed only for charges imposed on an individual-by-individual basis.

State law does not require a receipt for a reimbursement of travel by bus, subway, other mode of mass transit, taxi or limousine. The supporting documentation must itemize the date and the fare charged for each trip.

Direct payment of transportation expenses:

<https://fmxcpa.state.tx.us/fmx/travel/texttravel/trans/direct.php>

The LEA may directly pay a commercial transportation company, a credit card issuer, or a travel agency for the expense of transporting the LEA's employees. The LEA may directly pay a commercial transportation company, a credit card issuer, or a travel agency *in advance* of the employee's travel if the company offers lower rates for the transportation. However, an appropriation for the current fiscal year may not be used to pay for transportation that will occur during the next fiscal year.

The amount of the LEA's direct payment of a transportation expense may not exceed the amount that would have been reimbursed to the employee for that expense.

Parking:

<https://fmxcpa.state.tx.us/fmx/travel/texttravel/trans/parking.php>

The LEA employee is entitled to be reimbursed for a parking expense incurred while traveling on LEA business in a personally owned or leased vehicle, rental vehicle, or LEA-owned or leased vehicle. The LEA will not reimburse the employee for parking paid if none of the mileage or rental cost is reimbursable.

A receipt showing amount paid for parking is required to be submitted for reimbursement.

Tolls:

<https://fmxcpa.state.tx.us/fmx/travel/texttravel/trans/tolls.php>

An LEA employee is entitled to be reimbursed for tolls paid when the employee travels in a personally owned or leased vehicle, rental vehicle, or LEA-owned or leased vehicle. The LEA will not be reimbursed for tolls paid if none of the mileage or rental cost is reimbursable.

A copy of the Toll Bill is required to be submitted for reimbursement showing the dates and tolls traveled.

Non-Overnight Travel:

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

Refer to the Non-Overnight Meals section below.

Overnight Travel:

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

An LEA employee is entitled to be reimbursed for lodging, meal and incidental expense incurred while conducting LEA business at a duty point outside of his or her designated headquarters, according to the specifics outlined in this travel section.

In-State Travel:

The rates prescribed in the Meals and Lodging section of this manual are used for reimbursement of in-state meal and lodging expenditures.

Out-of-State Travel:

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

An LEA may only pay for business-related travel expenses incurred outside of Texas if the travel was approved in advance in accordance with local policy. If approved in advance, an employee who travels within or outside the continental United States shall be reimbursed for the actual cost of lodging and meals based on local reimbursement rates. **However, the reimbursement out of grant funds may not exceed the maximum meals and lodging rates based on federal travel regulations that are issued by the Texas Comptroller of Public Accounts (refer to the Meals and Lodging section of this manual).** If local policy reimburses at a *lesser* amount, you must comply with local policy. If local policy reimburses at a *greater* amount, you must pay the difference from local or state funds (not from grant funds).

Out-of-State Travel with federal grants funds is not allowable without prior approval from TEA. Refer to TEA guidelines for the approval process.

Travel to U.S. possessions, Alaska, Hawaii, Canada or Mexico: An LEA employee is entitled to be reimbursed for actual lodging and meal expenses incurred while conducting LEA business at a duty point in a U.S. possession, Alaska, Hawaii, Canada or Mexico.

The LEA has a local policy that reimburses a lesser amount so the local policy will be followed.

Foreign travel:

<https://fm.x.cpa.state.tx.us/fmx/travel/texttravel/over/foreign/index.php>

The LEA does not allow foreign travel for its employees.

Meals and Lodging:

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

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

<https://fm.x.cpa.state.tx.us/fmx/travel/texttravel/meallodg/lodging/reimburse.php>

Meal and lodging rates differ depending on whether the travel is in-state or out-of-state. State travel expense reimbursement is not a per diem. An employee must claim the actual expenses incurred for meals and lodging not to exceed the maximum allowable rates. The maximum should not be claimed unless the actual expenditures equal or exceed the maximum allowable rate.

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

- If local policy restricts travel, per diem, and other travel expenses to a rate less than State law, the applicant must budget and request reimbursement from the grant *at the lesser rate*.
- If local policy exceeds the maximum recovery rate specified in State law, then the difference must be paid from state or local funds, i.e., not from grant funds. The LEA Policy is lower than the State rate.
- ***Travel allowances***, in which the traveler receives a flat per diem for lodging and/or meals, regardless of the amount actually expended, are not allowable per State law. (State law is more restrictive than federal law.)

The LEA must use the federal rates provided by the General Services Administration (GSA) for both in-state and out-of-state travel within the contiguous United States. Refer to the GSA's Domestic Maximum Per Diem Rates accessed at:

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

If the city is not listed, but the county is listed, use the rate of the county.

For areas not listed (city or county), use the rates listed on the Travel Reimbursement Rates document accessed at: <https://fm.x.cpa.state.tx.us/fm/travel/travelrates.php>

Federal travel regulations are typically updated on October 1 of each year; however, changes may be made any time during the year. It is possible for two sets of rates to apply to a single trip. If employees are traveling when the rates change, they must use the rates in effect on each specific day of travel.

Because the reimbursement rates can change, it is recommended that travelers print the page at the time reservations are made and submit the printout with the travel reimbursement voucher as a supporting document.

Meal receipts:

<https://fmx.cpa.state.tx.us/fmx/travel/texttravel/meallodg/meals/receipts.php>

Meal receipts are not required by law. However, the LEA may establish an internal policy that employees must submit receipts for meals as a condition for reimbursement. If the LEA does not require meal receipts, the employee must certify that the reimbursement amount being requested is the actual meal expense not to exceed the maximum meal reimbursement rate for that location, and does not include alcoholic beverages or tips.

The LEA does not require meal receipts as a condition for reimbursement.

The LEA policy for meal reimbursements for overnight trips or trips outside of the normal workday are paid at a maximum of:

	<u>Employee</u>	<u>Student</u>
Breakfast	\$ 7.00	\$ 7.00
Lunch	\$ 8.00	\$ 7.00
Dinner	\$10.00	\$ 7.00

Student allowances are allowed when attending a school event and requested by the administrator in charge.

Direct payment of meal expenses:

<https://fmx.cpa.state.tx.us/fmx/travel/texttravel/meallodg/meals/direct.php>

If the LEA directly pays a commercial lodging establishment, a credit card issuer, or a travel agency for lodging expenses incurred by the LEA's employee, the LEA may also directly pay meal expenses incurred by the employee at that lodging establishment.

Prohibited meal expenses:

<https://fm.x.cpa.state.tx.us/fmx/travel/texttravel/meallodg/meals/prohibited.php>

<https://fm.x.cpa.state.tx.us/fmx/travel/texttravel/docreq/meals/within.php>

LEA employees may not be reimbursed for a meal expense incurred within the employee's designated headquarters unless it is mandatory and connected with training, a seminar or a conference. Justification documentation is required. Supporting documentation must include a determination by the sponsor of the training, seminar or conference that the meal was mandatory and connected with the training, seminar or conference.

LEA employees may not be reimbursed for a meal expense incurred while not conducting LEA business unless an exception applies. LEA business does not include the breakdown of a personally owned vehicle or any occurrence not connected with an LEA employee's official duties.

Tips or gratuities paid in conjunction with meal expenses are generally not reimbursable. (State rules are more restrictive than federal rules.) A "mandatory" service charge may only be reimbursed if the service charge is imposed by an establishment and cannot be refused by the customer.

LEA employees may not be reimbursed for the purchase of an alcoholic beverage.

Non-Overnight Meals:

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

<https://fm.x.cpa.state.tx.us/fmx/travel/texttravel/docreq/meals/nonover.php>

An LEA employee may be reimbursed for non-overnight meal expenses, if allowed by local policy. ***If an employee on non-overnight travel receives reimbursement for meals, this amount would be considered income and must be reported on the employee's W-2 tax form.***

An LEA is not required to reimburse for non-overnight meals but may choose to do so by authorization of the LEA's chief administrator. The authorization may be provided on either a case-by-case or a blanket basis. If the chief administrator has authorized meal expense reimbursements on a blanket basis, it must be documented in the LEA's internal policy. The LEA must provide the original or copy of that authorization to the Comptroller's office, upon request. If the chief administrator has authorized meal expense reimbursements on a case-by-case (reimbursement-by-reimbursement basis), only the supporting documentation for each reimbursement must include that authorization.

**** It is the policy of the LEA not to reimburse for non-overnight meals unless travel is outside of the normal work day.**

If local policy allows reimbursement for meals for a non-overnight stay, the expense must be incurred on a day that the employee conducts state business outside of his or her designated headquarters. Travel must begin at one duty point and end at another. The meal expense is only reimbursable if the employee is outside of his or her designated headquarters for at least six consecutive hours. The cost of meals for travel lasting less than six consecutive hours is not allowable to be charged to the grant.

Regardless of the time of day of the travel, mileage to and from the employee's home or location other than a duty point is not allowable to be charged to the grant.

In the absence of local policy allowing meal reimbursement for a non-overnight stay, no reimbursement shall be made from the grant for this purpose.

If local policy allows reimbursement for meals for a non-overnight stay, the employee may be reimbursed for the actual cost of the meal, not to exceed \$36, according to the Comptroller's Travel Reimbursement Rates accessed at:

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

Reducing meal reimbursement rate to increase lodging rate:

<https://fm.x.cpa.state.tx.us/fm/travel/texttravel/meallodg/lodging/redmeal.php>

For both in-state and out-of-state travel, the traveler may claim less than the maximum meal reimbursement rate for a duty point and use the amount of the reduction to increase the maximum lodging reimbursement rate for the duty point (i.e., up to the rate prescribed in the Meals and Lodging section of this manual. For instance, if the traveler chooses to stay in a hotel that costs \$10 more a night than the allowable maximum for lodging, the traveler can apply \$10 of the maximum available for meal reimbursement toward the lodging rate. If the traveler chooses to apply meal reimbursement to lodging, the maximum meal reimbursement rate is reduced by the same amount (applying \$10 of the meal reimbursement to lodging would reduce the meal reimbursement by \$10).

NOTE: The opposite case does not apply; that is, a traveler may *not* reduce the amount spent on lodging and increase the amount spent on meals. Under no circumstances may a traveler be reimbursed from grant funds for meals at a rate that exceeds the rates prescribed in the Meals and Lodging section of this manual.

Lodging:

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

An LEA employee is entitled to be reimbursed for lodging expenses incurred on a day that the employee conducts LEA business outside of his or her designated headquarters. The lodging expense may only be reimbursed if it is incurred at a commercial lodging established. The employee may only be reimbursed for his or her actual lodging expense not to exceed the maximum lodging reimbursement rate (prescribed in the Meals and Lodging section of this manual).

An LEA employee may not be reimbursed for a lodging expense incurred while not conducting LEA business unless an exception applies.

Lodging expenses incurred the night before LEA business begins and the night after LEA business ends are reimbursable. Lodging expensed incurred more than one night before or after the LEA business begins or ends are not reimbursable unless the expenses are incurred to qualify for discount airfare or if travel to or from the duty point reasonably requires more than one day.

Lodging Reimbursements:

<https://fmx.cpa.state.tx.us/fmx/travel/texttravel/meallodg/lodging/reimburse.php>

An LEA employee may only be reimbursed for his or her actual lodging expense, not to exceed the maximum lodging reimbursement rate for that location. LEAs must use the federal rates provided by the General Services Administration (GSA) for both in-state and out-of-state travel within the contiguous United States.

Please refer to the rates prescribed in the Meals and Lodging section of this manual.

Hotel Occupancy Taxes:

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

<https://fmx.cpa.state.tx.us/fmx/travel/texttravel/meallodg/hotelocc/educational.php>

<https://fmx.cpa.state.tx.us/fmx/travel/texttravel/meallodg/hotelocc/outside.php>

<https://fmx.cpa.state.tx.us/fmx/travel/texttravel/meallodg/hotelocc/maximum.php>

LEAs are usually exempt from Texas state sales tax on lodging but are not exempt from any city taxes or other taxes imposed for lodging. An employee of an agency that qualifies as an educational organization is exempt from paying the state hotel occupancy tax. The employee is not exempt from paying the county or municipal hotel occupancy tax.

Employees may be reimbursed for applicable taxes, but **may not be reimbursed for Texas state sales tax if the traveler fails to present the Texas Hotel Occupancy Tax Exemption Certificate to the hotel. It is the responsibility of the employee to present the exemption form to the hotel to claim exemption from the state tax for LEA-related business travel.** An employee must be reimbursed for a hotel occupancy or similar tax from which the employee is legally exempt, but only if the employee properly claims the exemption and the commercial lodging establishment refused to honor it.

Copies of the Texas Hotel Occupancy Tax Exemption Certificate may be obtained from the Business Office.

An LEA employee traveling outside Texas is entitled to be reimbursed for his or her required payment of hotel occupancy or similar taxes. However, an LEA employee traveling outside Texas may not be reimbursed for a hotel occupancy or similar tax that applicable law allows to be rebated or refunded to the employee if the LEA requires the employee to claim the rebate or refund.

For both in-state and out-of-state travel, the hotel taxes are considered an incidental expense and not as a lodging expense for the purpose of the maximum reimbursement rate for lodging expenses.

When an LEA employee is entitled to be reimbursed for payment of a hotel occupancy or similar tax and the lodging amount incurred exceeds the maximum allowable lodging rate, the following calculation methods for the tax reimbursement must be used:

If the tax is calculated as a percentage of the lodging rate, then the amount of the reimbursement is equal to the percentage multiplied by the maximum that may be reimbursed to the employee for lodging expenses. For a detailed explanation of this rule, refer to the examples located at:

<https://fm.x.cpa.state.tx.us/fmx/travel/texttravel/meallodg/hotelocc/maximum.php>

Cancellation Charges:

<https://fm.x.cpa.state.tx.us/fmx/travel/texttravel/meallodg/lodging/cancel.php>

The LEA may reimburse an employee for a cancellation charge if the charge is incurred: (1) for a reason related to LEA business, or (2) for a reason related to LEA business that could not be conducted because of a natural disaster, or (3) because an employee was unable to use transportation that was paid in advance to obtain a cost savings because that employee was ill or had a personal emergency.

Direct payment of lodging expenses:

<https://fmxcpa.state.tx.us/fmx/travel/texttravel/meallodg/lodging/direct.php>

The LEA may directly pay a commercial lodging establishment, a credit card issuer or a travel agency for lodging expenses incurred by the LEA's employees. The amount of the LEA's direct payment of a lodging expense may not exceed the amount that would have been reimbursed to an LEA employee for that expense. Applicable hotel occupancy taxes may be included in the direct payment.

Lease of an apartment or house:

<https://fmxcpa.state.tx.us/fmx/travel/texttravel/meallodg/lodging/lease.php>

According to State law, an apartment or house rental expense may be reimbursed if: (1) The purpose of the rental is the conservation of LEA funds, and (2) The LEA reasonably anticipates that the employee will be using the apartment or house while conducting LEA business throughout the term of the lease. Application fees and other mandatory costs associated with applying for rental of the apartment or house are reimbursable.

The LEA allows does not allow leasing of an apartment or house.

Lodging receipt requirements:

<https://fmxcpa.state.tx.us/fmx/travel/texttravel/meallodg/lodging/receipt.php>

For an LEA employee to be reimbursed for a lodging expense, the employee must provide proof that the lodging expense was incurred. This normally takes the form of a lodging receipt.

A lodging receipt issued by a commercial lodging establishment, a travel agency or a broker is acceptable and must include the following: (1) The name and address of the commercial lodging establishment, and (2) The name of the employee, and (3) The single room rate, and (4) A daily itemization of the lodging charges, and (5) Proof of payment.

A receipt that has been altered by any person other than the entity issuing the receipt is unacceptable. A receipt to which additional information has been added is considered unaltered if the information does not conflict with the original information on the receipt. The paper version of a receipt delivered through the Internet or electronic mail by a commercial lodging establishment, travel agency or broker is considered original.

If a lodging receipt is unavailable, the supporting documentation must include the cancelled check or credit card slip used to pay the lodging expense, the credit card billing on which the lodging charges appear or a copy of the receipt, check, slip or billing.

Requesting a higher maximum lodging reimbursement rate:

<https://fmx.cpa.state.tx.us/fmx/travel/texttravel/meallodg/lodging/reghigher.php>

The head of the LEA or designee may determine that local conditions necessitate an increase in the lodging rate for a particular location for both in-state and out-of-state travel. This determination must be documented internally by the LEA and made available upon request during post-payment audit.

A sample request form may be accessed at:

https://fmx.cpa.state.tx.us/fmx/travel/texttravel/meallodg/lodging/Sample_Max_Lodging_Form.pdf

A sample calculation table may be accessed at:

https://fmx.cpa.state.tx.us/fmx/travel/texttravel/meallodg/lodging/Sample_Calculation_Table.pdf

Sharing Lodging:

<https://fmx.cpa.state.tx.us/fmx/travel/texttravel/meallodg/lodging/sharing.php>

LEA employees are not required to share lodging, but if they voluntarily choose to share lodging, the following rules apply:

When at least two LEA employees share lodging, the LEA reimburses each employee for his or her share of the lodging expense. For each traveler, the reimbursement may not exceed the maximum lodging reimbursement rate. When only one of the individuals sharing lodging is an LEA employee, the employee may only be reimbursed the room rate for a single occupancy or the applicable maximum lodging reimbursement rate, whichever amount is less.

Each employee must submit a travel voucher to receive reimbursement.

Example of two LEA employees sharing lodging: Carol and Jennifer are employed by the same LEA and are planning an out-of-state business trip. The maximum lodging rate for the area where they will be staying is \$90. The women would prefer to stay at a specific hotel that is most convenient to the location of their business meeting. The only problem is that the room rate for

this hotel is \$140. Carol and Jennifer decide to share a room so they can stay in the hotel of their choice. The women are charged the \$140 per night, but since each woman would be allowed up to \$90 per night if booked separately, the lodging cost is reimbursable. Carol and Jennifer may each claim their share of the lodging expense, which is \$70 per night.

Lodging Reimbursements:

<https://fmx.cpa.state.tx.us/fmx/travel/texttravel/meallodg/lodging/reimburse.php>

An LEA employee may only be reimbursed for his or her actual lodging expense, not to exceed the maximum lodging reimbursement rate for that location. LEAs must use the federal rates provided by the General Services Administration (GSA) for both in-state and out-of-state travel within the contiguous United States.

Please refer to the rates prescribed in the Meals and Lodging section of this manual.

It is the policy of the LEA to share lodging when available.

Inability to obtain reasonable lodging within the duty point:

<https://fmx.cpa.state.tx.us/fmx/travel/texttravel/meallodg/lodging/inability.php>

An LEA employee may be reimbursed for lodging and meals obtained outside of Texas if he or she was unable to obtain reasonable lodging within the duty point. The lodging expense reimbursement may not exceed the maximum lodging reimbursement rate for the location where the lodging is obtained.

In this situation, the meal expense reimbursement may not exceed the greater of: (1) the maximum meal reimbursement rate for the LEA employee's duty point; or (2) the maximum meal reimbursement rate for the location where the lodging is obtained.

Packaged travel arrangements:

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

If an LEA or LEA employee purchases a package of at least two travel arrangements (i.e., meals, lodging, transportation, incidental expenses, registration fees), each type is reimbursable only to the extent it would have been reimbursable had it not been included in the package. The travel voucher form must separately state the cost of each type of travel arrangement.

Example: Joe, an LEA employee planning a business trip out-of-town, finds a great deal for a packaged trip online. The package deal includes airfare for \$200, rental car for \$30 per day and lodging for \$90 per day. If Joe were to book the airfare separately, it would have cost \$400. Reimbursement of each cost is limited to what would have been reimbursable if it had not been included in the package. For example, the applicable lodging rate for the area is only \$85, so the additional \$5 spent on lodging is not reimbursable. When Joe submits his travel voucher for reimbursement, he will need to include documentation that states separately each type of travel cost combined in the package.

Lost or stolen tickets or similar items:

<https://fm.x.cpa.state.tx.us/fmx/travel/texttravel/misc/lost.php>

An LEA employee may be reimbursed for a ticket or similar item that has been lost or stolen only if the LEA determines that the loss or theft occurred despite the employee's exercise of reasonable care to safeguard the item.

If an LEA employee is reimbursed for a ticket or similar item, and the item is subsequently lost or stolen because of their failure to exercise reasonable care to safeguard it, the employee is liable to the LEA for its value.

Training seminars conducted by an LEA for its employees:

<https://fm.x.cpa.state.tx.us/fmx/travel/texttravel/misc/training.php>

To reduce travel expenditures, an LEA must use interactive television, video conference technology and telephone conferences to the greatest extent possible. An LEA employee may not be reimbursed for a travel expense associated with a training seminar conducted by his or her LEA for its employees, unless the LEA's chief administrator or designee certifies that the LEA: (1) does not possess interactive television or video conference facilities at the designated headquarters of the employees attending the seminar; and (2) cannot purchase or lease those facilities at a cost less than the total travel expenses associated with the seminar; and (3) does not have access to another agency's facilities at the same location.

Discounts and travel expenses at no cost:

<https://fm.x.cpa.state.tx.us/fmx/travel/texttravel/misc/disc/index.php>

<https://fm.x.cpa.state.tx.us/fmx/travel/texttravel/misc/disc/incurred.php>

<https://fm.x.cpa.state.tx.us/fmx/travel/texttravel/misc/disc/discounts.php>

<https://fm.x.cpa.state.tx.us/fmx/travel/texttravel/misc/disc/disair.php>

<https://fm.x.cpa.state.tx.us/fmx/travel/texttravel/misc/disc/freqlodg.php>

Discounts on travel expenses:

An LEA employee may not be reimbursed for a travel expense unless the employee has incurred the expense. Therefore, an LEA employee may not be reimbursed for the value or cost of a discount on a travel expense unless the employee paid money to obtain the discount. If the employee receives a discount as a benefit of making unrelated purchases or conducting unrelated business with the provider of the discount, the discount is considered to be provided free to the employee.

If an employee paid money to obtain a discount, the employee may be reimbursed the lesser of: (1) the cost of obtaining the discount; and (2) the amount of the discount; and (3) the maximum that may be reimbursed to a state employee for the type of travel expense incurred.

Example: Rosie is an LEA employee who uses her personal credit card for most of her monthly purchases because her credit card company offers a bonus structure for use of the card. Rosie is able to trade in “points” that she earns from her credit card purchases for air miles. Rosie decides to use her air miles for an LEA-related business trip, and therefore she does not incur any out-of-pocket costs for the airfare. She would like to claim what the ticket would have cost her on a travel voucher. Rosie is not able to do so because she has not incurred an airfare expense for reimbursement purposes.

Expenses must actually be incurred to be eligible for reimbursement:

An LEA employee may not be reimbursed for a travel expense unless the employee has incurred the expense. For example, an employee who receives free transportation or lodging in exchange for mileage, points or other non-monetary credits has not incurred an expense for reimbursement purposes.

Expenses incurred while qualifying for discount airfare:

An LEA employee may be reimbursed for travel expenses incurred while staying extra days at a duty point to qualify for discount airfare if: (1) the amount of the reimbursement plus the amount of the discount airfare is less than the contract airfare or average coach airfare that would be available had the employee not stayed extra days at the duty point; and (2) the expenses are the same type of expenses incurred during the other days at the duty point; and (3) the employing LEA determines that the employee’s absence for the extra days is not detrimental.

Discounts for frequent use of a commercial lodging establishment: A 1984 opinion issued by the State Ethics Advisory Commission limits the use of travel discounts or bonuses earned from travel paid with public funds. Such a discount or bonus can only be used for a private purpose if it cannot be used for a public purpose. Each LEA must determine

whether a discount or bonus can be used for a public purpose. The LEA does not allow the discount to be used for a public purpose.

An LEA employee must not misuse government property or other things of value belonging to the agency that come into the employee's by virtue of the employee's office or employment. However, a discount or award given for travel, such as frequent flyer miles, rental car or hotel discounts or food coupons, are not things of valued belonging to the government for purposes of this section. This is due to the administrative difficulty and cost involved in recapturing the discount or award for a governmental entity.

Exceptions:

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

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

<https://fmx.cpa.state.tx.us/fmx/travel/texttravel/except/unrelated/medcare.php>

<https://fmx.cpa.state.tx.us/fmx/travel/texttravel/except/unrelated/funerals.php>

<https://fmx.cpa.state.tx.us/fmx/travel/texttravel/except/unrelated/disaster.php>

<https://fmx.cpa.state.tx.us/fmx/travel/texttravel/except/unrelated/leave.php>

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

<https://fmx.cpa.state.tx.us/fmx/travel/texttravel/except/unrelated/illness.php>

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

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

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

Generally, in order for a travel expense to be reimbursable, it must be related to LEA business. However, there are certain circumstances that allow for reimbursement of expenses not related to LEA business.

A travel expense not related to LEA business is not reimbursable unless it is included in the exceptions in this section:

Medical care for traveling LEA employees: As additional compensation to an LEA employee, the employee may be reimbursed for a travel expense incurred while obtaining medical care for the employee if: (1) the expense is incurred outside the employee's designated headquarters; and (2) the purpose of the employee traveling outside the employee's designated headquarters was to conduct LEA business; and (3) waiting to receive the care until the employee returns to the employee's designated headquarters would be unreasonable; and (4) the expense would have been reimbursable had it been incurred while conducting LEA business; and (5) the expense is incurred only while traveling to the nearest appropriate medical care facility.

Example: Mike, an LEA employee traveling on LEA business outside his designated headquarters has the misfortune of catching the flu. He is unable to perform his duties and determines it is necessary to visit the nearest appropriate hospital prior to returning home. He drives his personal vehicle to and from the hospital. The mileage Mike incurs is reimbursable at the applicable reimbursement rate.

Attending funerals: An LEA employee may be reimbursed for a travel expense incurred while attending the funeral of an individual who was an LEA employee or board member if: (1) the LEA determines that the employee's attendance at the funeral is appropriate under the circumstances; and (2) the expense is reimbursed only to the extent it could have been reimbursed had it been incurred while conducting LEA business.

Natural disaster or other occurrence: An LEA employee may be reimbursed for a travel expense incurred as a result of attempting to conduct LEA business if: (1) the employee is unable to conduct the business because of a natural disaster or other natural occurrence; and (2) the expense would be reimbursable had the LEA business been conducted.

Travel expenses incurred while on leave: An LEA employee may be reimbursed for a travel expense incurred while using personal or compensatory leave if: (1) the leave is used while the employee is away from their designated headquarters; and (2) the primary purpose of the employee's being away is to conduct LEA business; and (3) the LEA determines that returning the employee to their designated headquarters while using the leave would not be practical or cost-effective; and (4) the expense is incurred in the duty point at which the employee is conducting LEA business; and (5) the expense is a type of expense that the employee incurred or would have incurred while conducting LEA business.

Example: Julie is an LEA employee headquartered in Houston. She travels to Dallas to conduct LEA business. Julie attends business meetings in Dallas on Monday and Tuesday and has another business meeting in Dallas on Friday. Julie's employer determines it would not be cost-effective to reimburse her to return to Houston, her headquarters, and then back to Dallas, her duty point, on Friday to resume LEA business. Therefore, she may be reimbursed for meal, lodging and transportation expenses incurred at the duty point while she is on leave. The expenses she incurs both on personal leave and while conducting LEA business are only reimbursable up to the applicable maximum reimbursable rates. If Julie decides to drive her vehicle to a location outside the duty point or incurs meals at a location outside the duty point, the expenses would not be reimbursable.

Travel to a duty point or designated headquarters while on personal or compensatory leave: An LEA employee who is on leave may be required by the LEA to leave a location outside of the employee's designated headquarters to travel to a duty point that is also outside of headquarters.

The employee may be reimbursed for the travel expenses incurred. The reimbursable expenses are limited to the amount of travel expenses that would have been incurred had the employee traveled from his or her headquarters directly to the duty point. Note: The expenses are only reimbursable if the travel to the duty point is from a location other than the employee's residence and the employee could not have reasonably anticipated that the business travel would be necessary before going on leave outside of the employee's headquarters.

Return to a designated headquarters while on personal or compensatory leave: An LEA employee who is on leave may be required by the LEA to leave a location outside of the employee's headquarters to return to that headquarters. The employee may be reimbursed for the travel expenses incurred while returning to the designated headquarters. If the employee resumes the leave, he or she may also be reimbursed for expenses incurred while traveling back to the location at which the employee was staying on leave or to the proper location on the employee's itinerary. Note: The expenses are only reimbursable if the travel to the headquarters is from a location other than the employee's residence and the employee could not have reasonably anticipated that the business travel would be necessary before going on leave outside of the employee's headquarters.

Example: Ron, an LEA employee on vacation in New Mexico, is called back to his office in Dallas by his supervisor during an emergency situation at the LEA. He travels from New Mexico to Dallas and completes the LEA duties required by his supervisor. He then returns to New Mexico for the remainder of his vacation. Ron may be reimbursed for reasonable travel costs incurred to get him to Dallas to conduct his business and then back to New Mexico to complete his vacation.

Travel expenses incurred while returning to a designated headquarters because of illness or a personal emergency: An LEA employee may be reimbursed for a travel expense incurred when the employee returns from a duty point to his or her designated headquarters before LEA business is completed because of an illness or a personal emergency.

Spending the weekend away from a designated headquarters: An LEA may determine whether an employee should (1) remain at the employee's duty point during the weekend or (2) return to the employee's designated headquarters.

- An employee may be reimbursed for a transportation expense incurred while returning to the headquarters and then going back to the duty point after the weekend if the LEA determines it is most beneficial for the employee to return to the headquarters.
- An employee may be reimbursed for weekend travel expenses at the duty point if the LEA determines it is most beneficial for the employee to remain at the duty point over the weekend. The reimbursable expenses are limited to the types of expenses the employee incurred on other days while conducting LEA business.

- If an employee is authorized by the LEA to leave a duty point to travel to a location other than the employee's designated headquarters over the weekend, the employee may be reimbursed for expenses limited to the types of expenses the employee incurred on other days while conducting LEA business.

Example: Anna is an LEA employee headquartered in Dallas. She flies to Albuquerque on a Monday morning in November to conduct LEA business. The LEA business begins Monday afternoon, temporarily ends Friday afternoon, and resumes the following Monday. Anna's LEA reviews the amount it would cost to fly Anna back to Dallas on Friday and then fly back to Albuquerque on Monday. The LEA determines that the estimated meal, lodging, and transportation reimbursement for Anna to stay the weekend in Albuquerque would be less than the cost of additional airfare. The LEA advised Anna that it would be most cost-effective for her to stay the weekend in Albuquerque and complete her LEA business the following week. The lodging, meal and transportation expenses Anna incurs over the weekend are reimbursable up to the applicable maximum reimbursement rates.

Reimbursement of travel expenses of another LEA's employee: An LEA may reimburse a travel expense incurred by another LEA's employee if that employee incurred the expense while providing services to the reimbursing LEA.

Multiple reimbursements of a travel expense prohibited: An LEA employee may only be reimbursed for a travel expense from one source. If an employee receives a travel reimbursement from a person other than the employee's employer, and the amount of the reimbursement is less than the expenses incurred, the employee may seek reimbursement from its employer only for the difference.

Example: David, an LEA employee headquartered in Austin, travels on LEA business to Dallas. David is also a member of a professional organization that will pay for his lodging cost while in Dallas because he will attend one of the organization's functions during one night of his stay. Since the professional organization is paying for David's lodging cost, he may not claim a lodging cost on his travel voucher for reimbursement from his employer. David may claim his other reimbursable expenses incurred for LEA business, such as meals, transportation, incidentals, etc.

Death of an LEA employee:

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

If an LEA employee dies while conducting LEA business at a duty point outside his or her designated headquarters, an LEA may pay the expense of preparing and transporting the employee's remains and personal property to the employee's designated headquarters or another

location designated by the executor or administrator of the employee's estate. If transport is to a location other than the designated headquarters, then the amount of the LEA's payment may not exceed the amount that would have been paid for transport to the headquarters.

The LEA may reimburse the employee's estate for appropriate lodging and transportation expenses incurred by the employee at the duty point.

Student Travel:

- * Attached documents must include a list of students.
- * Travel must state date and time of departure and return.
- * Always include a copy of registration, itinerary, and list all other activities.
- * Registration must be paid on a purchase order, and will **NOT** be paid on travel request.
- * Account code must be clearly written on travel form.
- * All signatures must be present in order for travel to be considered for payment.
- * **All** hotel expenses are to be paid by a Check Request Form. You will need to get cost sent to you from hotel, include all appropriate taxes (i.e., county, city, etc.). Original hotel receipt must be returned with recap.
- * Phone calls, internet services, and movies are not reimbursable expenses.
- * Travel must be recapped within five (5) business days of trip.
- * Students attending an overnight trip must be approved by the Superintendent.

Travel Advances:

Travel advances are not allowable with federal or state funds. If requesting travel expenses in advance using local funds a request must be submitted prior to travel and must be approved by the administrator and the Superintendent.

3) Travel Documentation:

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

- Name of the individual claiming travel reimbursement
- Destination and purpose of the trip, including how it was necessary to accomplish the objectives of the grant project
- Dates of travel
- Actual mileage (not to exceed reimbursement at the maximum allowable rate)
- Actual amount expended on lodging per day, with a receipt attached (may not exceed the maximum allowable)

- Actual amount expended on meals per day (may not exceed the maximum allowable; tips and gratuities and alcohol are not reimbursable.) When reimbursements are being made from a federal or state grant, the receipts of actual cost of meals must be submitted.
- Actual amount expended on public transportation, such as taxis and shuttles. A receipt is required to be turned in with the reimbursement request.
- Actual amount expended on a rental car, with a receipt attached and justification for why a rental car was necessary and how it was more cost effective than alternate transportation; receipts for any gasoline purchased for the rental car must be attached (mileage is not reimbursed for a rental car – only the cost of gasoline is reimbursed)
- Actual amount expended on incidentals, such as hotel taxes (Texas state sales tax are not reimbursable), copying of materials, and other costs associated with the travel. Incidental cost and cost of internet access is not reimbursable.
- Total amount reimbursed to the employee

Reimbursement of travel expenditures require original itemized receipts. A credit card charge slip is not considered an itemized receipt. If the employee cannot produce original itemized receipts, the following exceptions may be allowed, upon approval: By approval from the Superintendent the expenses may be paid from local funds.

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

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

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

Travel Reimbursement Rates are located at:

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

Domestic Maximum Per Diem Rates are located at:

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

State travel laws and rules are located at:

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

4) Travel Requests and Approval Process:

The immediate administrative supervisor authorizes all travel related to their respective campus/department then is approved by the Superintendent.

Check Request forms for travel-related expenses must follow the same procedures as other expenses and must be approved prior to travel.

Purchase orders must include the date of travel.

The employee traveling is authorized to initiate travel requests. The Campus Administrator and the Superintendent are authorized for approving travel requests. Travel Request must be approved by both the administrator in charge as well as the Superintendent.

Local travel is considered to be within the geographical boundaries of the LEA. Overnight stay requires approval by the Superintendent.

All travel require(s) an approved Check Request Form prior to traveling. Out-of-State travel with federal funds is not allowable without prior approval from TEA. Refer to TEA procedures.

Out-of-state travel requires approval of the Campus Administrator and Superintendent. The approval must be attached to the purchase order. Out-of-State travel with federal funds is not allowable without prior approval from TEA. The Grant Administrator or Superintendent reviews TEA guidelines to determine if allowable with the federal grant program and approves the request to seek prior approval by TEA.

All hotel reservations must be made by the employee using the employee's personal credit card for holding purposes. A district check will be issued to the Hotel prior to the reservation date once a check request is submitted and approved by the campus Administrator and the Superintendent.

When booking, consider the distance to the business destination, airport, restaurants, etc., in choosing a hotel site. Standard room accommodation will be reimbursable. Travelers must reimburse the LEA for any costs related to an upgrade in room accommodation. The employee is responsible for notifying the hotel in the event of travel plan changes. An employee who does not notify the hotel of a cancellation before the deadline established by the hotel may not expense the no-show charge for reimbursement.

Movies and incidentals do not meet the IRS interpretation of travel expenditures and are not allowable at any time. The traveler must review his or her invoice and settle charges with the hotel with his or her personal credit care for room service, movies, personal phone calls, etc., prior to check out. Business-related fax charges are reimbursable. Business-related Internet connection fees are reimbursable with approval by the supervisor. The cost of personal cellular phone usage is not reimbursable except in extreme emergency. A supervisor must approve these charges.

H. Leased and Charter Vehicles

1. LEASE AND CHARTER RESERVATIONS WILL NOT BE VALID UNTIL THE VENDOR HAS ACCEPTED THE SISD PURCHASE ORDER.
2. Vendor MUST be contacted to confirm availability and cost, and if both parties agree on the services to be provided, a confirmation number must be obtained to reserve the request information until the purchase order is received.
3. Campus appointed staff must follow ALL Purchasing procedures to schedule, change, or cancel lease/charter reservations.
4. Damages, cleaning fees, parking fines, traffic violations, and/or all other additional costs are the responsibility of the campus/department.
7. Accounts Payable MUST receive:
 - a) Any and all lease documents, signed by the appointed driver.
 - b) Documentation of any additional fees not included on the Purchase Order.
 - c) Documentation and explanation of any incidents that occurred while in possession of the vehicle.

Lease Vehicles ONLY

8. ONLY SISD full-time employees may drive lease vehicles. Students, parents, and /or non-employees may NOT drive lease vehicles.
9. Additional insurance coverage should be purchased from the leasing company for liability purposes (minimum state requirement).
10. Vehicles should be returned with the same fuel level as when they were received to avoid additional refueling charges.

I. Vendor Guidelines

1. Without a purchase order, either faxed or mailed, there is no valid reservation.
2. Weather-related cancellations and/or “short notice” changes may be confirmed with the vendor, but this does not guarantee dismissal of cancellation fees.
3. All invoices and supporting documents must be mailed to Accounts Payable; address is listed on the purchase order, no exceptions.

The LEA assumes no responsibility for personal autos used for company business. Personal vehicles should not be used for extended trips as the mileage charges are not economical to the LEA. Personal vehicles may be used for extended trips with prior approval by the supervisor and justification.

All rental car reservations must be made through the Business Office. As a general rule, an intermediate or smaller model must be rented whenever possible. When three or more employees are traveling together, a full size care is permissible.

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

The following expenses in the operation of rental cars are not reimbursable: refueling charges for not returning the rental car with a full tank of gas (unless sufficient reason for not refueling can be given); pre-paid fuel charges; parking or traffic violation tickets.

Rental cars are for business use only and should not be used for personal use, without prior approval by the supervisor and justification. LEA insurance does not cover a rental car used by an employee for personal use. The employee will be responsible for any additional insurance coverage and/or any damage to the vehicle if used for personal use.

If an employee books an airfare that is not the fare recommended by the travel agent, the employee may be responsible for the difference between the recommended fare and the accepted fare, unless prior approval by the supervisor is received. When travelers make unapproved modifications to travel arrangements that result in additional charges, those additional charges may not be reimbursable and may be the responsibility of the traveler unless authorized by the supervisor and approved by the Superintendent.

Combined Business and Personal Travel: If an employee combines business with personal travel, the portion of expense constituting the employee's own reimbursable business expense must be separated and reported as such. The business-related expense may not exceed the amount of reimbursable expense which would have been incurred had the trip been made strictly for business purposes. When a personal auto rather than air travel is used due to personal reasons, mileage reimbursement may not exceed the economy class airfare for that destination and may not exceed local mileage actually incurred. The cost of meals, lodging, and incidental expenditures in route that exceed the costs that would have been incurred if traveling by air are not reimbursable since they would have been avoided had transportation been by air instead of auto.

Payments for expenses incurred by spouses are considered illegal gifts of public funds unless the spouse is representing the LEA in an official capacity. Under no circumstances will the LEA reimburse for expenses that were incurred for individuals not representing the LEA for business purposes.

The Check Request form must be used to document travel activity.

Mileage will be reimbursed at 50 cents per mile..

Meals will be paid for in regards to the local policy and lodging will be reimbursed at the [state-approved rate. If the lodging is more than the state approved rate and federal funds are being used local funds may be used to pay the difference between the state-approved hotel rate and the actual hotel rate if prior approval is granted by the Superintendent on the Check Request Form.

Each trip must be separately documented.

The Business Office is responsible for the disbursement of funds for travel reimbursement.

d) Field Trips: Educational field trips may be taken if prior approval is given by the campus Administrator. The LEA will pay a maximum of \$5.00 per student for the trip. If the trip cost more than \$5.00 per student the students will be responsible for paying the difference.

e) Program-Specific Fiscal Compliance:

IDEA-B:

The Business Office Personnel will monitor compliance with Maintenance of Effort (MOE) on a regular basis, but at least semi-annually. Necessary adjustments will be made prior to the end of the fiscal year to ensure compliance. MOE analysis required for the Eligibility Standard to be reported in the BS6016 Fiscal Compliance schedule of the Special Education Consolidated Grant application will be performed and the data provided to the Business Office prior to the submittal deadline for the new grant year's initial application. Documentation of the calculations for the Compliance Standard and the Eligibility Standard will be maintained at the Business Office.

The Business Office Personnel will determine if the LEA qualifies for the Voluntary Reduction option for MOE and will notify the Superintendent in a timely manner for reporting on the BS6016 Fiscal Compliance schedule of the Special Education Consolidated Grant application. The analysis will be performed prior to the submittal deadline for the new grant year's initial application and performed again when the IDEA-B maximum entitlements are released by TEA. Documentation of the calculation will be maintained at the business office.

If the LEA chooses to exercise the option of Voluntary Reduction, the business office personnel will ensure compliance with the eligibility criteria. The business office personnel will track the "freed up" funds by using a local option code to ensure these funds are spent on ESEA activities.

Documentation of the tracking of expenditures of the “freed up” funds on ESEA activities will be maintained at the business office.

The business office personnel will perform the Excess Cost calculation twice a year. An initial, estimated calculation will be performed prior to the submittal deadline for the new grant year’s initial Special Education Consolidated grant application. A final calculation will be performed with prior year actual, audited data when the data becomes available. Documentation of the calculation and supporting documentation will be maintained at the business office.

The business office personnel will monitor compliance with the federal requirement to provide proportionate share services to parentally-placed private school children with disabilities for the IDEA-B program. The proportionate share requirement is not applicable to charter schools or to any ISD that does not have private schools (including home-schooled children) in their jurisdiction. The business office personnel will compile the data required on the Private School schedule of the Special Education Consolidated grant application and provide to the grant administrator prior to the submittal deadline for the new grant year’s initial application. The business office personnel will ensure all applicable parties are aware of the proportionate share amount determined during receipt of the initial IDEA-B entitlement and the revised proportionate share amount determined when TEA releases maximum entitlements. The business office personnel will track proportionate share expenditures by using a local option code to ensure funds are used for the intended purpose and to monitor unused proportionate share funds carried over to the subsequent year. If the proportionate share carryover funds are not spent toward the end of the carryover year and every attempt has been made to spend the proportionate share funds on parentally-placed private school children with disabilities, the LEA may then spend the funds on public school children with disabilities. The business office personnel will make the necessary adjustments, if applicable. Documentation of the calculations and monitoring of funds and expenditures will be maintained at the business office.

If the LEA reserves IDEA-B funds for Coordinated Early Intervening Services (CEIS), the business office personnel will track CEIS expenditures by using a local option code to ensure funds are used for the intended purpose. The business office personnel will be responsible for tracking CEIS activities and students served according to the federal reporting requirements for CEIS. The business office personnel will be responsible for compiling the required data and reporting to TEA by the deadline established by TEA. Documentation of the tracking of expenditures and students served will be maintained at the business office.

F. Cash Management

1) Cash Management for Federal Funds 2 CFR §200.305

The LEA will comply with applicable methods and procedures for payments that minimize the time elapsing between the transfer of funds from the U.S. Treasury or pass-through entity (such as TEA) and the disbursement by the LEA, whether the payment is made by electronic funds transfer, or issuance or redemption of checks, warrants, or payment by other means. 2 CFR §200.305(b)

Generally, the LEA receives payment of federal funds from the Texas Education Agency (TEA) on a reimbursement basis. However, if the LEA receives an advance in federal grant funds, the LEA will remit interest earned on the advanced payment to the federal agency, according to the EDGAR requirements.

The grant administrator monitors the drawdowns to determine whether the payment of federal funds to the LEA is a reimbursement or an advance payment. If an advance payment, the grant administrator ensures compliance with the interest requirements.

a) Payment Methods

According to TEA guidance, to be considered a reimbursement, an LEA draws down from TEA via the ER (Expenditure Reporting) system on or after the date the payment is mailed, delivered, or electronically delivered.

All reimbursements are based on actual disbursements, not on obligations.
Reimbursements of actual expenditures do not require interest calculations.

Advances: To the extent the LEA receives advance payments of federal grant funds, the LEA will maintain written procedures that minimize the time elapsing between the transfer of funds and disbursement by the LEA and will ensure its financial management system meets the standards for fund control and accountability as established in EDGAR.

According to TEA guidance, if the LEA draws down federal funds from TEA via the ER (Expenditure Reporting) system prior to making the payment (prior to the time the payment is mailed, delivered, or electronically delivered), the draw down is considered an advance. The payment date is the actual date of disbursement, not the date encumbered or scheduled for payment according to the accounting treatment.

According to 2 CFR §200.305(b)(1), the LEA will limit its advance payment requests to the minimum amounts needed and will time the advance payment to be in accordance with the actual, immediate cash requirements of the LEA in carrying out the purpose of the approved program or project. The timing and amount of advance payments must be as close as is

administratively feasible to the actual disbursements by the LEA for direct program or project costs and the proportionate share of any allowable indirect costs. The LEA must make timely payment to contractors in accordance with the contract provisions. Advance payments are not allowed to be made by the LEA.

According to 2 CFR §200.305(b)(7)(i), the federal government and TEA must not require separate depository accounts for funds provided to the LEA and must not establish any eligibility requirements for depositories for funds provided to the LEA. However, the LEA will have a process in place to account for the receipt, obligation, and expenditure of funds. The LEA does not choose to maintain a separate depository account for the advance payment of federal funds received from TEA.

According to 2 CFR §200.305(b)(7)(ii), advance payments of federal funds must be deposited and maintained in insured accounts whenever possible. The LEA's depository account is maintained in an insured account.

According to 2 CFR §200.305(b)(8), the LEA will maintain advance payments of federal funds in interest-bearing accounts, **unless** an allowable exception applies: (1) The LEA receives less than \$120,000 in federal awards per year; (2) The best reasonably available interest-bearing account would not be expected to earn interest in excess of \$500 per year on federal cash balances; (3) The depository would require an average or minimum balance so high that it would not be feasible within the expected federal and non-federal cash resources; (4) A foreign government or banking system prohibits or precludes interest bearing accounts. The LEA maintains its advance payments of federal funds in interest-bearing accounts.

According to 2 CFR §200.305(b)(9), the LEA may retain interest amounts up to \$500 per year for administrative expenses.

Any additional interest earned on federal advance payments deposited in interest-bearing accounts must be remitted to the federal agency according to the requirements of EDGAR. The interest must be remitted annually to the Department of Health and Human Services Payment Management System (PMS) through an electronic medium using either Automated Clearing House (ACH) network or a Fed wire Funds Service payment. Detailed information for submitting the earned interest is found at 2 CFR §200.305(b)(9).

The LEA calculates interest using an average monthly interest rate which is currently set at .75%.

Regardless of the date of obligation, interest is calculated from the date that the federal funds are drawn down from the ER system (for state administered programs) or the G5 system (for direct grant programs) and deposited into your depository account, until the date on which those funds are disbursed by the LEA.

Interest does not accrue if the LEA uses nonfederal funds to pay the vendor and/or employees prior to the funds being drawn down, because that method would be a reimbursement rather than an advance.

- **Expenditure Reporting System (TEA's system)**

Reimbursements: Reimbursement requests will be submitted via the TEA Expenditure Reporting (ER) system. The Grant Administrator is responsible for reviewing cumulative expenditures for federal grants and preparing the required expenditure reports for federal awards, at least monthly. If an occasion arising and this process cannot be performed on a monthly basis, the process must occur on the next available date. The review should occur after the processing of payroll. The Grant Administrator or designee will generate a General Ledger Summary report in the LEA's accounting system for each federal grant. The actual expenditures will be totaled by class object code. Any payroll liabilities that appear in the balance sheet accounts will be deducted from the 6100 object code total. This will prevent drawing down more cash than has actually been expended, thereby keeping the draw down as a reimbursement. The Grant Administrator will reconcile the ledgers for each federal award to confirm that only actual expenditures are requested confirming that the payment has been mailed or delivered.

The Grant Administrator is responsible for reviewing and approving federal expenditure reports through the certification process of the ER system. The Grant Administrator ensures draw down requests will not exceed the threshold amount established by TEA. The Grant Administrator ensures final expenditure reports, and revised final expenditure reports, if applicable, are submitted by the deadlines established by TEA.

The Grant Administrator will inform the business office personnel that records cash receipts for the LEA, of each draw and to which account code(s) to post the revenue.

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

Advances: Advance payment requests will be submitted via the TEA Expenditure Reporting (ER) system.

2) Local Cash/Check Handling

Funds must not be kept in classrooms, personal wallets or purses, or at home. No funds are to be deposited in personal bank accounts with the intent to reimburse. No cash purchases may be

made from these funds; every dollar collected must be receipted and deposited to the business office.

The business office will receipt and deposit all monies in the bank or secure overnight in a locked safe if the deposit cannot be made the same day. Personal employee checks may not be cashed from monies collected at the campus or LEA level to ensure an adequate audit trail of all funds collected by the LEA. When turning in cash/checks for deposit to the business office, a deposit form must be completed and signed by the individual responsible for turning in the deposit.

3) Petty Cash

The LEA does authorize the use of Petty Cash

: Petty Cash Accounts are established to facilitate immediate cash payments. The funds issued for petty cash are to be used to purchase items that are needed quickly and do not total over \$150.00.

Petty Cash funds should be used only in an emergency and not used in place of a purchase order. Open purchase orders can be used for routine small expenses.

All Petty Cash Accounts must be approved by central administration.

Cash received from miscellaneous sources must never be co-mingled with the funds in the Petty Cash Account.

Personal checks and other checks cannot be cashed from the Petty Cash Account.

Petty Cash funds are prohibited from being used as a source for loans to employees or other persons.

Petty Cash accounts must be reconciled on a monthly basis.

4) Check Processing

State law requires that LEAs pay all invoices within thirty (30) calendar days to avoid penalty and interest charges.

The business office personnel ensure invoices are paid within thirty (30) days.

The LEA's checks are processed on a bi weekly schedule at a minimum. The business office determines the date that vendors will be paid; employees should avoid making prior commitments to vendors about payment disbursements.

All payments must be pre-authorized by an approved purchase order or check request. No checks or payments will be issued without an approved purchase order or check request on file prior to travel or purchases.

Returned Checks

In the event that a check written to any LEA campus, club, or organization is returned unpaid by the bank, the LEA will contact the payer for a cash payment. In the event that the LEA is unsuccessful in collecting returned checks, the agent will send those checks to the Lavaca County Attorney's office for collection.

The campus or department that accepted the bad check will be notified that the amount of the check has been deducted from their account, pending recovery of the bad check. The campus or department will be notified once the check has been recovered and credited back to their account.

5) Campus Activity Funds

Campus activity funds are funds generated by teachers, sponsors, or the principal as a result of fundraising, vending, or other approved campus activities. These funds, in accordance with local policy, may be used for activities of the students, faculty, staff, or campus.

The collection and disbursement of campus activity funds must comply with the LEA's Activity Funds Procedures Manual.

6) Student Activity Funds

Student activity funds are held by the school as trustee to be expended only for the purpose authorized by the student club, class, or organization. All student activity funds must be expended exclusively for the benefit of students.

The collection and disbursement of student activity funds must comply with the LEA's Activity Funds Procedures Manual.

G. Timely Obligation of Funds

1) When Obligations are Made

Obligations are orders placed for property and services, contracts and sub awards made, and similar transactions during a given period that require payment by the non-Federal entity during the same or a future period. 34 CFR §200.71.

The Business Office Personnel determines that the timing of obligations are compliant with the following table?

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

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

34 CFR §75.707; 34 CFR §76.707.

2) Period of Availability of Federal Funds

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

State-Administered Grants: As a general rule, state-administered federal funds are available for obligation within the year that Congress appropriates the funds for. However, given the unique nature of educational institutions, for many federal education grants, the period of availability is 27 months. Federal education grant funds are typically awarded on July 1 of each year. While the LEA will always plan to spend all current grant funds within the year the grant was appropriated for, the period of obligation for any grant that is covered by the “Tydings Amendment” is 27 months, extending from July 1 of the fiscal year for which the funds were appropriated through September 30 of the second following fiscal year. This maximum period

includes a 15-month period of initial availability, plus a 12-month period for carryover. 34 CFR §76.709. For example, funds awarded on July 1, 2015 would remain available for obligation through September 30, 2017. TEA provides for the 27 month period of availability by making the funds available July 1 through September 30 of the following year and then allowing a carryover period of an additional 12 months for unused funds.

Direct Grants: In general, the period of availability for funds authorized under direct grants is identified in the GAN. The LEA does not receive direct grants.]

For both state-administered and direct grants: According to 2 CFR §200.343(b), regardless of the period of availability, all obligations incurred under the award must be liquidated not later than 90 days after the end of the funding period unless an extension is authorized. 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 CFR §200.343(d). Consequently, the LEA closely monitors grant spending throughout the grant cycle.

According to TEA fiscal guidelines, all encumbrances, expenditures, and obligations of program funds must occur on or after the effective date of the grant application submitted to TEA (the date the application was received or the first day of the grant availability period, whichever is later) and within the grant beginning and ending dates listed on the NOGA. Grantees may generally enter cumulative expenditures into the TEA Expenditure Reporting (ER) system up to 30 days following the ending date of the grant.

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 CFR §76.709. Accordingly, the LEA may have multiple years of grant funds available under the same program at the same time.

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

The LEA does not receive direct grants.

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

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

The LEA does not receive direct grants.

H. Program Income 2 CFR 200.307

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 CFR §200.80.

Program Income Includes: 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. 2 CFR §200.80.

Program Income Is Not: 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 CFR §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. 2 CFR §200.307(c). Finally, proceeds from the sale of real property, equipment, or supplies are not program income. 2 CFR §200.307(d).

According to 2 CFR §200.307(a), LEAs are encouraged to earn income to defray program costs where appropriate. If authorized by federal regulations or the federal award, costs incidental to the generation of program income may be deducted from gross income to determine program income, provided these costs have not been charged to the federal award. 2 CFR §200.307(b).

According to 2 CFR §200.400(g), the LEA may not earn or keep any profit resulting from federal financial assistance, unless explicitly authorized by the terms and conditions of the federal award.

Use of Program Income

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

Deduction Method. The default method for the use of program income for the LEA is the deduction method. 2 CFR §200.307(e). Under the deduction method, program income is deducted from total allowable costs to determine the net allowable costs. Program income will only be used for current costs unless the LEA is otherwise directed by the federal awarding agency or pass-through entity (TEA). Program income that the LEA did not anticipate at the time of the federal award must be used to reduce the federal award and non-federal entity contributions rather than to increase funds committed to the project. 2 CFR §200.307(e)(1).

Addition Method. 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 CFR §200.307(e)(2).

Income after the Period of Performance. There are no federal requirements governing the disposition of income earned after the end of the period of performance for the federal award, unless the federal awarding agency regulations or the terms and conditions of the federal award provide otherwise. 2 CFR §200.307(f).

I. Procurement System

The LEA maintains the following purchasing procedures.

A. Purchase Methods

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

- Procurement Documents
 - * A district purchase order is used. If a reimbursement is being requested, a Check Request Form is used with the applicable receipts attached.
 - * Verify vendor address is correct. This will ensure that your order will go to the right place/department.
 - * When using “**Grant Funds**” type it in the fund box.
 - * If there is an attachment, type “**attachment**” on the first line. Be sure to put your purchase order number on all attachments so they can be matched up properly.
 - * **Add a line for shipping, if applicable.**
 - * **No** changes, substitutions, or increase of funds can be made to a purchase without **prior** approval.
 - *No purchase order can be cancelled without confirmation from vendor of cancellation.
 - ***A purchase order MUST be done prior to a purchase being made. If this is not done, merchandise MAY be paid for by campus funds, NOT from budgeted district funds.**
 - * Preview items **MUST** be done as a purchase and will be paid as such if not returned by terms.
 - * Purchase Orders need to have the following approvals:
 - a) Campus principal/supervisor
 - b) Superintendent
 - c) If using Grant Funds, Campus Principal and Superintendent
 - The documentation is kept at the business office once the purchase is made
- Responsibilities
 - The individual making the purchase is responsible for completing the Purchase Order and turning it in for approval from the campus administrator. The campus Administrator will forward the request to the Superintendent for final approval. The Superintendent will forward the purchase order to the business office personnel who will then assign a purchase order number and place the order.

PURCHASING OVERVIEW

According to the Purchasing Module in the FASRG, a major management process supporting financial accountability in Texas public schools is the purchasing function. Purchasing has several links to overall accountability initiatives which include the:

- **Strategic Link.** The overall mission of purchasing is to use available fiscal resources to obtain the maximum product or service for the resources expended.
- **Operational Link.** Purchasing supports instructional delivery, administration, and other services. Performance and goal achievement throughout the school district depend on its effectiveness.
- **Tactical Link.** The purchasing process influences day-to-day financial functions including budget management, accounting, and accurate financial reporting.

Purchasing in the *public sector environment* presents numerous challenges including:

- The requirement to comply with numerous statutes, policies, legal interpretations, and procedures. The complexity of these requirements demands not only knowledge of purchasing laws and standards but compliance in implementing a purchasing system that also meets user needs.
- The dynamic and diverse nature of the public education organizational environment. School districts are complex organizations with diverse functions. Although instruction is the heart of the organization, numerous other services – ranging from custodial services to food service to tax collection – support the overall educational mission. These distinct organizational units need a procurement process that is responsive to their needs.
- The competition among vendors for school district business. The strong competition among vendors for school district business may create pressure on school district personnel for product selection, bid or proposal awards, and dispute resolution. Most school districts seek to foster both good vendor relations and strong competition but balance them with objective purchasing decisions.
- The consistent oversight by interest groups. School district purchasing is scrutinized by diverse groups including those from the public, the media, state and federal agencies, and auditors. Strict adherence to established guidelines and consistency in record keeping, documentation, and execution of procedures assists the school district in withstanding this scrutiny.
- The many “gray” areas relating to purchasing methods and procedures. Complex and diverse needs create challenges for LEAs to determine the appropriate purchasing methods. Ever-changing legislative, executive, and judicial decisions at both the state and federal levels further complicate the procurement process.

Purchasing Policy

According to the Purchasing Module in the FASRG, the objective of the purchasing policy is to purchase the best products, materials, and services at the lowest practical prices within relevant statutes and policies. Procurement policies must, of course, accommodate the LEA's unique operating environment and needs. While LEA administrators are not authorized to override federal or state law or board policy, they can customize the purchasing function to provide for regulatory compliance while minimizing procedures and related costs.

The purchasing function is the result of conscious process design and is reviewed and challenged periodically. The elements are systematic, comprehensive, and creative. The structure itself, therefore, is not based on historical methods and "the way it's always been done." Instead, it begins with a strategic focus and ends by linking operations, strategy, technology, and human resources district-wide. Development of this structure is an interactive process which is cross-functional in providing a sense of ownership for user/designers.

A good design identifies the best purchasing methods and subsequently employs them throughout the LEA. It correlates the diversity of district operations and the important nature of the services with the timing of service delivery. As an example, planning for and subsequent procurement of instructional materials for both students and teachers is coordinated at the district and campus levels to meet both the school calendar and class schedules.

Accurate record-keeping and documentation is a fundamental element of the procurement process. Precise and systematic record-keeping and records management withstands the constant scrutiny of various interest groups including vendors, the general public, and outside agencies as well as internal groups which are the users or customers of the purchasing system. This records management function supports the LEA's overall information management plan consistent with the Data Collection and Reporting module of TEA's FASRG. The records management system generally provides for:

- Both the flow and retention of forms including requisitions, purchase orders, petty cash and cash reimbursement receipts.
- Full documentation of all competitive procurements with comprehensive competitive procurement files containing specifications, competitive procurement advertisement, pre-competitive procurement conference minutes (as appropriate), competitive procurements submitted, competitive procurement tabulation, board minutes indicating competitive procurement awards (or a similar award notice) and related records.
- Full documentation of procurement procedures utilized to obtain goods and services through competitive sealed proposals, design/build contracts, and other procurement options.

- Documentation of price quotations if there are quotations obtained by LEA staff for local policy compliance.

The records management function may rely on electronic formats including automated systems, flash drives/external hard drives, diskettes, CD-ROM, imaging and microfiche. Alternatively, it may use hard copy or a combination of methods. The LEA selects the methods best suited to its needs.

(CPC LOCAL POLICY)

The Superintendent shall oversee the performance of records management functions prescribed by state and federal law:

Records Administrator, as prescribed by Local Government Code 176.001 and 176.007 [See BBFA and CHE]

Officer for Public Information, as prescribed by Government Code 552.201–.205 [See GBAA]

Public Information Coordinator, as prescribed by Government Code 552.012 [See BBD]

Local Government Records Act

“Local Government Record”

The term “local government record” shall pertain to all items identified as such by the Local Government Records Act.

Records Management Officer

The Superintendent shall serve as and perform the duties of the District’s records management officer as prescribed by Local Government Code 203.023, and shall administer the District’s records management program pertaining to local government records in compliance with the Local Government Records Act.

Notification

The records management officer shall file his or her name with the Texas State Library and Archives Commission (TSLAC) within 30 days of assuming the position.

Records Control Schedules

The records management officer shall file with the TSLAC a written declaration that the District has adopted records control schedules that comply with records retention schedules issued by the TSLAC as provided by law.

Website Postings

The District's records management program shall address the length of time records will be posted on the District's website when the law does not specify a posting period.

Records Destruction Practices

All local government records shall be considered District property and any unauthorized destruction or removal shall be prohibited. The District shall follow its records control schedules, records management program, and all applicable laws regarding records destruction. However, the District shall preserve records, including electronically stored information, and suspend routine record destruction practices where appropriate and in accordance with procedures developed by the records management officer. Such procedures shall describe the circumstances under which local government records scheduled for destruction must be retained. Notification shall be given to appropriate staff when routine record destruction practices must be suspended and when they may be resumed.

Training

The records management officer shall receive appropriate training regarding the Local Government Records Act and shall ensure that custodians of records, as defined by law, and other applicable District staff are trained on the District's records management program, including this policy and corresponding procedures.

Quality assurance and quality control are reflected in all administrative procedures and extend to areas such as analysis of products provided, review of services and review of vendor performance. Specific areas of quality control may be grouped as:

- Administrative Control activities may include:
 - Independent review of account coding
 - Confirmation of availability of funds
 - Confirmation of utilization of approved vendors
 - Confirmation of legal compliance with bid, proposal and quotation requirements
 - Review of pricing and price extensions

- Product and Services Control activities may include:
 - Product testing
 - Ongoing analysis of product quality and quality of service delivery
 - Product reliability analysis
- Vendor Performance Control activities may include:
 - Review of compliance with contractual terms for prices
 - Analysis of timeliness and accuracy of product delivery
 - Responsiveness to problems

A consistent program for purchasing staff development and training is important to effective purchasing activity. The complexity of the purchasing environment demands that staff members responsible for purchasing goods and services periodically receive training in policy and procedures. Purchasing training includes all levels of employees providing at least basic information about the LEA's purchasing function.

Training is on-going to accommodate:

- Employee advancement and staff turnover that create training needs for employees
- Procedures, processes, functions and support mechanisms that are modified or enhanced
- Purchasing changes that may be mandated by legislative, executive or judicial action

Purchasing Design

According to the Purchasing Module in the FASRG, design and implementation of certain purchasing processes results in more successful LEA operations. Although not all inclusive, these processes include:

- **Planning and Coordination.** The LEA develops a comprehensive plan to determine how various purchasing methods will be implemented and the timing of key activities such as annual bid or proposal requirements. Responsibility for coordination of purchasing activities are assigned to a responsible administrator to ensure that needs are met.
- **Purchasing Infrastructure Development.** Comprehensive policies and procedures, implementation of processes to support these procedures, on-going training of users, and monitoring of the overall purchasing function to ensure sound operations requires careful development.
- **User Responsiveness.** To operate successfully, the purchasing function must be responsive. This includes ensuring that communication lines are open and that a user perspective is incorporated into all processes.
- **Consistent Compliance with Requirements.** The LEA ensures that enforcement mechanisms for laws, regulations, policies and ethical standards are in place and monitored.

PURCHASING ETHICS

Purchasing Ethics

According to the Purchasing Module in the FASRG, the competitive nature of the public purchasing arena and the expenditure of significant amounts of public funds require that ethical standards be incorporated into the foundation of all purchasing functions. Purchasing personnel and LEA staff face the difficult task of developing good vendor relations and encouraging vendor competition while avoiding even the appearance of favoritism or other ethical misconduct.

Numerous problems may be encountered, including:

- Employees, in an effort to get the job done successfully and on time, are tempted to circumvent policies, procedures, and laws, or to make their own liberal “legal” interpretations of existing policies. Such activity, although well intentioned, can cause ethical problems.
- Sequential purchasing of the same items or type of items over the course of twelve months may exceed the federal, state, and/or local competitive quotation and procurement requirements. Although some sequential purchasing is intentional, it usually results from needs that could not be anticipated. It may also result from lack of centralization and/or centralized control of the purchasing function.
- An item (usually equipment) is purchased in component parts. Component purchasing usually is an attempt to circumvent bid or proposal laws or other requirements by buying an item through the issuance of multiple purchase orders for the component parts of the item versus a single purchase order for the entire item. Repeated purchases of additional optional equipment or parts after an initial purchase may create the perception of component purchasing.

Ethics relating to conflicts of interest, financial interest in firms conducting business with the LEA, kickbacks and gratuities, and improper use of a position or confidential information should be clearly communicated throughout the district. Additionally, LEA personnel should be made aware of the penalties for violations of purchasing laws and ethics which may include criminal prosecution and loss of employment opportunities.

Fraud, Waste, and Abuse

To ensure the public receives the most value, the LEA strives to ensure its administrative management of public funds is as effective and efficient as possible, with a high standard of accountability to prevent waste, fraud, and abuse.

All trustees, employees, vendors, contractors, consultants, volunteers, and any other parties who are involved in the LEA's financial transactions shall act with integrity and diligence in duties involving the LEA's financial resources.

Fraud and Financial Impropriety

The LEA prohibits fraud and financial impropriety, as defined below, in the actions of its trustees, employees, vendors, contractors, consultants, volunteers and others seeking or maintain a business relationship with the LEA. These persons shall not seek a financial or other advantage, either personally or for the LEA, through bribery, fraud, kickbacks, misapplication of funds, malfeasance, gross mismanagement, or other criminal activities. These persons shall not offer, promise, give, request, agree to receive or accept a bribe for any purpose. Excessive or lavish gifts or hospitality in relation to business transactions or arrangements with granting agencies, contractors, vendors or other parties to contracts might constitute bribery.

Fraud and financial impropriety includes, but is not limited to:

- Forgery or unauthorized alteration of any document or account belonging to the LEA;
- Forgery or unauthorized alteration of a check, bank draft, or any other financial document;
- Misappropriation of funds, securities, supplies, or other LEA assets, including employee time;
- Impropriety in the handling of money or reporting of LEA financial transactions;
- Profiteering as a result of insider knowledge of LEA information or activities;
- Unauthorized disclosure of confidential or proprietary information to outside parties;
- Unauthorized disclosure of investment activities engaged in or contemplated by the LEA;
- Accepting or seeking anything of material value from contractors, vendors, or other persons providing services or materials to the LEA;
- Destroying, removing, or inappropriately using records, furniture, fixtures, or equipment;
- Failure to provide financial records required by state and local entities;
- Failure to disclose conflicts of interest as required by policy; and
- Any other dishonest act regarding the finances of the LEA.

The LEA will take appropriate action to prevent incidents of fraud, malfeasance, misapplication of funds, gross mismanagement, or other criminal activities in all forms, which may be prosecutable. The LEA will disclose in writing to the awarding agency any violation of federal criminal law involving fraud, bribery, or gratuity violations potentially affecting the federal award.

Reporting Fraud or Financial Impropriety

Any person who suspects fraud or financial impropriety, or suspects that an illegal or unethical act has occurred, shall report the suspicions immediately to any supervisor, the Superintendent or designee, the Board President, or local law enforcement. The LEA will not retaliate against any person who, in good faith, has reported what they believe to be illegal acts by LEA employees, officers, or agents, or of other individuals or entities with whom the LEA has a business relationship, on the basis of a reasonable belief that the practice is in violation of law or clear mandate of public policy.

CAA (Local)

All Trustees, employees, vendors, contractors, agents, consultants, volunteers, and any other parties who are involved in the District's financial transactions shall act with integrity and diligence in duties involving the District's fiscal resources.

Note: See the following policies and/or administrative regulations regarding conflicts of interest, ethics, and financial oversight:

Code of ethics:

for Board members—BBF

for employees—DH

Financial conflicts of interest:

for public officials—BBFA

for all employees—DBD

for vendors—CHE

Compliance with state and federal grant and award requirements: CB, CBB

Financial conflicts and gifts and gratuities regarding federal funds: CB, CBB

Systems for monitoring the District's investment program: CDA

Budget planning and evaluation: CE

Compliance with accounting regulations: CFC

Activity fund management: CFD

Criminal history record information for employees: DBAA, DC

Disciplinary action for fraud by employees: DCD, DCE, and DF series

Fraud and Financial Impropriety

The District prohibits fraud and financial impropriety, as defined below, in the actions of its Trustees, employees, vendors, contractors, agents, consultants, volunteers, and others seeking or maintaining a business relationship with the District.

Definition

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

Forgery or unauthorized alteration of any document or account belonging to the District.

Forgery or unauthorized alteration of a check, bank draft, or any other financial document.

Misappropriation of funds, securities, supplies, or other District assets, including employee time.

Impropriety in the handling of money or reporting of District financial transactions.
Profiteering as a result of insider knowledge of District information or activities.
Unauthorized disclosure of confidential or proprietary information to outside parties.
Unauthorized disclosure of investment activities engaged in or contemplated by the District.
Accepting or seeking anything of material value from contractors, vendors, or other persons providing services or materials to the District, except as otherwise permitted by law or District policy. [See CB, DBD]
Inappropriately destroying, removing, or using records, furniture, fixtures, or equipment.
Failure to provide financial records required by federal, state, or local entities.
Failure to disclose conflicts of interest as required by law or District policy.
Any other dishonest act regarding the finances of the District.
Failure to comply with requirements imposed by law, the awarding agency, or a pass-through entity for state and federal awards.

Financial Controls and Oversight

Each employee who supervises or prepares District financial reports or transactions shall set an example of honest and ethical behavior and shall actively monitor his or her area of responsibility for fraud and financial impropriety.

Fraud Prevention

The Superintendent or designee shall maintain a system of internal controls to deter and monitor for fraud or financial impropriety in the District.

Reports

Any person who suspects fraud or financial impropriety in the District shall report the suspicions immediately to a person with authority to investigate the suspicions, including any supervisor, the Superintendent or designee, the Board President, or local law enforcement.

Reports of suspected fraud or financial impropriety shall be treated as confidential to the extent permitted by law. Limited disclosure may be necessary to complete a full investigation or to comply with law. All employees involved in an investigation shall be advised to keep information about the investigation confidential.

Protection from Retaliation

Neither the Board nor any District employee shall unlawfully retaliate against a person who in good faith reports perceived fraud or financial impropriety. [See DG]

Fraud Investigations

In coordination with legal counsel and other internal or external departments or agencies, as appropriate, the Superintendent, Board President, or a designee shall promptly investigate reports of potential fraud or financial impropriety.

Response

If an investigation substantiates a report of fraud or financial impropriety, the Superintendent or designee shall promptly inform the Board of the report, the investigation, and any responsive action taken or recommended by the administration.

If an employee is found to have committed fraud or financial impropriety, the Superintendent or designee shall take or recommend appropriate disciplinary action, which may include termination of employment. If a contractor or vendor is found to have committed fraud or financial impropriety, the District shall take appropriate action, which may include cancellation of the District's relationship with the contractor or vendor.

When circumstances warrant, the Board, Superintendent, or designee may refer matters to appropriate law enforcement or regulatory authorities. In cases involving monetary loss to the District, the District may seek to recover lost or misappropriated funds.

The final disposition of the matter and any decision to file a criminal complaint or to refer the matter to the appropriate law enforcement or regulatory agency for independent investigation shall be made in consultation with legal counsel.

Federal Awards Disclosure

The District shall disclose, in a timely manner in writing to the federal awarding agency or pass-through entity, all violations of federal criminal law involving fraud, bribery, or gratuity violations potentially affecting a federal grant award. [See CBB]

Analysis of Fraud

After any investigation substantiates a report of fraud or financial impropriety, the Superintendent or designee shall analyze conditions or factors that may have contributed to the fraudulent or improper activity. The Superintendent or designee shall ensure that appropriate administrative procedures are developed and implemented to prevent future misconduct. These measures shall be presented to the Board for review.

Purchasing Code of Ethics

Statement of Purchasing Policy

Public employment is a public trust. It is the policy of this LEA to promote and balance the objective of protecting government integrity and the objective of facilitating the recruitment and retention of personnel needed by this LEA.

Such policy is implemented by prescribing essential standards of ethical conduct without creating unnecessary obstacles to entering public service.

LEA employees must discharge their duties impartially so as to assure fair competitive access to governmental procurement by responsible contractors. Moreover, they should conduct themselves in such a manner as to foster public confidence in the integrity of this LEA's procurement organization.

To achieve the purpose of this policy, it is essential that those doing business with this LEA also observe the ethical standards prescribed in this manual.

General Ethical Standards

- **Personal Gain.** It shall be a breach of ethics to attempt to realize personal gain through public employment with the LEA by any conduct inconsistent with the proper discharge of the employee's duties.
- **Influence.** It shall be a breach of ethics to attempt to influence any public employee of the LEA to breach the standards of ethical conduct set forth in this code.
- **Conflicts of Interest.** It shall be a breach of ethics for any employee of the LEA to participate directly or indirectly in procurement when the employee knows that:
 - The employee or any member of the employee's immediate family has a financial interest pertaining to the procurement;
 - A business or organization in which the employee, or any member of the employee's immediate family, has a financial interest pertaining to the procurement; and
 - Any other person, business or organization with which the employee or any member of the employee's immediate family is negotiating or has an arrangement concerning prospective employment involved in the procurement.
- **Gratuities.** It shall be a breach of ethics to offer, give or agree to give any employee or former employee of the LEA, or for any employee or former employee of the LEA to solicit, demand, accept or agree to accept from another person, a gratuity or an offer of employment in connection with any decision, approval, disapproval, recommendation, preparation of any part of a program requirement or purchase request, influencing the content of any specification or procurement standard, rendering of advice, investigation, auditing or in any other advisory capacity in any proceeding or application, request for ruling, determination, claim or controversy, or other particular matter pertaining to any program requirement or a contract or subcontract or to any solicitation or proposal therefore pending before this local government.
- **Kickbacks.** It shall be a breach of ethics for any payment, gratuity or offer of employment to be made by or on behalf of a subcontractor under a contract to the prime contractor or higher tier subcontractor for any contract for the LEA, or any person associated therewith, as an inducement for the award of a subcontract or order.
- **Contract Clause.** The prohibition against gratuities and kickbacks prescribed above shall be conspicuously set forth in every contract and solicitation therefore.
- **Confidential Information.** It shall be a breach of ethics for any employee or former employee of the LEA knowingly to use confidential information for actual or anticipated personal gain, or for the actual or anticipated gain of any person.

Conflict of Interest Requirements

Agent. “Agent” means a third party who undertakes to transact some business or manage some affair for another person by the authority or on account of the other person. The term includes an employee. Local Government Code, §176.001(1), amended by the 84th Legislature.

Business Entity. “Business entity” means a sole proprietorship, partnership, firm, corporation, holding company, joint-stock company, receivership, trust, or any other entity recognized by law. Local Government Code, §171.001(2).

Business Relationship. “Business relationship” means a connection between two or more parties based on commercial activity of one of the parties. The term does not include a connection based on: (A) a transaction that is subject to rate or fee regulation by a federal, state, or local governmental entity (includes LEA) or an agency of a federal, state, or local governmental entity (includes LEA); (B) a transaction conducted at a price and subject to terms available to the public; or (C) a purchase or lease of goods or services from a person that is chartered by a state or federal agency and that is subject to regular examination by, and reporting to, that agency. Local Government Code, §176.001(1-a).

Conflict of Interest. A “conflict of interest” is a situation where the personal interests of a contractor, public official or classified employee are, or appear to be, at odds with the best interests of the jurisdiction. TEA’s Financial Accountability System Resource Guide (FASRG) Module 5 Purchasing.

Contract. “Contract” means a written agreement for the sale or purchase of real property, goods, or services. Local Government Code, §176.001(1-d).

Financial or Other Interest. Any person or company that does business with the LEA is considered either financial or other interest.

Immediate Family. Refer to Local Government Code, §573 for examples of degrees of relationships. <http://www.statutes.legis.state.tx.us/Docs/GV/htm/GV.573.htm>.

Family Member. “Family member” means a person related to another person within the first degree by consanguinity or affinity, as described by Subchapter B, Chapter 573, Government Code. Local Government Code, §176.001(2), amended by the 84th Legislature.

Family Relationship. “Family relationship” means a relationship between a person and another person within the third degree by consanguinity or the second degree by affinity, as those terms

are defined by Subchapter B, Chapter 573, Government Code. Local Government Code, §176.001(2-a), amended by the 84th Legislature.

Gift. “Gift” means a benefit offered by a person, including food, lodging, transportation, and entertainment accepted as a guest. The term does not include a benefit offered on account of kinship or a personal, professional, or business relationship independent of the official status of the recipient. Local Government Code, §176.001(2-b), amended by the 84th Legislature.

Goods. “Goods” means personal property. Local Government Code, §176.001(2-c), amended by the 84th Legislature.

Local Government Officer. “Local government officer” means (A) a member of the governing body of a local governmental entity (includes LEA); (B) a director, superintendent, administrator, president, or other person designated as the executive officer of a local governmental entity (includes LEA); or (C) an agent of a local governmental entity (includes LEA) who exercises discretion in the planning, recommending, selecting, or contracting of a vendor. Local Government Code, §176.001(4), amended by the 84th Legislature.

Local Public Official. “Local public official” means a member of the governing body or another officer, whether elected, appointed, paid, or unpaid, of any district (including a school district), etc. who exercises responsibilities beyond those that are advisory in nature. Local Government Code, §171.001(1). For charter schools, according to TEC §12.1054, a member of a governing body of a charter holder, a member of the governing body of an open-enrollment charter school, or an officer of an open-enrollment charter school is considered to be a local public official for purposes of Local Government Code §171.

Nominal Value. The following list can be used as guidance regarding nominal vs. excessive:

- Promotional items that apply to any supply order;
- Promotional items and door prizes that anyone would receive at a conference or event (not singled out for this particular LEA or person);
- Meals when meeting to discuss LEA business, not to exceed \$50.00;
- Holiday gifts not to exceed \$50.00

Officer. See definition for “Local Government Officer.”

Partner. Business Partner

Records Administrator. “Records Administrator” means the director, county clerk, municipal secretary, superintendent, or other person responsible for maintaining the records of the local governmental entity (includes LEA) or another person designated by the local governmental

entity (includes LEA) to maintain statements and questionnaires under Local Government Code §176, and perform related functions. Local Government Code §176.001(5). The LEA has designated Superintendent as the records administrator for Conflict of Interest Disclosure statements.

Substantial Financial Interest in a Business Entity. According to Local Government Code §171.002, (a) A person has a substantial interest in a business entity if: (1) the person owns 10 percent or more of the voting stock or shares of the business entity or owns either 10 percent or more or \$15,000 or more of the fair market value of the business entity; or (2) funds received by the person from the business entity exceed 10 percent of the person's gross income for the previous year. (b) A person has a substantial interest in real property if the interest is an equitable or legal ownership with a fair market value of \$2,500 or more. (c) A local public official is considered to have a substantial interest if a person related to the official in the first degree by consanguinity (blood) or affinity (marriage) has a substantial interest. [Charter Schools: Additionally, according to TEC §12.1054(a)(1), a member of the governing body of a charter holder or a member of the governing body or officer of an open-enrollment charter school is considered to have a substantial interest in a business entity if a person related to the member or officer in the third degree by consanguinity or affinity, has a substantial interest in the business entity under Local Government Code §171.002.]

Vendor. "Vendor" means a person who enters or seeks to enter into a contract with an LEA. The term includes an agent of a vendor. The term includes an officer or employee of a state agency when that individual is acting in a private capacity to enter into a contract. The term does not include a state agency except for Texas Correctional Industries. Local Government Code, §176.001(7), amended by the 84th Legislature.

Standards of Conduct (Conflicts of Interest)

In accordance with 2 CFR §200.318(c)(1), the LEA maintains standards of conduct covering conflicts of interest and governing the actions of its employees engaged in the selection, award and administration of contracts associated with federally funded transactions.

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

The officers, employees, and agents of the LEA may neither solicit nor accept gifts, gratuities, favors, services, benefits, or anything of monetary value from contractors or parties to

subcontracts that could reasonably be construed to influence the person's discharge of assigned duties and responsibilities, unless the financial interest is not substantial or the gift is an unsolicited item of nominal value given, for example, for the purpose of advertising, ceremonial occasions or official events.

In addition to the standards of conduct listed above for federal awards, standards of conduct are applicable for all funds in accordance with TEA's Financial Accountability System Resource Guide (FASRG) Module 5 Purchasing: LEA officials and employees cannot accept anything of value from a vendor, such as personal gifts or gratuities, which may be construed to have been given to influence the purchasing process. Although such practices may be legitimate and generally accepted in the private sector, giving and receiving gifts in the public sector may constitute a violation of law.

No LEA employee, officer, or agent may participate in the selection, award, or administration of a contract supported by a federal, state, or other award if he or she has a real or apparent conflict of interest. If required by the terms and agreements of a Grant Award Notice and/or the awarding agency, the LEA will disclose in writing any potential conflict of interest to the awarding agency in accordance with the awarding agency's policies. Furthermore, applicable LEA officials and employees will abide by the LEA's Purchasing Code of Ethics.

Disclosure of Conflict of Interest

The LEA will follow the requirements of Local Government Code Chapter 176 and Local Government Code Chapter 171 regarding conflict of interest statements and reporting. The LEA will also refer to the Texas Ethics Commission website for additional information and sample forms.

Board Member:

According to TEA's Financial Accountability System Resource Guide (FASRG) Module 5 Purchasing, if a board member or member of their immediate family has a financial interest in a business entity(s), they are required to disclose this relationship through the execution of an affidavit, submitted to the Superintendent of Schools. Local Government Codes §171 and §176 provide information regarding disclosure requirements.

Local Government Officer:

A local government officer of an LEA, according to Local Government Code Chapter 176.003, amended by the 84th Legislature, shall file a conflicts disclosure statement with respect to a vendor if: (1) the vendor enters into a contract with the LEA or the LEA is considering entering into a contract with the vendor; and (2) the vendor (A) has an employment or other business relationship with the local government officer or a family member of the officer that results in the officer or family member receiving taxable income, other than investment income, that

exceeds \$2,500 during the 12-month period preceding the date that the officer becomes aware that: (i) a contract between the LEA and vendor has been executed; or (ii) the LEA is considering entering into a contract with the vendor; (B) has given to the local government officer of family member of the office one or more gifts that have an aggregate value of more than \$100 in the 12-month period preceding the date the officer becomes aware that: (i) a contract between the LEA and vendor has been executed; or (ii) the LEA is considering entering into a contract with the vendor; or (C) has a family relationship with the local government officer. A local government officer is not required to file a conflicts disclosure statement in relation to a gift accepted by the officer or a family member of the officer if the gift is a political contribution as defined by Title 15, Election Code; or food accepted as a guest; or the LEA or vendor is an administrative agency created under Section 791.013, Government Code.

When applicable to file the conflicts disclosure statement, the local government officer will submit the conflicts disclosure statement to the LEA's designated records administrator no later than 5 pm on the seventh business day after the date on which the officer becomes aware of the facts that require the filing of the statement. The LEA refers to Local Government Code §176.003(e), as amended by the 84th Legislature, for requirements of the contents of the conflicts disclosure statement.

Vendor:

A vendor, according to Local Government Code §176.006, as amended by the 84th Legislature, shall file a completed conflict of interest questionnaire if the vendor has a business relationship with an LEA and: (1) has an employment or other business relationship with a local government officer of that LEA, or a family member of the officer, described in Local Government Code §176.003(a)(2)(A), as amended by the 84th Legislature; (2) has given a local government officer of that LEA, or a family member of the officer, one or more gifts with the aggregate value specified by Local Government Code §176.003(a)(2)(B), as amended by the 84th Legislature, excluding any gift described by Local Government Code §176.003(a-1), as amended by the 84th Legislature; or (3) has a family relationship with a local government officer of that LEA.

The vendor's completed conflict of interest questionnaire must be filed with the LEA's designated records administrator not later than the seventh business day after the later of: (1) the date that the vendor: (A) begins discussions or negotiations to enter into a contract with the LEA; or (B) submits to the LEA an application, response to a request for proposals or bids, correspondence, or another writing related to a potential contract with the LEA; or (2) the date the vendor becomes aware: (A) of an employment or other business relationship with a local government officer, or a family member of the officer, described in Local Government Code §176.003(a)(2)(A), as amended by the 84th Legislature; or (B) that the vendor has given one or more gifts described by Local Government Code §176.003(a)(2)(B), as amended by the 84th Legislature; or (C) of a family relationship with a local government officer. The LEA refers to

Local Government Code §176.006(c), as amended by the 84th Legislature, for requirements of the contents of the conflicts disclosure statement.

Additionally, according to Local Government Code §176.006(d), as amended by the 84th Legislature, the vendor shall file an updated completed questionnaire with the LEA's designated records administrator not later than the seventh business day after the date on which the vendor becomes aware of an event that would make a statement in the questionnaire incomplete or inaccurate.

Employee:

The employee shall disclose in writing to the Superintendent a personal financial interest, a business interest, or any other obligation or relationship that in any way creates a real or potential conflict of interest with the proper discharge of assigned duties and responsibilities or that creates a potential conflict of interest with the best interest of the LEA. In the case that the individual receiving the report is also involved in the potential conflict, the disclosure should be submitted to the School Board President.

The disclosure is then forwarded to the LEA's designated records administrator.

Conflict of Interest Reported to USDE and/or TEA

According to 2 CFR §200.112, the LEA must disclose in writing any potential conflict of interest to the Federal awarding agency or pass-through entity (TEA) in accordance with applicable federal awarding agency policy. The LEA's Conflict of Interest policy will align with the USDE's Conflict of Interest policy once it has been released.

The LEA will use the Conflict of Interest Disclosure form obtained from the TEA website at <http://tea.texas.gov/index2.aspx?id=25769821440>, to disclose any potential conflict of interest concerning the expenditure of *federal or state grant funds*. The Superintendent or his designee is responsible for submitting the Conflict of Interest Disclosure form.

Removal from the Procurement Transaction and/or Abstinance from Voting

According to TEA's Financial Accountability System Resource Guide (FASRG), Module 5 Purchasing, Board members should abstain from voting on award of contracts to businesses in which they or their immediate family members have a financial interest and recorded in the official minutes of the board meeting.

LEA employees, officers, and agents should recuse themselves from the procurement transaction if there is a real or potential conflict of interest.

Organizational Conflicts 2 CFR §200.318(c)(2)

If the LEA has a parent, affiliate, or subsidiary organization that is not a state, local government, or Indian tribe, the LEA must include written standards of conduct covering organizational conflicts of interest. 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).

(This is currently not applicable to the LEA.)

Disciplinary Actions

Penalties, sanctions, or other disciplinary actions for violations of standards of conduct will be in accordance and to the extent permitted under state and local law. **Penalties for violations of purchasing laws and ethics may include criminal prosecution and loss of employment opportunities.**

The LEA will follow the enforcement requirements of Local Government Code Chapter 176, as amended by the 84th Legislature, for local government officers and vendors who violate the standards of conduct and conflict of interest requirements. This enforcement can be found at <https://statutes.capitol.texas.gov/Docs/LG/htm/LG.176.htm>

All district employees are “public servants” and therefore subject to Title VIII of the Penal Code, regarding offenses against public administration, including restrictions on the acceptance of illegal gifts, honoraria and expenses, and abuse of office. *Penal Code 1.07(a)(41), Title VIII* [See DBD and BBFA]

Enforcement of Purchase Procedures According to Texas Education Code 44.032

According to TEC 44.032, an officer, employee, or agent of an LEA commits an offense if the person, with criminal negligence, makes or authorizes separate, sequential, or component purchases to avoid the requirements of TEC 44.031(a) or (b). An offense under TEC 44.032(b) is a Class B misdemeanor and is an offense involving moral turpitude.

An officer, employee, or agent of an LEA commits an offense if the person, with criminal negligence, violates TEC 44.031(a) or (b) other than by conduct described in TEC 44.032(b). An offense under TEC 44.032(c) is a Class B misdemeanor and is an offense involving moral turpitude.

An officer or employee of an LEA commits an offense if the officer or employee knowingly violates TEC 44.031, other than by conduct described in TEC 44.032(b) and (c). An offense under TEC 44.032(d) is a Class C misdemeanor.

The final conviction of a person other than a trustee of an LEA for an offense under TEC 44.032(b) or (c) results in the immediate removal from office or employment of that person. Additional information concerning a trustee who is convicted of an offense under TEC 44.032(b) or (c) may be found at TEC 44.032(e).

Mandatory Disclosure of Violations of Federal Criminal Law

According to 2 CFR §200.113, the LEA must disclose, in a timely manner, in writing to the federal awarding agency or pass-through entity (TEA), all violations of federal criminal law involving fraud, bribery, or gratuity violations potentially affecting the federal award.

The LEA will use the Mandatory Disclosure form obtained from the TEA website at <http://tea.texas.gov/index2.aspx?id=25769821440>, to disclose any violation of federal criminal law, including fraud, bribery, or gratuity violations potentially affecting a *federal or state award*. The Special Programs Director is responsible for submitting the Mandatory Disclosure form. The disclosure will occur within 30 days after the Superintendent is notified of the violation.

The LEA will follow any forthcoming USDE or TEA guidance concerning the mandatory disclosure.

PROCUREMENT STANDARDS

General Procurement Standards

In accordance with 2 CFR §200.318, the LEA must use its own documented procurement procedures which reflect applicable state and local laws and regulations, provided that the procurements conform to applicable federal law and the standards identified in §resolve dis:

- The LEA must maintain oversight to ensure that contractors perform in accordance with the terms, conditions, and specifications of their contracts or purchase orders. 2 CFR §200.318(b). Refer to pages [45 & 49] for the procedures.
- The LEA maintains written standards of conduct covering conflicts of interest and standards of conduct. 2 CFR §200.318(c)(1). Refer to pages [8 & 12] regarding purchasing ethics and conflict of interest.

- If the LEA has a parent, affiliate, or subsidiary organization that is not a state or local government, the LEA must also maintain written standards of conduct covering organizational conflicts of interest. 2 CFR §200.318(c)(2).
- The LEA's procedures must avoid acquisition of unnecessary or duplicative items. Consideration should be given to consolidating or breaking out procurements to obtain a more economical purchase. Where appropriate, an analysis will be made of lease versus purchase alternatives, and any other appropriate analysis to determine the most economical approach. 2 CFR §200.318(d). The Department Heads/Principals/Business Manager are responsible for conducting this analysis.
- To foster greater economy and efficiency, and in accordance with efforts to promote cost-effective use of shared services across the federal government, the LEA is encouraged to enter into state and local intergovernmental agreements or inter-entity agreements where appropriate for procurement or use of common or shared goods and services. 2 CFR §200.318(e).
- The LEA is encouraged to use federal excess and surplus property in lieu of purchasing new equipment and property whenever such use is feasible and reduces project costs. 2 CFR §200.318(f). The Special Programs Director/Curriculum Director/Business Manager are responsible for determining the feasibility of such.
- The LEA must 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. 2 CFR §200.318(h)..
- The LEA must maintain records sufficient to detail the history of procurement. 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, and the basis for the contract price. 2 CFR §200.318(i).
- The LEA may use a time and materials type contract only after a determination that no other contract is suitable and if the contract includes a ceiling price that the contractor exceeds at its own risk. Time and materials type contract means a contract whose cost to the LEA is the sum of the actual cost of materials and direct labor hours charged at fixed hourly rates that reflect wages, general and administrative expenses, and profit. Since this formula generates an open-ended contract price, a time-and-materials contract provides no positive profit incentive to the contractor for cost control or labor efficiency. Therefore, each contract must set a ceiling price that the contractor exceeds at its own risk. Further, the LEA awarding such a contract must assert a high degree of oversight in order to obtain reasonable assurance that the contractor is using efficient methods and effective cost controls. 2 CFR §200.318(i)(1-2). The Special Programs Director/Curriculum Director/Business Manager are responsible for this determination and oversight.

- The LEA alone must be responsible, in accordance with good administrative practice and sound business judgment, for the settlement of all contractual and administrative issues arising out of procurements. These issues include, but are not limited to, source evaluation, protests, disputes, and claims. These standards do not relieve the LEA of any contractual responsibilities under its contracts. 2 CFR §200.318(k).

Competition

In accordance with 2 CFR §200.319, Competition:

(a) All federally funded procurement transactions must be conducted in a manner providing full and open competition, consistent with the standards of 2 CFR §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:

- 1) Placing unreasonable requirements on firms in order for them to qualify to do business;
- 2) Requiring unnecessary experience and excessive bonding;
- 3) Noncompetitive pricing practices between firms or between affiliated companies;
- 4) Noncompetitive contracts to consultants that are on retainer contracts;
- 5) Organizational conflicts of interest;
- 6) 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
- 7) Any arbitrary action in the procurement process.

(b) The LEA must conduct procurements in a manner that prohibits the use of statutorily or administratively imposed state, local, or tribal geographical preferences in the evaluation of bids or proposals, except in those cases where applicable federal statutes expressly mandate or encourage geographic preference. Nothing in 2 CFR §200.319 preempts state licensing laws. 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.

(c) The LEA must have written procedures for procurement transactions. These procedures must ensure that all solicitations:

- 1) 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
- 2) Identify all requirements which the officers must fulfill and all other factors to be used in evaluating bids or proposals.

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

Board Policies may be found on the District website at: www.Shinerisd.net

PROCUREMENT METHODS

This section describes the various procurement options based on federal and state laws and regulations. **When federal, state, or local purchasing structures conflict, the *most restrictive method must be followed*.**

An LEA may design purchasing structures with requirements more restrictive than those mandated by the federal government or the state. However, locally-defined purchasing structures regarding procurement procedures, price quotes, purchase orders, emergency purchases, and blanket purchase orders must not be less restrictive.

The type of procurement method required to be used by the LEA depends on the cost of the purchase.

Micro-Purchases - \$10,000 and below – Federal Law

In accordance with 2 CFR §200.320(a), micro-purchases may be awarded without soliciting competitive quotations if the LEA considers the price to be reasonable. To the extent practicable, the LEA must distribute micro-purchases equitably among qualified suppliers.

Procurement by micro-purchase is defined in 2 CFR §200.67 as the acquisition of supplies or services using simplified acquisition procedures, the aggregate amount of which does not exceed the micro-purchase threshold. The micro-purchase threshold is set by the Federal Acquisition Regulation at 48 CFR Subpart 2.1 and is currently set at \$10,000. This threshold is periodically adjusted for inflation. *On June 20, 2018, the OMB Memo raised the threshold for micro-purchases under federal financial assistance awards from \$3,500 to \$10,000 and raised the threshold for simplified acquisitions from \$150,000 to \$250,000.*

Micro-purchase procedures comprise a subset of the LEA's small purchase procedures. The LEA uses such procedures in order to expedite the completion of its lowest-dollar small purchase transactions and minimize the associated administrative burden and cost.

When purchases are needed to purchase items used routinely, the employee should complete a purchase order and are encouraged to purchase locally, or with companies that are included in our vendor system or to use a member purchasing cooperative.

The District will on occasion, need to make a purchase that is not feasible to travel to make the purchase such as food, items for emergencies or various classroom supplies, in this case, the District will purchase from the local stores as needed.

Price Quotes - (Optional) – Less than \$50,000 - State Law

According to the Purchasing Module in the FASRG, to obtain the most competitive price, an LEA *at its option* may obtain price quotes for items costing less than \$50,000. The LEA's purchasing procedures should clearly define the lower figure for which quotes are required and obtain and retain written verification of the prices quoted. Unlike the mandatory competitive procurement required by TEC 44 for purchases over \$50,000, if an item costs less than \$50,000, an LEA may utilize price quotations to stimulate competition and to attempt to receive the most favorable pricing.

This LEA does not opt to obtain price quotes for purchases under \$50,000.

Purchases Valued at \$50,000* or More in the Aggregate - State Law**

In accordance with TEC 44.031(a), all LEA contracts for the purchase of goods and services, except contracts for the purchase of produce or vehicle fuel, valued at \$50,000 or more in the aggregate** for each 12-month period shall be made by the method, of the following methods, that provides the best value for the LEA:

- 1) Competitive bidding for services other than construction services;
- 2) Competitive sealed proposals for services other than construction services;
- 3) A request for proposals, for services other than construction services;
- 4) An interlocal contract (purchasing cooperative);
- 5) A method provided by Chapter 2269, Government Code, for construction services;
- 6) The reverse auction procedure as defined by Section 2155.062(d), Government Code (“Reverse Auction Procedure” means: (a) a real-time bidding process usually lasting less than one hour and taking place at a previously scheduled time and Internet location, in which multiple suppliers, anonymous to each other, submit bids to provide the designated goods or services; or (b) a bidding process usually lasting less than two weeks and taking place during a previously scheduled period and at a previously scheduled Internet location, in which multiple supplies, anonymous to each other, submit bids to provide the designated goods or services.); or
- 7) The formation of a political subdivision corporation under Section 304.001, Local Government Code (“Political Subdivision” means a county, municipality, school district, hospital district, or any other political subdivision receiving electric service from an entity that has implemented customer choice as defined in Section 31.002 Utilities Code.).

*** This state law is only applicable for purchases from \$50,000 to \$249,999. Once a purchase reaches \$250,000, the federal requirements that restrict the procurement method to sealed bids or competitive proposals take effect.**

*****Competitive Procurement Categories***

*The FASRG provides a partial, non-inclusive list of related categories to be used as a guide to determine requirements under the Texas Education Code District purchasing law. If anticipated aggregate purchases in each category during a twelve-month period equal or exceed \$50,000, the purchasing methods described in TEC 44.031(a) are required.

Competitive procurement categories, which will vary for individual LEAs, are determined by grouping related items that have a common purpose or function in district operations. LEAs will add to the list as aggregate dollars of contracts exceed the threshold amount.

Competitive Bidding

According to the Purchasing Module in the FASRG, competitive bidding is a formal process that may also be referred to as competitive sealed bidding, sealed bidding or formal bidding. It is an option available to LEAs for the procurement of goods and services. The purpose of competitive bidding is to stimulate competition and obtain the lowest practical price for the work, service, and/or item(s) needed. The competitive bidding process requires that bids be evaluated and

awards made based solely upon bid specifications, terms and conditions contained in the request for bids document, and according to the bid prices offered by vendors and pertinent factors that may affect contract performance.

In accordance with TEC 44.0351(c), an LEA shall award a competitively bid contract at the bid amount to the bidder offering the best value. In determining the best value for the LEA, the LEA is not restricted to considering price alone but may consider any other factors stated in the selection criteria, which includes the factors listed in TEC 44.031(b).

Competitive Sealed Proposals/Request for Proposals

According to the Purchasing Module in the FASRG, the competitive sealed proposal process is an alternative to competitive bidding. The terms and conditions of competitive sealed proposals are identical to those for competitive bidding except that an important difference between competitive sealed proposals and competitive sealed bidding relates to the finality of initial offers. Under competitive sealed proposals, changes in the nature of a proposal, and in prices, may be negotiated after proposals are opened. In contrast, changes in the price of goods and services are not negotiable in the competitive bidding process. The competitive sealed proposal process provides for full competition among proposals and allows for negotiation with the proposer(s) to obtain the best services at the best price.

Competitive proposal procedures are recommended where other procurement procedures are not required according to state or federal rules, laws or regulations, in order to stimulate competitive prices for services.

A Request for Proposals (RFP) is a part of the competitive sealed proposal process.

Interlocal Contract/Cooperative Purchasing

According to the Purchasing Module in the FASRG, an LEA can contract or agree with another local government, including a nonprofit corporation that is created and operated to provide one or more governmental functions and services, or with the state or a state agency, including the Comptroller, to purchase goods and any services reasonably required for the installation, operation, or maintenance of the goods.

Benefits of cooperative purchasing may be realized by LEAs of all sizes and can include:

- Cost savings on products or services. A cooperative purchasing arrangement can increase the buying power of a single LEA with volume discounts.
- Savings on administrative costs. A cooperative arrangement can reduce administrative costs relating to performing the purchasing function. Cost savings can include major areas such as salaries and benefits, supplies, office equipment and contracted services. A cooperative can result in the elimination of redundant costs which may be associated with

individual LEAs performing their own purchasing functions. Although purchasing cooperatives may charge annual fees for overhead costs, many LEAs can realize savings on both products and administration.

- Accessibility to more products and services. A cooperative may provide LEAs the opportunity to buy a greater variety of products and services. The LEA chooses what is best for its needs at lower costs.

Local governments that are parties to an interlocal contract for the performance of a service, may, in performing the service, apply the law applicable to a party as agreed by the parties. Section 791.012, Government Code.

In accordance with Government Code 791.011(d), requirements for interlocal contracts include:

- Authorization by the governing body of each party to the contract
- Statement of the purpose, terms, rights, and duties of the contracting parties
- Specification that each party paying for the performance of governmental functions or services must make those payments from current revenues available to the paying party

Interlocal contractual payments must fairly compensate the party who performs the services or functions under the contract. In addition, the parties to an interlocal contract may create an administrative agency or designate an existing local government to supervise the performance of the contract. Consequently, the agency or designated local government can employ personnel, perform administrative activities and provide administrative services necessary to perform the interlocal contract. Government Code 791.011-791.025.

An LEA that enters into a purchasing contract valued at \$25,000 or more under certain cooperative purchasing contracts must document any contract-related fees, including management fees, and the purpose of each fee. The amount, purpose, and disposition of any fee must be presented in a written report annually as an agenda item in an open meeting of the board of trustees. TEC 44.0331.

An LEA may participate in multiple cooperatives. The LEA's board simply adopts resolutions authorizing participation.

The LEA utilizes several purchasing cooperatives to facilitate purchases for maximum efficiency in a small school setting.

Certain Exceptions to State Procurement Methods of TEC 44.031(a)

Computers and Computer-Related Equipment

In accordance with TEC 44.031(i), an LEA may acquire computers and computer-related equipment, including computer software, through the Department of Information Resources under contracts entered into in accordance with Government Code Chapter 2054 or 2157.

Emergencies or Catastrophes

If school equipment, school facility, or a portion of a school facility is destroyed, severely damaged, or experiences a major unforeseen operational or structural failure, and the board of trustees determines that the delay posed by the contract methods required in TEC 44.031(a) would prevent or substantially impair the conduct of classes or other essential school activities, then contracts for the replacement or repair of the equipment, school facility, or portion of the school facility may be made by a method other than the methods required by TEC 44.031(a).

Preference to Texas and United States Products*

“Agricultural products” includes textiles and other similar products.

“Processed” means canning, freezing, drying, juicing, preserving, or any other act that changes the form of a good from its natural state to another form.

TEC 44.042 requires an LEA that purchases agricultural products to give preference to those produced, processed, or grown in Texas if the cost to the LEA is equal and the quality is equal. If agricultural products produced, processed, or grown in Texas are not equal in cost and quality to other products, the LEA shall give preference to agricultural products produced, processed, or grown in other states of the United States over foreign products if the cost to the LEA is equal and the quality is equal. Additionally, an LEA that purchases vegetation for landscaping purposes, including plants, shall give preference to Texas vegetation if the cost to the LEA is equal and the quality is not inferior.

*Please see the federal requirements of 2 CFR §200.319 that prohibit geographical preferences in most instances.

Professional Services Contracts

In accordance with TEC 44.031(f), the procurement methods listed in TEC 44.031(a) do not apply to a contract for professional services rendered, including services of an architect, attorney, certified public accountant, engineer, or fiscal agent. An LEA *may, at its option*, contract for professional services rendered by a financial consultant or a technology consultant in the manner

provided by Government Code 2254.003, in lieu of the procurement methods provided in TEC 44.031(a).

In accordance with Government Code 2254.003, a governmental entity *may not* select a provider of professional services or a group or association of providers or award a contract for the services on the basis of competitive bids submitted for the contract or for the services, but shall make the selection and award: (1) on the basis of demonstrated competence and qualifications to perform the services; and (2) for a fair and reasonable price.

When procuring the services of an architect, engineer, or surveyor, the LEA complies with the requirements of Government Code 2254.004.

Federally-Funded Professional Service Contracts

The competitive procurement procedures described in TEC 44.031(a)(2)-(9), are for certain procurement situations as an alternative to the competitive bidding procedures of TEC 44.031(a)(1).

Government Code Chapter 2254.003 *prohibits* competitive bidding for certain types of professional services, including engineering, land surveying, architectural, accounting and certain other services.” Competitive proposal procedures are recommended where other procurement procedures are not required according to state or federal rules, laws or regulations, to stimulate competitive prices for services.

School Bus Purchase or Lease

Each contract proposed to be made by an LEA for the purchase or lease of one or more school buses, including a lease with an option to purchase, must be submitted to competitive bidding when the contract is valued at \$20,000 or more. TEC 44.031(l).

Procurement by Small Purchase Procedures – Less than \$250,000* – Federal Law (Texas is more restrictive, limiting to \$50,000 for ISD’S when using Federal Funds)

In accordance with 2 CFR §200.320(b), small purchase procedures are those relatively simple and informal procurement methods for securing services, supplies, or other property that do not cost more than the Simplified Acquisition Threshold.

Simplified Acquisition Threshold is defined in 2 CFR §200.88 as the dollar amount below which a non-Federal entity (includes LEA) may purchase property or services using small purchase methods. The Simplified Acquisition Threshold is set by the Federal Acquisition Regulation at 48 CFR Subpart 2.1 and in accordance with 41 USC 1908. Currently, the Simplified Acquisition Threshold is \$250,000, but this threshold is periodically adjusted for inflation.

LEAs adopt small purchase procedures in order to expedite the purchase of items costing less than the Simplified Acquisition Threshold.

If small purchase procedures are used, price or rate quotations must be obtained from an adequate number of qualified sources.

***The state's rules related to purchases \$50,000 and above are more restrictive. Therefore, this federal method of small purchase is applicable only for purchases between \$9,999 and \$49,999. Then, at \$50,000, the state rules are more restrictive and must be followed up to \$250,000, when the federal law for sealed bids and competitive proposals becomes more restrictive.**

Procurement by Sealed Bids (Formal Advertising) - \$250,000 and above – Federal Law

In accordance with 2 CFR §200.320(c), bids are publicly solicited and a firm fixed price contract (lump sum or unit price) is awarded to the responsible bidder whose bid, conforming with all the material terms and conditions of the invitation for bids, is the lowest in price. The sealed bid method is the preferred method for procuring construction, if the conditions in 2 CFR §200.320(c)(1) apply:

- (1) In order for sealed bidding to be feasible, the following conditions should be present:
 - (i) A complete, adequate, and realistic specification or purchase description is available;
 - (ii) Two or more responsible bidders are willing and able to compete effectively for the business; and
 - (iii) The procurement lends itself to a firm fixed price contract and the selection of the successful bidder can be made principally on the basis of price.
- (2) If sealed bids are used, the following requirements apply:
 - (i) Bids must be solicited from an adequate number of known suppliers, providing them sufficient response time prior to the date set for opening the bids, for state, local, and tribal governments, the invitation for bids must be publically advertised;

- (ii) The invitation for bids, which will include any specifications and pertinent attachments, must define the terms or services in order for the bidder to properly respond;
- (iii) All bids will be opened at the time and place prescribed in the invitation for bids, and for local and tribal governments, the bids must be opened publicly;
- (iv) A firm fixed price contract award will be made in writing to the lowest responsive and responsible bidder. Where specified in bidding documents, factors such as discounts, transportation cost, and life cycle costs must be considered in determining which bid is lowest. Payment discounts will only be used to determine the low bid when prior experience indicates that such discounts are usually taken advantage of; and
- (v) Any or all bids may be rejected if there is a sound documented reason.

Once a purchase reaches \$250,000, the federal law is more restrictive than the state law described in TEC 44.031 and the seven methods that were available with the state law are reduced to two methods. The LEA now only has two methods: Competitive Sealed Bids or Competitive Proposals.

Please refer to the Contract Cost or Price Analysis section of this manual, which is required of all procurement actions in excess of the Simplified Acquisition Threshold.

Procurement by Competitive Proposals - \$250,000 and above – Federal Law

In accordance with 2 CFR §200.320(d), 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:

- (1) 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;
- (2) Proposals must be solicited from an adequate number of qualified sources;
- (3) The LEA must have a written method of conducting technical evaluations of the proposals received and for selecting recipients;
- (4) Contracts must be awarded to the responsible firm whose proposal is most advantageous to the program, with price and other factors considered; and
- (5) The LEA may use competitive proposal procedures for qualifications-based procurement of architectural/engineering (A/E) professional services whereby competitors' qualifications are evaluated and the most qualified competitor is selected, subject to negotiation of fair and reasonable compensation. The method, where price is not used as a selection factor, can only be used in procurement of A/E

professional services. It cannot be used to purchase other types of services though A/E firms are a potential source to perform the proposed effort.

Once a purchase reaches \$250,000, the federal law is more restrictive than the state law described in TEC 44.031 and the seven methods that were available with the state law are reduced to two methods. The LEA now only has two methods: Competitive Sealed Bids or Competitive Proposals.

For competitive proposals, EDGAR requires recipients to have a written method for conducting technical evaluations of the proposals received and for selecting recipients. The factors considered in the evaluation are price, vendor experience, longevity, location and distance to LEA. This evaluation is gathered by the Business Manager/Department Heads/Superintendent which perform the evaluation. At least three evaluations should be performed, in a 30-day timeframe for conducting any evaluations and the selection of a vendor, the school board will be the final decision maker.

Please refer to the Contract Cost or Price Analysis section of this manual on page [47], which is required of all procurement actions in excess of the Simplified Acquisition Threshold.

Procurement by Noncompetitive Proposals - Sole Source – Federal and State Law

Federal Law

In accordance with 2 CFR §200.320(f), 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:

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

State Law

In accordance with TEC 44.031(j), selected purchases may be exempt from competitive procurement if they meet established criteria for a sole source purchase (the item is only available from one source):

- Identification and confirmation that competition in providing the item or product to be purchased is precluded by the existence of a patent, copyright, secret process or monopoly;
- A film, manuscript, or book;
- A utility service, including electricity, gas, or water; and
- A captive replacement part or component for equipment

In accordance with TEC 44.031(k), sole source does not apply to mainframe data-processing equipment and peripheral attachments with a single item purchase price in excess of \$15,000.

It is incumbent upon the LEA to obtain and retain documentation from the vendor which clearly delineates the reasons which qualify the purchase to be made on a sole source basis.

If the LEA chooses to request authorization from TEA to use the noncompetitive proposal method for a certain purchase, it will submit the required TEA form accessed on the TEA website.

Department Heads/Business Manager/Superintendent will ensure adequate documentation is maintained that shows how the decision to use this method of procurement was reached, including the uniqueness of the services or goods sought, the scarcity of providers, and the specific expertise and experience of the vendor selected.

An online search for providers or a letter from the vendor stating they are the only source available is not sufficient. A claim of sole source may qualify for noncompetitive proposal if the material is copyrighted or an upgrade to an item previously purchased from the provider is being purchased. However, the best practice is to first use the competitive proposal process and only when the results are inadequate to then proceed to noncompetitive proposal.

THE PURCHASING PROCESS

The purchasing process section of this manual describes the actual process for goods and services procurement, including vendor selection and relations, requisition process, purchase orders, receiving/distribution, and control environment.

Delegation

In accordance with TEC 44.0312, the LEA's board of trustees may, as appropriate, delegate its procurement authority under TEC 44 to a designated person, representative, or committee. In procuring construction services, the LEA shall provide notice of the delegation and the limits of the delegation in the request for bids, proposals, or qualifications or in an addendum to the request. If the LEA fails to provide that notice, a ranking, selection, or evaluation of bids, proposals, or qualifications for construction services other than by the board of trustees in an open public meeting is advisory only.

The board may not delegate the authority to act regarding a procurement action authorized or required by TEC 44 to be taken by the board of trustees of a school district.

In the event of a catastrophe, emergency, or natural disaster affecting the LEA, the board of trustees may delegate to the superintendent or designated person the authority to contract for the replacement, construction, or repair of school equipment or facilities under TEC 44 if emergency replacement, construction, or repair is necessary for the health and safety of LEA students and staff.

Competitive Procurement Process

According to the Purchasing Module in the FASRG, the following processes are essential for effective competitive bidding:

- **Requirements Planning.** An LEA plans for major purchases to be made during the next twelve months identifying the products or services and when they are needed. The award of bids is scheduled to ensure timely delivery so that operations are not interrupted. From that schedule, a mechanism for coordinating bidding of like or similar items on a district-wide basis is developed. Requirements planning also enables the LEA's purchasing official to analyze and plan their workloads.
- **Activities and Responsibilities for Bid Specifications and Bid Award.** This process structures the total bid package which includes developing and reviewing specifications, incorporating these specifications into a standard bid form, determining objective bid award criteria, advertising the bid, responding to vendor questions, tabulating/analyzing bid responses, and recommending a vendor for bid award.

- Development of an Approved Vendor List. The identification and qualification of vendors for specific products can facilitate the bid process in two ways. First, the LEA can identify vendors who are interested in doing business with the LEA and their products and services. Second, the LEA can monitor the vendor's responses to bids and performance when they are awarded a bid.

In accordance with TEC 44.031(g), notice of the time by when and place where the bids or proposals, or the responses to a request for qualifications, will be received and opened shall be published in the county in which the LEA's central administrative office is located, once a week for at least two weeks before the deadline for receiving bids, proposals, or responses to a request for qualifications. If there is not a newspaper in that county, the advertising shall be published in a newspaper in the county nearest the county seat of the county in which the LEA's central administrative office is located. In a two-step procurement process, the time and place where the second-step bids, proposals, or responses will be received are not required to be published separately.

Competitive Bids Process

According to the Purchasing Module in the FASRG, the bid process is structured and incorporated into LEA purchasing procedures and involves:

- Development of clear specifications
- Advertising for competitive bids
- Responding to vendor questions
- Procedures for opening and tabulating the bids
- Analysis of the bids to ensure compliance with requirements
- Recommending the vendor(s) for bid award
- Award of the bid by the board

A request for bids contains the following elements:

- Purchase description or specifications covering the item(s) to be obtained
- Work and/or services needed
- Terms and conditions for the proposed bid contract
- Time and place for opening bids and other provisions

Local Government Code 271 in Relation to TEC 44

In accordance with TEC 44.0351, Subchapter B, Chapter 271, Local Government Code does not apply to a competitive bidding process under TEC 44, with the exceptions of Sections 271.026, 271.027(a), and 271.0275 Local Government Code:

- Section 271.026. Opening of Bids. (a) Bids may be opened only by the governing body of the governmental entity at a public meeting or by an officer or employee of the governmental entity at or in an office of the governmental entity. A bid that has been opened may not be changed for the purpose of correcting an error in the bid price. (b) This subchapter does not change the common law right of a bidder to withdraw a bid due to a material mistake in the bid.
- Section 271.02. 7 Award of Contract. (a) The governmental entity is entitled to reject any and all bids.
- Section 271.0275. Safety Record of Bidder Considered. In determining who is a responsible bidder, the governmental entity may take into account the safety record of the bidder, firm, corporation, partnership, or institution represented by the bidder, or of anyone acting for such a firm, corporation, partnership, or institution if: (1) the governing body of the governmental entity has adopted a written definition and criteria for accurately determining the safety record of a bidder; (2) the governing body has given notice to prospective bidders in the bid specification that the safety record of a bidder may be considered in determining the responsibility of the bidder; and (3) the determinations are not arbitrary and capricious.

Electronic Bids or Proposals

According to the Purchasing Module in the FASRG, an LEA may receive bids or proposals through electronic transmission if the LEA's board of trustees adopts rules to ensure the identification, security, and confidentiality of electronic bids or proposals and to ensure that the electronic bids or proposals remain effectively unopened until the proper time. An electronic bid or proposal is not required to be sealed, but if the governing statutes or rules require paper bids or proposals to be sealed, the same requirements would apply to an electronic process. TEC 44.0313

Competitive Sealed Proposals/Request for Proposals Process

According to the Purchasing Module in the FASRG, in selecting a vendor through competitive sealed proposals, the LEA shall prepare a request for competitive sealed proposals that includes information that vendors may require to respond to the request. The LEA shall state in the request for proposals the selection criteria that will be used in selecting the successful offeror.

The RFP (Request for Proposal) is the mechanism that generates the receipt of competitive sealed proposals and should contain several key elements:

- Determination by board of trustees that this method will provide the best value for the LEA must be done first, if a construction contract
- Newspaper advertisement

- Notice to proposers
- Standard terms and conditions
- Special terms and conditions
- Scope of work (scope and intent; definitions and applicable documents; requirements; quality assurance)
- Acknowledgement form/response sheet
- Felony conviction notice
- Contract clause

The LEA shall receive, publicly open, and read aloud the names of the offerors and, if any are required to be stated, all prices stated in each proposal. Not later than the 45th day after the date on which the proposals are opened, the LEA shall evaluate and rank each proposal submitted in relation to the published selection criteria.

The LEA shall select the offeror that offers the best valued for the LEA based on the published selection criteria and on its ranking evaluation. The LEA shall first attempt to negotiate a contract with the selected offeror. The LEA may discuss with the selected offeror options for a scope or time modification and any price change associated with the modification. If the LEA is unable to negotiate a satisfactory contract with the selected offeror, the LEA shall, formally and in writing, end negotiations with that offeror and proceed to the next offeror in the order of the selection ranking until a contract is reached or all proposals are rejected.

An RFP may also be used as a procurement option to generate a non-sealed competitive proposal, but only for services other than construction services. In this instance, an LEA may open the proposal upon receipt and begin the negotiation process for the offered goods/services.

In determining the best value for the LEA, the LEA is not restricted to considering price alone but may consider any other factors stated in the selection criteria. TEC 4.0352.

Change Orders Process

According to the Purchasing Module in the FASRG, if a change in plans or specifications is necessary after the performance of a contract is begun or if it is necessary to decrease or increase the quantity of work to be performed or of materials, equipment, or supplies to be furnished, the LEA may approve change orders making the changes.

The total contract price may not be increased because of the changes unless additional money for increased costs is approved for that purpose from available money or is provided for by the authorization of the issuance of time warrants.

The LEA may grant general authority to an administrative official to approve the change orders. The Superintendent is authorized to approve change orders.

A contract with an original contract price of \$1 million or more may not be increased by more than 25 percent. If a change order for a contract with an original contract price of less than \$1 million increases the contract amount to \$1 million or more, the total of the subsequent change orders may not increase the revised contract amount by more than 25 percent of the original contract price. TEC 44.0411.

Interlocal Contract/Cooperative Purchasing Agreement Process

According to the Purchasing Module in the FASRG, operating characteristics of cooperative purchasing agreements vary widely. In some cases, the lead agency in the cooperative, having received and combined orders from participating LEAs, purchases in bulk and stores purchases in a centralized warehouse. This lead agency then serves as the member districts' principal "vendor" and distributes goods as they are ordered and subsequently invoices the LEA. It may offer a catalog of centralized warehouse merchandise. Distribution may be either direct delivery to the LEA or by pick-up at the cooperatives' central warehouse.

Other operating arrangements may allow each LEA to order directly from approved vendors at bulk prices negotiated by the cooperative. A third arrangement may have a lead agency serving as a warehousing site for other LEAs with each LEA responsible for pick-up of goods and products.

The LEA considers the following areas when determining whether to join a cooperative:

- Variety of products and services offered
- Cost of these products and services as compared with other cooperatives or the LEA's individual ability to buy these products or services
- Timing and method of delivery
- Participation charges, including administrative and operating costs
- Reputation for overall service delivery, including problem resolution
- Administrative requirements placed on member districts, including paperwork or related issues

Centralized Purchasing

According to the Purchasing Module in the FASRG, centralized purchasing is the act of combining related items/commodities of various departments to coordinate purchases and obtain better prices. Centralized purchasing enables an LEA to coordinate purchases when two or more campuses or departments have common requirements for supplies and equipment.

The centralized purchasing function is used to coordinate purchases of two or more campuses or departments as follows:

- Combining on purchase order forms the individual purchase requirements of two or more teachers, departments, or campuses; and
- Arranging for favorable purchase terms, for example discount from retail or catalog prices, for items to be purchased “as needed” by individual employees (minimizes cash flow and warehouse storage requirements associated with large single order quantities).
- Ensuring LEA compliance with state laws and local policies concerning purchasing.

VENDOR SELECTION AND RELATIONS

A good purchasing system establishes standards for both LEA personnel and vendors.

Vendor Communications

According to the Purchasing Module in the FASRG, establishment of certain district-wide procedures regarding vendor contact is important to an effective purchasing design. Such policies and procedures may include requiring appointments with vendors be scheduled through the department responsible for purchasing or that a representative of the department responsible for purchasing (i.e., purchasing agent or equivalent) attends all meetings with vendors.

In centralized purchasing, the purchasing department usually is responsible for all vendor contact. In this environment, principals, department heads or staff may communicate with vendors only through the purchasing department. Better control of vendor relations may result.

Vendor List

According to the Purchasing Module in the FASRG, the LEA compiles and maintains an approved vendor list. This list includes the names and addresses of various vendors and the products and services they offer. Vendors are encouraged to submit their names for inclusion on the list and are asked to complete an application form. Soliciting and including as many vendors as possible results in a complete and functional list of vendors with whom the LEA conducts business.

The business department maintains the vendor list, analyzing and updating it on a periodic basis.

Vendor Award Determination Criteria

According to the Texas Education Code (TEC) 44.031(b), the LEA will consider all of the following when determining to whom to award a contract:

- 1) The purchase price;
- 2) The reputation of the vendor and of the vendor's goods or services;
- 3) The quality of the vendor's goods or services;
- 4) The extent to which the goods or services meet the LEA's needs;
- 5) The vendor's past relationship with the LEA;
- 6) The impact on the ability of the LEA to comply with laws and rules relating to historically underutilized businesses;
- 7) The total long-term cost to the LEA to acquire the vendor's goods or services;
- 8) For a contract for goods and services (other than goods and services related to telecommunications and information services, building construction and maintenance, or instructional materials), whether the vendor or the vendor's ultimate parent company or majority owner: (A) has its principal place of business in this state; or (B) employs at least 500 persons in this state; and
- 9) Any other relevant factor specifically listed in the request for bids or proposals. Factors the LEA may consider under this criteria includes:
 - Vendor response time
 - Compatibility of goods/products purchased with those already in use in the LEA

Also, refer to page [38], regarding the consideration of the bidder's safety record.

Under TEC 44.035, the LEA must publish in the request for bids, proposals, or qualifications for construction services, the criteria that will be used to evaluate the offerors and relative weights given to the criteria.

Under 2 CFR §200.319(c)(2), in all solicitations, the LEA identifies all factors to be used in evaluating bids or proposals.

Right to Work

In accordance with TEC 44.043, whenever an LEA is engaged in (1) procuring goods or services; (2) awarding a contract; or (3) overseeing procurement or construction for a public work or public improvement, the LEA may not consider whether a vendor is a member of or has another relationship with any organization; and shall ensure its bid specifications and any subsequent contract or other agreement do not deny or diminish the right of a person to work because of the person's membership or other relationship status with respect to any organization.

Contract with Person Indebted to the LEA

In accordance with TEC 44.044, the LEA's board of trustees by resolution may establish regulations permitting the LEA to refuse to enter into a contract or other transaction with a person indebted to the LEA. The LEA may, accordingly, refuse to award a contract to or enter into a transaction with an apparent low bidder or successful proposer that is indebted to the LEA.

In this context, "person" includes an individual, sole proprietorship, corporation, nonprofit corporation, partnership, joint venture, limited liability company, and any other entity that proposes or otherwise seeks to enter into a contract or other transaction with the LEA requiring approval by the board.

Debarment and Suspension

In accordance with 2 CFR §200.212, the LEA awards contracts only to responsible contractors possessing the ability to perform successfully under the terms and conditions of a proposed procurement. Consideration will be given to such matters as contractor integrity, compliance with public policy, record of past performance, and financial and technical resources.

The LEA may not subcontract with or award subgrants to any person or company who is debarred or suspended. The Business Manager 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/>.

Vendor Gifts and Relations

LEA officials and employees cannot accept anything of value from a vendor, such as personal gifts or gratuities, which may be construed to have been given to influence the purchasing process.

Vendor's Notification of Criminal History of Contractor

In accordance with TEC 44.034, a person or business entity that enters into a contract with an LEA must give advance notice to the LEA if the person or an owner or operator of the business entity has been convicted of a felony. The notice must include a general description of the conduct resulting in the conviction of a felony.

The LEA may terminate a contract with a person or business entity if the LEA determines that the person or business entity failed to give notice as required by TEC 44.034(a) or

misrepresented the conduct resulting in the conviction. The LEA must compensated the person or business entity for services performed before the termination of the contract.

The requirements of TEC 44.034 do not apply to a publicly held corporation.

Vendor Performance Evaluation

According to the Purchasing Module in the FASRG, a system for the evaluation of vendors and their performance is important to support an effective purchasing function. Factors considered by the LEA for inclusion in the evaluation are:

- Timeliness of deliveries
- Service availability
- Completeness and accuracy of order
- Quality of products or services received

The Department Head/Special Programs Director performs vendor performance evaluation.

Whenever problems are encountered with a vendor (i.e., a vendor fails to deliver certain items or delivery does not meet specifications), it is important to document the problem, noting the date and an accurate description of the problem. This information is provided to the Special Programs Director and the business office.

The vendor is contacted by telephone or email by the [position/department] and informed of the problem and told specifically how the LEA wants the problem corrected. The LEA keeps a record of all such communication, including the dates and what was discussed. If the problem is not resolved or continues, the vendor is notified in writing, stating the problem, the corrective action required, and that the vendor's failure to correct the problem will be considered a breach of contract and could result in the cancellation of the contract. If significant problems are encountered with the vendor, the LEA consults with legal counsel concerning the removal of the vendor from the approved vendor list and discontinuing any business with the vendor. The Superintendent is responsible for consulting legal counsel. The business office is responsible for removing the vendor from the vendor list, and notifying LEA staff of the removal of the vendor from the list.

This record of information about vendor performance is important in the evaluation of the vendor. All records of information, communication with the vendor, and evaluation of the vendor are maintained by the business office.

The LEA strives to develop an open and professional relationship with each vendor while still maintaining total independence and objectivity.

Protest Procedures to Resolve Dispute

The LEA maintains protest procedures to handle and resolve disputes relating to procurements and, in all instances, discloses information regarding the protest to the awarding agency.

Protest procedures must be in accordance with state and local law. Issues that should be addressed include, but are not limited to, how potential vendors receive notice of ability to protest, what position/office receives the protest; what position/office reviews the protest; whether a report of the review is provided to the complainant; and timeframes for both making the protest and reviewing the protest. The position/office that reviews the protest should be different than the one that awarded the contract. See Board Policy located at: www.Shinerisd.org

CONTRACTS

Contracting with Small and Minority Businesses, Women's Business Enterprises, and Labor Surplus Area Firms

In accordance with 2 CFR §200.321:

- (a) The LEA must take all necessary affirmative steps to assure that minority businesses, women's business enterprises, and labor surplus area firms are used when possible.
- (b) Affirmative steps must include:
 - (1) Placing qualified small and minority businesses and women's business enterprises on solicitation lists;
 - (2) Assuring that small and minority businesses, and women's business enterprises are solicited whenever they are potential sources;
 - (3) Dividing total requirements, when economically feasible, into smaller tasks or quantities to permit maximum participation by small and minority businesses, and women's business enterprises;
 - (4) Establishing delivery schedules, where the requirement permits, which encourage participation by small and minority businesses, and women's business enterprises;
 - (5) Using the services and assistance, as appropriate, of such organizations as the Small Business Administration and the Minority Business Development Agency of the Department of Commerce; and
 - (6) Requiring the prime contractor, if subcontracts are to be let, to take the affirmative steps listed in paragraphs (1) through (5) above.

Contract Cost or Price Analysis

In accordance with 2 CFR §200.323:

- (a) The LEA must perform a cost or price analysis in connection with every procurement action in excess of the Simplified Acquisition Threshold, including contract modifications. Currently, the Simplified Acquisition Threshold is \$250,000.

The method and degree of analysis is dependent on the facts surrounding the particular procurement situation, but as a starting point, the LEA must make independent estimates **before** receiving bids or proposals.

- (b) The LEA must negotiate profit as a separate element of the price for each contract in which there is no price competition and in all cases where cost analysis is performed. To establish a fair and reasonable profit, consideration must be 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.
- (c) Costs or prices based on estimated costs for contracts under the federal award are allowable only to the extent that costs incurred or cost estimates included in negotiated prices would be allowable for the LEA under the Cost Principles of 2 CFR Part 200, Subpart E. The LEA may reference its own cost principles that comply with the federal cost principles.
- (d) The cost plus a percentage of cost and percentage of construction cost methods of contracting must not be used.

Contract Provisions

EDGAR Requirements

In accordance with 2 CFR §200.326, all federally-funded contracts must contain the applicable provisions described in Appendix II to 2 CFR Part 200 – Contract Provisions for non-Federal Entity Contracts Under Federal Awards:

- (A) Contracts for more than the Simplified Acquisition Threshold currently set at \$250,000 must address administrative, contractual, or legal remedies in instances where contractors violate or breach contract terms, and provide for such sanctions and penalties as appropriate.
- (B) All contracts in excess of \$10,000 must address termination for cause and for convenience by the LEA, including the manner by which it will be effected and the basis for settlement.

- (C) Equal Employment Opportunity. Except as otherwise provided under 41 CFR Part 60, all contracts that meet the definition of “federally assisted construction contract” in 41 CFR Part 60-1.3 must include the equal opportunity clause provided under 41 CFR 60-1.4(b).
- (D) Davis-Bacon Act. When required by Federal program legislation, all prime construction contracts in excess of \$2,000 awarded by LEAs must include a provision for compliance with the Davis-Bacon Act.
- (E) Contract Work Hours and Safety Standards Act. Where applicable, all contracts awarded by the LEA in excess of \$100,000 that involve the employment of mechanics or laborers must include a provision for compliance with 40 USC 3702 and 3704.
- (F) Rights to Inventions Made Under a Contract or Agreement. If the federal award meets the definition of “funding agreement” under 37 CFR §401.2(a) and the recipient or subrecipient wishes to enter into a contract with a small business firm or nonprofit organization regarding the substitution of parties, assignment or performance of experimental, developmental, or research work under that “funding agreement” must comply with the requirements of 37 CFR Part 401, “Rights to Inventions Made by Nonprofit Organizations and Small Business Firms Under Government Grants, Contracts and Cooperative Agreements.”
- (G) Clean Air Act and the Federal Water Pollution Control Act. Contracts and subgrants of amounts in excess of \$250,000 must contain a provision that requires the non-Federal award to agree to comply with all applicable standards, orders or regulations issued pursuant to the Clean Air Act and the Federal Water Pollution Control Act.
- (H) Debarment and Suspension. A contract award must not be made to parties listed on the governmentwide exclusions in the System for Award Management (SAM).
- (I) Byrd Anti-Lobbying Amendment. Contractors that apply or bid for an award exceeding \$100,000 must file the required certification.
- (J) Procurement of Recovered Materials described in 2 CFR §200.322.

TEA Best Practices for Federally-Funded Contracts

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

A letter of intent to contract with a third party may be signed prior to the issuance of a NOGA.

(a) The letter of intent should contain a provision that the future contract is contingent upon receipt of the specific NOGA. The contract should contain the following provisions: (a) The contract is only effective upon receipt by the subgrantee of the NOGA from the awarding agency. (b) The contract period is aligned to the grant period of availability as stated on the NOGA from the awarding agency (period of availability). (c) All services will be completed during the effective dates of the contract. (d) All services will be invoiced monthly after services are received (rather than paid lump sum at the beginning of the period of availability before services are rendered) and paid upon verification of receipt of services. (e) The regulations for

procurement in 2 CFR §§200.318-323 are followed in issuing the contract. (f) All professional services provided under the contract will follow the provisions of 2 CFR §200.459 Professional service costs. (g) The contract identifies the funding sources that will be charged for the services provided, including the specific amount and/or percentage of the total contract amount to be charged to each funding source. (h) The contract identifies and lists only reasonable, necessary, and allocable services to be provided during the period of availability of the funding sources listed in the contract. (i) The administrative costs charged to the grant in the contract must comply with any limitations for administrative costs for funding sources (if applicable). (j) The contract specifies that the invoice provided by the contractor will include the list of services provided, dates of services, and location(s) where services were provided during the billing period.

Contract Administration

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

All contracts and service agreements, etc. must be signed by the Superintendent or designee. Only the Superintendent or designee is authorized to sign a contract or agreement on behalf of the LEA. Contracts that exceed \$50,000 shall be approved by the Superintendent and the School Board.

The business office maintains a copy of the signed contract, agreement, or purchase order for services performed and the rationale or procedure for selecting a particular vendor.

Contracts or agreements in excess of \$10,000 describe conditions under which the contract may be terminated for cause or for convenience by the LEA, including the manner by which it will be effected and the basis for settlement. Appendix II to 2 CFR Part 200.

Contracts for more than the simplified acquisition threshold must address administrative, contractual, or legal remedies in instances where contractors violate or breach contract terms, and provide for such sanctions and penalties as appropriate. Appendix II to 2 CFR Part 200.

If the contract is to develop materials, concepts, or products, the agreement or contract contains provisions that protect and retain ownership of such materials, concepts, or products by TEA, the State of Texas, and the federal government, as applicable (including copyright, patent, trademark).

The Special Programs Director maintains evidence that awards were made only to contractors or consultants possessing the ability to perform successfully under the terms and conditions of the proposed contract or procurement.

The business office maintains evidence that consultants were selected based on demonstrated competence, qualifications, experience, and reasonableness of costs and that consideration was given to contractor integrity, compliance with public policy, past performance, and financial and technical resources.

No contracts are entered into with employees of the LEA.

The business office maintains evidence that an employee did not participate in selection or award of a contract if a conflict of interest was involved.

Rental of Facilities: The business office and Band Director/Athletic Director will coordinate the rental of LEA facilities. A Rental Agreement is required for all rentals of facilities by outside organizations. All contracts will include security deposits (unless waived), charges for facility usage, custodial services, and other related charges, if applicable. The Superintendent or his designee are authorized to waive security deposits.

Procedures for Submitting a Consultant Service Contract:

A. Submit the Consultant Service Contract to the Special Programs Director/Curriculum Coordinator for review.

B. Obtain the following documents from the consultant and submit with the purchase order to the business department: A completed W-9 Form; A Felony Conviction Form; A Criminal Check Authorization and Fingerprinting Form, if the consultant will work directly with students; A Conflict of Interest Questionnaire; Documentation of insurance, such as general liability, workers compensation, and auto liability, if applicable.

C. Follow the procedures for Suspension and Debarment Verification for transactions supported with Federal funds outlined in this manual, as applicable.

The employees will ensure that contractors, consultants, service providers, and vendors perform in accordance with the terms, conditions, and specifications of their contracts or purchase orders.

Prior to disbursement of funds to a contractor, consultant, service provider, or vendor, documentation must be provided to the LEA to support the goods or services rendered.

Documentation includes, but is not limited to: Description of the goods or services rendered; Dates; Rate; Total Hours, if applicable; Number of students served or names of students served, if applicable.

When procuring contracted services with Federal funds, the LEA will ensure that every purchase order or contract includes language to ensure services align with allowable use of grant funds, if applicable.

Accountability:

The LEA ensures that contractors perform in accordance with the terms, conditions, and specifications of their contracts or purchase orders.

a) The LEA obtains written contracts or purchase orders.

b) Contracts for services include a description of the services to be performed, the date(s) the services will be performed, the location(s) of where the services will be performed, the number or type of beneficiaries to be served, if applicable, and when payment(s) will be made, specifying verification before payment. The terms of the contract will include language that assures the activities performed by the contractor are allowable activities according to the Federal program, if applicable.

c) Purchase orders for goods include a description of the goods to be delivered, the date(s) the goods will be delivered, the location(s) of where the goods will be delivered, and when payment(s) will be made, specifying verification before payment.

d) Invoices match the contracts or purchase orders, including a description of services performed by the contractor or goods delivered by the vendor, the date(s) services were performed or goods delivered, the location(s) where the services were performed or goods were delivered, and if applicable, the number of beneficiaries served and identifying information of the beneficiaries who were served.

e) The employee verifies that the services were performed or the goods were received before issuing payment. The business office verifies that the contractor or vendor met all of its responsibilities under the contract or purchase order before approving payment. Invoices that merely state “for services rendered” will not be approved for payment. Invoices for services provided to students must indicate which student(s) was served and under which program.

The business office and/or Department Head maintains records on services performed – date of service, purpose of service – ensuring that services were consistent and satisfactory as described in the signed contract or purchase order.

The business office maintains evidence that payment was made only after the service was performed or goods received, and not before. Advance payment to contractors is prohibited.

PETTY CASH

According to the Purchasing Module in the FASRG, a petty cash fund may be used to reimburse employees for small expenditures for LEA supplies or services and to make small district purchases. Such a fund can save time, paperwork, and associated administrative costs. Authorization to purchase from this source should be clearly defined in district or campus procedures and the dollar amount for each purchase should be limited (usually between \$50-\$100). Purchases made with petty cash may occur at both the campus and departmental level. It

is important that petty cash purchases be kept at a minimum and that accurate accounting records be maintained for all purchases by employees who have been assigned as custodians of the petty cash funds.

The LEA authorizes the use of Petty Cash for change funds only.

CREDIT, DEBIT, GIFT, & PROCUREMENT CARDS

Procurement Cards

According to the Purchasing Module in the FASRG, purchasing cards (p-cards) can provide efficiency, transparency, and security when utilized correctly. As the volume of transactions increases, more transactions can be processed without the addition of staff to handle labor-intensive purchase order processes and employees can focus on doing the job at hand rather than the paperwork (requesting, approving, logging, and ordering). The software tools provided allow supervisors to review details on vendors, timing of purchases, and the actual amount spent. Purchasing staff can focus their attention on the larger dollar, infrequent purchases and their compliance requirements.

In order to avoid fraud and waste, purchasing cards must be controlled closely. The superintendent, business manager, human resources director, and procurement director must work together to set and enforce policies and procedures. It should be clear that misuse and abuse will not be tolerated. Two ways of demonstrating this are including the use of the card as a factor in performance appraisals and employing a 3-strikes-you're-out feature, where an employee who misused the card or couldn't provide receipts would have card privileges revoked or terminated. Reviewers should be held to the same standards as cardholders. The same set of rules should be applied to all card users, although spending limits may vary.

Segregation of Duties

- The same employee should not buy, receive, approve, and reconcile card purchases

Credit and Debit Cards

The LEA does authorize the use of credit cards or debit cards for purchases with federal, state or local funds.

Gift Cards

The LEA does not authorize the use of gift cards for purchases with state or local funds. Gift cards are not authorized for purchases with Federal grant funds because they do not provide adequate accountability for ensuring allowable use of funds.

Purchase or Credit/Debit Card Rebates or Discounts

If the purchase card or credit/debit card provides rebates or discounts back to the LEA, each federal award for which the card was used must receive a proportional credit. The District does not use cards that create rebate or discounts.

I. Use of School Credit Cards (For Local, Federal and Grant Funds)

Shiner ISD has Wal-Mart and Sam's credit cards. Credit cards are kept in the checkout folder in locked safe in the central office. Credit Cards are checked out to employees for items purchased from vendors where Shiner ISD does not have an account set up. The following procedures must be followed when issued a school credit card. When a credit card is checked out to an employee they must follow these procedures:

- 1.) Provide a copy of approved purchase order to central office.
- 2.) Check out card from central office. At that time the employee is made aware of the usage terms and their signature indicates agreement to terms.
- 3.) Card must be checked in the next day or the first day back from trip with all original receipts attached.

Credit card statements are received in the business office each month. Each charge on the statement must have a purchase order encumbered in the TXEIS System. If a purchase order is not on file, we will call the campus secretaries and see if a check request has been issued at the campus level through the activity fund. If for some reason an employee fails to turn in a receipt, it will be the employee's responsibility to cover the charge.

REQUISITIONS

According to the Purchasing Module in the FASRG, a requisition is an internal document by which a campus or department of the LEA requests the purchasing department to initiate a purchase order. It is a request generated manually or electronically (through use of automated systems) for the purchase of supplies, services, equipment, etc.

Approval of Requisitions

According to the Purchasing Module in the FASRG, requisitions should be initiated by those having proper authority, as defined by the LEA. Requisitions initiated by instructional, maintenance, and support personnel should then be approved by the appropriate person, either

the principal, department head or superintendent. Requisitions which require expenditures from the Special Revenue Fund should be approved by the program administrator.

TEC 44.052 states that a superintendent that approves any expenditure of school funds in excess of the amount appropriated for that item(s) in the adopted budget or supplementary, amended budget commits a Class C misdemeanor offense. Consequently, close supervision and monitoring of the availability of budget dollars and of the approval process for requisition are important elements of an LEA's purchasing process.

Requisition Format

According to the Purchasing Module in the FASRG, requisitions should include certain items:

- A description of items to be purchased
- The quantity needed
- A suggested vendor (should be from the LEA's approved vendor list, if applicable)
- The code of the account to be charged

The requisition should be in a standard format so that the information can be readily identified and transferred to a purchase order. If proper control procedures are used, the requisition and the purchase order can be combined on one form. For example, an unnumbered requisition, once properly approved, may become a numbered purchase order.

The District utilizes the TxEIS software system as their purchasing module.

Flow of Requisitions

According to the Purchasing Module in the FASRG, requisitions are received by the LEA's central purchasing department or department responsible for this function. In smaller LEAs, requisitions may be received by the business office or by the superintendent. When received, the requisition should be reviewed for the following:

- Accuracy
- Availability of funds
- Proper signatures
- Adequate description
- Proper account coding
- Overall completeness

The request is then assigned a purchase order number, vendor number (if applicable), purchase order date, and a cancellation date. The LEA should ensure that the appropriate competitive purchasing method is determined and performed before the requisition is approved for processing.

After approval by the designated authority, a purchase order is issued to the vendor.

ENCUMBRANCES

Encumbrances are funds that have been reserved when a purchase requisition is finalized and encumbered. When a requisition is processed, funds are placed aside for that transaction and are no longer available for use in other transactions to prevent the possibility of budget overspending. Encumbrances are used as a general planning tool, to predict cash outflow, and to avoid overspending. The amount of the encumbrance will not be included in the actual funds balances since payment has not been generated. Once payment is made, the encumbrance will be reversed and the funds will appear under the actual funds balance rather than the encumbrance balance.

The business office utilizes the TxEIS Purchasing module to generate obligation, encumbrance, and expenditure information on a as needed basis to monitor and review budget performance.

Purchase Orders

Definition of a Purchase Order

A purchase order is an instrument used to encumber funds (setting aside funds in advance for the payment of goods and services when received or rendered). Texas Education Agency Bulletin 679, ACT 302 requires that an encumbering accounting system be in place.

According to the Financial Accountability System Resource Guide, a purchase order serves as a formal order for goods, materials, and/or services from a vendor. A purchase order, once approved, is a binding commitment for an LEA to remit payment to the vendor after the item(s) and an invoice are received.

A purchase order is a purchaser's document to formalize a purchase transaction with a vendor. The purchase order should contain statements as to the quantity, description, and price of the goods or services orders; applicable terms as to payment; discounts; date of performance; transportation arrangements; and other factors or suitable references pertinent to the purchase and its execution by the vendor. Acceptance of a purchase order constitutes a contract.

Use of Purchase Orders

A purchase order, after the final approval process, is a binding commitment for the LEA to remit payment to the vendor after the LEA receives the item(s). A purchase order is also an important accounting document. It should contain information on the expenditure to be made and the account code to be charged. Once issued, the purchase order encumbers funds, which serves as an expenditure control mechanism. Finally, the purchase order is utilized in the accounts payable process as it documents that an order has been placed and is acceptable by the user; the user can make payment to the vendor upon verified and documented receipt of the goods/services.

Prior to the purchase of goods or services, a properly prepared and submitted purchase order shall be required.

Reimbursements for goods/services purchased personally will be reimbursed only if an approved purchase order is in place prior to the purchase of the goods and does not exceed the amount of the purchase order (shipping costs should be included in the purchase order). No changes, substitutions, or increases in funds may be made without approval from the Business Office/ Superintendent.

All LEA personnel are required to follow the following guidelines for any purchase, regardless of fund source. In addition, Federal Program personnel will adhere to the applicable statute, regulations, and other grant requirements when making purchases. Employees who violate the LEA's purchasing procedures shall be held personally liable for the debt incurred.

Section 44.052 Texas Education Code states that a superintendent that approves any expenditure of school funds in excess of the amount appropriated for that item(s) in the adopted budget commits a Class C misdemeanor offense. Consequently, close supervision and monitoring of the availability of budget dollars and of the approval process for requisition competitive procurement are important elements of the LEA's purchasing process.

Items requiring purchase orders/ check request forms include, but are not necessarily limited to, the following:

- a) Capital Outlay/Fixed Assets (Equipment, furniture, etc.);
- b) Travel Expenses for Outside Consultants;
- c) Travel by Employees (Hotel, airfare, rental car expenditures require purchase orders; Mileage, parking, meals, and other approved incidentals may be reimbursed without a purchase order, by utilizing the Check Request form. (Exception: Emergency Only);

- d) Registration fees for conferences;
- e) Instructional Materials (Exception: Situations which would render the purchase order procedure impractical);
- f) Office Supplies not stocked.
- g) Professional and Contracted Services (Exception: Equipment Repair).

All purchase orders require approval with a requisition, using the LEA's established requisition system. No confirmation ("after-the-fact") purchase orders will be allowed without justification and approval by the Superintendent.

Requisitions:

According to the TEA Financial Accountability System Resource Guide (FASRG), a requisition is an internal document by which a campus or department of the LEA requests the purchasing department to initiate a purchase order. It is a request generated manually or electronically (through the use of automated systems) for the purchase of supplies, services, equipment, etc. The requisition should be in a standard format so that the information can be readily identified and transferred to a purchase order. If proper control procedures are used, the requisition and the purchase order can be combined on one form.

The District Purchase Order or Check Request Form should always include, at a minimum, the following:

- a) A description of the item(s) to be purchased (The description should be complete enough for anyone to understand the item(s) being purchased);
- b) The quantity needed/requested;
- c) The proposal number, if applicable;
- d) A suggested vendor (Use the LEA's approved vendor list which includes any vendor on the Region III ESC list or the Texas Buy Board, making sure a bid vendor is used, if applicable);
- e) The code of the account to be charged;
- f) Pricing, if known;

g) Requests for requisitions for Federal Grant funds must include justification back-up from the Campus/District Needs Assessment and Improvement Plan, where applicable; A separate Purchase Order Form is available when using grant funds.

h) Proper original signatures, dated.

Purchase Orders/ Check Request Forms:

The purchase order or check request is the written evidence of orders placed as a result of properly initiated and approved purchase requisitions.

The purchase order should always include, at a minimum, the following:

- a) Vendor name and address;
- b) Description of goods or services, including pertinent factors, such as size, color selection, etc.;
- c) Quantity of goods;
- d) Price (per unit and in total);
- e) Account codes;
- f) Payment terms;
- g) Discounts, if any;
- h) Transportation (shipping) arrangements;
- i) Other pertinent factors, such as delivery destination;
- j) Cancellation terms.

Final Approval

Final approval of the purchase order is provided by the Superintendent. The purchase order is mailed, emailed or faxed to vendors by the business office personnel. A copy of the purchase order is sent to the campus. The business office personnel encumbers funds from the proper account.

During review and approval of requisitions and purchase orders, special attention should be given to the account coding. If there are not sufficient funds in the account the expenditure is to be coded to, the business office personnel will request either a budget amendment or budget transfer. Expenditures that are not correctly coded will be returned to the department, causing delays in the expenditure process.

For control purposes, the business office maintains a record of all purchase orders issued. The log includes the date of submission, purchase order number, vendor name, and campus/department name.

Blanket (Open) Purchase Orders

According to the TEA Financial Accountability System Resource Guide (FASRG), a blanket purchase order is issued to a pre-approved vendor authorizing purchases from that vendor over a period of time. Blanket purchase orders are valuable because they allow the purchase of items quickly, may eliminate numerous individual purchase orders for small dollar-value items, and usually reduce paperwork and related processing costs. However, blanket purchase orders must follow certain criteria: pre-qualification of vendors, limitation on the maximum amount for purchases, a specific time frame for purchases covered by the blanket purchase order, and identification of authorized purchasers. Blanket purchase orders are issued so that supplies, materials, or services are available “as needed” by user departments.

The business office personnel is responsible for the pre-qualification of vendors and ensures that the number of vendors to whom blanket purchase orders are issued is limited.

Those who may make purchases under blanket purchase orders are limited to the following positions:

Administrator

Superintendent

Business Office Personnel

Department Heads

All blanket (open) purchase orders are generated with a broad description and closed prior to

year-end. All receipts must be received 15 calendar days prior to the budget end date to process payment.

Cancellation of Purchase Orders

In the event it is necessary to cancel a purchase order, the campus administrator notifies the business office so the encumbrance can be liquidated and the vendor can be contacted.

Encumbrances

Encumbrances are funds that have been reserved when a purchase requisition is finalized and encumbered. When a requisition is processed, funds are placed aside for that transaction and are no longer available for use in other transactions to prevent the possibility of budget overspending. Encumbrances are used as a general planning tool, to predict cash outflow, and to avoid overspending. The amount of the encumbrance will not be included in the actual funds balances since payment has not been generated. Once payment is made, the encumbrance will be reversed and the funds will appear under the actual funds balance rather than the encumbrance balance.

The business office personnel utilizes the current finance system to generate obligation, encumbrance, and expenditure information on a monthly basis to monitor and review budget performance.

Invoices

Vendors are required to submit all invoices to the business office. If an invoice is received at the campus or department, the campus administrator will forward to the business office.

Texas law requires that all invoices be paid to vendors within thirty (30) calendar days of receipt of the goods/services. If the LEA fails to pay promptly, the vendor can assess penalty interest charges. All invoices must be submitted to the business office within 7 business days of receipt to ensure prompt payment to the vendor. If a school employee neglects to submit an invoice on a timely basis, he/she may be held personally liable for the penalty interest charges.

Invoices for goods must contain a clear description of the merchandise. Invoices for contracted services must include documentation containing dates, hours, students served, if applicable, and services provided, along with the total amount due for services rendered. A statement on the

invoice “for services rendered” will not be accepted in lieu of a detailed description of the services performed. Invoices are signed by the appropriate administrator or designee.

Emergency Purchases

According to the Purchasing Module in the FASRG, two types of emergency purchases are made in LEAs. One type results from an eminent threat to the health, safety, or welfare of students. Such purchases must comply with state law and may be made only after a formal board action declaring an emergency and authorizing the purchase. An example of an emergency purchase of this type is the authorization to repair a school after a fire or a natural disaster.

Emergency purchases exceeding the dollar amount triggering competitive procurement requirements shall be made in conformance with TEC 44.031(h).

The second type of emergency purchase is defined by local policy to provide for the acquisition of goods or services to meet an immediate need such as purchases to repair damage to a facility which may imperil students or the security of the facility. For example, if windows are broken at a school by vandals, an immediate need exists to not only secure the building, but also to protect the contents from damage by the elements. This type of emergency purchase is normally utilized after regular business hours or on weekends and holidays. After purchases of this type are made, a purchase order should be issued after the fact on the next business day. Care should be taken that emergency purchases do not result from improper planning rather than from a true emergency.

It is important that the LEA attempts to eliminate emergency purchases for non-emergency situations as much as possible and requires that all emergency purchases be fully justified

Purchasing Deadlines

In an effort to maximize the use of budgeted funds during the current fiscal year and meet the needs of the intended beneficiaries, the purchasing deadline for supplies and equipment shall be July 15, unless the specific State or Federal grant specifies an earlier date.

Summer needs for staff development and summer school should be anticipated and ordered prior to May 31.

Purchasing documents for services and travel should be as soon as possibly available.

At times, the purchasing deadlines for State or Federal grants may be earlier than the deadlines stated above due to grant ending dates.

Required Documentation for Purchases

Third-party documentation is required to support disbursement of funds.

Documentation includes, but is not limited to:

- Purchase Orders;
- Purchase Acquisitions;
- Invoices;
- Original Receipts;
- Packing Slips

The LEA will maintain records sufficient to detail the significant history of procurement with Federal funds.

In addition to the documentation listed above, these records will include, but are not necessarily limited to, the following:

- a) Rationale for the method of procurement;
- b) Selection of contract type;
- c) Contractor selection or rejection; and
- d) The basis for the contract price.

Registration Fees

Registration fees are only processed and paid by purchase order or check request. Registration is paid in advance of the conference, and is sent directly to the conference vendor. No payments are made to employees for reimbursement of registration fees unless prior approval was given by the superintendent.

The requisition/purchase order for registration must include the date of the event and the number/names of attendees. A copy of the approved travel must accompany the requisition/purchase order before any payments will be made.

If registration fees are paid with Federal funds, the fee must only be paid during the grant year in which the event occurs.

Sales Tax Exemption Form

The Sales Tax Exemption Form shall be used for school-related purchases only. Misuse of the exemption form for personal purchases constitutes a misdemeanor.

Copies of the exemption form may be obtained from the business office. Taxes, which should have been exempt, will be unauthorized for reimbursement if the exemption form was not presented to the vendor at the time of the purchase.

Subscriptions and Memberships

All costs for membership in business, technical, and professional organizations and subscription costs for business, professional and technical periodicals paid from Federal funds are purchased in the name of the organization, rather than the individual(s).

Vendors

Purchases from vendors that operate on a cash basis (do not accept purchase orders) will be used in extenuating circumstances only. The LEA participates in several cooperative purchasing programs. A list of these programs is available from the business office. Priority should be given to these vendors since the goods and/or services have been subjected to the rigor of a competitive bid process.

RECEIVING AND DISTRIBUTING PURCHASES

According to the Purchasing Module in the FASRG, carefully checking deliveries and making sure that those needing the delivered goods and services actually receive them as ordered is part of the purchasing process. Centralized receiving, which is recommended, and decentralized receiving departments and campuses are both used; however, their missions are the same.

The Receiving Function

According to the Purchasing Module in the FASRG, purchases may be received by a central receiving department or at campuses in a decentralized plan.

Centralized Receiving

According to the Purchasing Module in the FASRG, central receiving may consist of more than one warehouse (i.e., food service, maintenance, instructional supplies, athletic supplies, etc.) and provides more control. Having only one centralized receiving point ensures that merchandise received agrees with merchandise ordered. Also, it provides for inventorying and tagging fixed assets upon receipt before distribution to campuses or departments. In certain instances, however, it may be in the best interest of the LEA for the vendor to deliver items directly to a campus or department (known as “drop shipped”). The LEA should, therefore, establish and

adhere to procedures for handling alternative delivery locations, ensuring that proper approvals are obtained for items which are drop shipped.

Decentralized Receiving

According to the Purchasing Module in the FASRG, some LEAs may have decentralized receiving, although it is not recommended. If receiving is decentralized, the LEA should ensure that only authorized individuals trained in receiving procedures at the various campuses or departments are receiving goods. Policies and procedures must be in place regarding such receipt of goods, and monitoring should be performed to ensure that standardized policies and procedures are implemented and adhered to by those receiving goods and services. These include checking the quantity and quality of merchandise and procedures to ensure that required inventory records are maintained.

Shiner ISD is a centralized receiving District.

Receiving Report

According to the Purchasing Module in the FASRG, a receiving report should be prepared for all merchandise that is received by the LEA. The receiving report may be either a part of the purchase order (i.e., a receiving copy) or a separate report. Upon receipt of merchandise ordered, receiving personnel compare items received to the purchase order. Receiving personnel must have access to the specifications of the purchase prior to delivery to check for deficiencies in the order. All exceptions are noted on the receiving report which is then dated, signed and returned to the accounting department to be reconciled to the invoice. Damaged merchandise also should be noted on the receiving report. The department responsible for purchasing is also responsible for contacting the vendor regarding any deficiencies.

If an order is received in partial shipments, each shipment should be recorded on the receiving report and submitted to the accounting department. The accounting department maintains a record of receipts to date until all items have been received or the purchase order has been canceled.

The District accepts the invoice with approval from the purchaser, attached to a purchase order as proof of receiving.

Quality Assurance

According to the Purchasing Module in the FASRG, appropriate steps should be taken to assure the quality of merchandise received. The first step is to examine the merchandise for obvious defects or damages. All defects and damage should be documented on the receiving report and reported to the department responsible for purchasing who should then contact the vendor.

Other more formal methods may be used to test the quality of merchandise, especially in larger LEAs. It may be more cost-efficient to perform inspection and testing only on purchases of larger dollar amounts. It is important that LEA personnel who are responsible for receiving and inspecting items are trained in testing procedures. Alternatively, product testing may be an interactive process involving user departments.

Distribution

According to the Purchasing Module in the FASRG, distribution procedures should be in place for goods received at central locations. Receiving personnel may contact the ordering campus or department to inform them that goods have been received. Personnel should then distribute goods according to the specifications to the proper location and/or staff members. For control purposes, the requesting campus or department should then compare goods received to its copy of the purchase order to ensure that they agree.

CONTROL ENVIRONMENT

According to the Purchasing Module in the FASRG, an LEA needs a strong control environment in which to perform the purchasing function. The procurement manual is the primary tool for establishing a strong control environment, and it should be strictly adhered to by employees of the LEA. If a situation occurs which is not addressed in the procurement manual, it should be referred to the department responsible for purchasing to determine the proper course of action. If it is likely that this situation may reoccur, it should be considered for inclusion in the procurement manual.

One of the most important components of an effective purchasing system is a good organization that is staffed with well-trained people. Roles and related responsibilities must be clearly defined and be adapted to meet the unique operating environment of the LEA. The organizational unit responsible for purchasing should strive toward enhancing efficiency and competency through training for both purchasing staff and users.

User Interface

According to the Purchasing Module in the FASRG, most important to the central purchasing function are the users. The foundation of purchasing is the identification of the needs of the users. To be successful, the needs of the users must be met satisfactorily. If the purchasing process is not responsive or slow to respond, the user may attempt to obtain goods and services using alternative methods which may violate purchasing policies.

The key to the success of the purchasing system is a free flow of information between the purchasing department and the users. The central purchasing department should attempt to obtain feedback from the user community. Also, users must be provided with information to properly administer their functions. For example, a short instruction sheet can provide the user with information on how to complete a requisition form. Coordination and cooperation must be developed to unite the technical expertise of purchasing and the needs of the users to effectively meet the educational objectives of the LEA.

Purchasing Functions and Roles

According to the Purchasing Module in the FASRG, the organization of the purchasing function within an LEA may depend on various factors, one of which is the size of the LEA. In smaller LEAs, administrators and support staff “wear many hats” and they may be responsible for purchasing in addition to several other major functional areas. In larger LEAs, staffing levels are greater, allowing for personnel to be more specialized and to perform a specific function, such as purchasing.

The purchasing process includes a wide range of procurement functions, including planning, acquisition, quality assurance, contract administration and distribution. Basic purchasing functions include the following:

- The organization and administration of procurement/purchasing as determined by the superintendent and the board.
- The acquisition of goods and services requested, consistent with state and federal law, board of education policies, and sound business practices.
- The distribution of goods and services to users in a timely and responsive manner with assurance that quality standards have been met.

Assignment of roles may vary according to the number of people employed in purchasing, but typical assignments include:

- *A purchasing supervisor/purchasing assistant* assists by:
 - Managing assigned activities within the purchasing department
 - Preparing competitive procurement specifications
 - Evaluating competitive procurement tabulations
 - Maintaining vendor list
 - Supervising the processing of purchase orders for approval by the purchasing director
 - Evaluating the performance of vendors
 - Assisting users
 - Supervising buyers

- *Buyers* are responsible for the purchase of goods and services for the LEA, following state and federal laws and local board policy. They may:
 - Write, review, and modify specifications for competitive procurements
 - Assist in the evaluation of competitive procurements
 - Identify sources to obtain competitive prices and terms
 - Assist in maintaining an updated vendor list from which purchases can be made
 - Obtain and verify vendor price quotes
- The clerical *support staff* perform the daily clerical activities within the purchasing department, including:
 - Typing competitive procurement specifications and competitive procurement award notices
 - Assisting in competitive procurement tabulations
 - Distributing requisitions/purchase orders copies to campuses/departments and vendors
 - Performing other miscellaneous clerical support tasks
 - Assisting users

Department Heads have the authority to initiate purchases. They may delegate purchasing authority to responsible individuals within their department, subject to the Principal's approval. All purchase orders are approved by the supervisor, accounts payable department, and the business manager or designee if the business manager is not available and then final approval by the Superintendent.

Centralized vs. Decentralized Purchasing

According to the Purchasing Module in the FASRG, an LEA should strive to maximize the efficiency of its purchasing function. As recommended by TEA, the purchasing function should be centralized within the LEA for maximum efficiency to be achieved. Centralized and decentralized purchasing is defined by the Council of State Governments publication, *State and Local Governmental Purchasing*, as follows:

- *Centralized Purchasing* is defined as “a system of purchasing in which authority, responsibility, and control of activities are concentrated in one administrative unit”
- *Decentralized Purchasing* is defined as “a system of purchasing in which there is a varying degree of delegation of authority, responsibility, and control of purchasing activities to the several using agencies”

Decentralized Purchasing

According to the Purchasing Module in the FASRG, in decentralized purchasing, campuses and departments may issue purchase orders, communicate directly with vendors, and receive goods at

other than central locations. If purchases are made inappropriately, violation of laws, regulations, and school board policies may result.

Centralized Purchasing

According to the Purchasing Module in the FASRG, centralized purchasing is more efficient than decentralized purchasing because it enables an LEA to coordinate the common purchase requirements of campuses and departments to obtain better prices. For example, when two campuses requisition the same goods and/or services, a centralized purchasing department may combine the goods/services on the same purchase order and arrange for more favorable price terms. Better planning, reduced paperwork, and reduced costs result from centralized purchasing.

Centralizing the purchasing function strengthens internal controls. A centralized purchasing department typically:

- Receives and coordinates purchasing requisitions/purchase orders from campuses or departments
- Communicates with vendors regarding prices and terms of purchases
- Processes and approves all purchase orders
- Issues purchase orders to vendors
- Receives purchases at central warehouse locations
- Coordinates competitive procurement processes
- Distributes goods based on purchase requirements

Centralizing the purchasing function does not erode the principles of site-based management. Purchase requisitions still originate at the campus or department level where needs are identified. Centralized purchasing carries out the site-based requisitions and improves the internal controls within the purchasing function.

The area in which internal controls are improved most is in the purchase approval process. In centralized purchasing, every purchase within the LEA is reviewed by the centralized purchasing department to prevent violations of state and federal law and local school board policies. A centralized purchasing function with varying levels of authority and a receipt and distribution process provides another strong internal control.

Centralized purchasing may, however, delegate certain routine activities. Well-written instructions for the delegated activities and careful monitoring of their performance are recommended.

In summary, a centralized purchasing function is essential to efficiency in purchasing, for the following reasons:

- It provides for the coordination and consolidation of smaller purchases into larger, volume purchases for the entire LEA
- Vendors and the business community have a single central contact within the LEA
- The purchasing department and its personnel have experience and are trained in purchasing, sourcing, prices, and vendor relations, which saves the LEA money and allows for a more efficient process
- The purchasing department and its personnel are trained in state and federal laws and local board policies applicable to purchasing, thereby providing for better compliance

Shiner ISD is centralized.

Training and Staff Development

According to the Purchasing Module in the FASRG, an LEA should provide for purchasing training and staff development. This training should extend beyond the professional staff to include other staff who are often involved either directly or indirectly in the purchasing process.

Training should be ongoing. Individuals within the department responsible for purchasing, such as the buyers and clerks, should receive ongoing instruction about changes in relevant statutes and purchasing practices. Campus principals and other departmental staff should also receive ongoing training, to accommodate changes in staffing. Training should consist of updating staff on recent developments in purchasing, including changes in purchasing statutes and regulations, and changes in the purchasing policies and procedures. Training and staff development may be provided by either external or internal resources. Throughout the training and staff development, a common basis of purchasing theory should be established and reinforced – ensuring that the principles and standards of good public purchasing are applied consistently.

The Administrators set and review all professional development and training.

Control Environment

According to the Purchasing Module in the FASRG, expenditure of public money requires a strong control environment. The following items should be present in the purchasing control environment:

- *Approval of purchase requisitions at the campus and departmental levels.* The campus principal or department head should review for need and approve purchase requisitions before they are submitted to the centralized purchasing department for processing.
- *Approval of purchase orders.* The purchasing director or other designated official should review for compliance before approving purchase orders for issuance to vendors. If a purchase is to be federally funded, approval should first be obtained from a special programs administrator, to ensure allowable use of funds.

- *Supervision of purchasing process.* Vigilance in the supervision of the entire purchasing function on a daily basis is essential.
- *Segregation of duties among purchasing and accounting personnel.* The purchasing director, along with the finance director, and ultimately the superintendent, are responsible to ensure that duties among purchasing and accounting personnel are properly segregated (to the degree possible) to provide a checks-and-balances environment.
- *Maintenance of purchasing files and records.* The purchasing clerks should be trained and supervised so that purchasing files and records are complete and maintained in an orderly fashion for the period required by law.
- *Control over incoming merchandise.* Receiving personnel (either centralized or decentralized) should be trained and monitored to ensure that the proper procedures are followed with incoming merchandise (i.e., the counting and inspection of merchandise received, and the completion of receiving reports).
- *Verification of invoices with purchase orders and receiving reports.* Although receiving personnel are responsible for the initial verification of invoices, accounting personnel verify that the invoice, the purchase order, and the receiving report match before presenting the invoice for approval for payment.
- *Verification of delivery.* The requesting campus or department is responsible for ensuring that the order is in agreement with its original purchase order.
- *Internal review of the purchasing process.* An internal review of the purchasing process should be performed periodically. This review usually is made by the LEA's internal audit department and ensures that purchasing policies and procedures are being followed by LEA personnel.

Procurement Records

In accordance with 2 CFR §200.318(h)(i), the LEA must maintain records sufficient to detail the history of all procurements. These records will include, but are not necessarily limited to, the following: rationale for the method of procurement, selection of contract type, contractor selection or rejection, the basis for the contract price (including a cost or price analysis), and verification that the contractor is not suspended or debarred.

Please refer to the LEA's Financial/Administrative Procedures Manual for more information on the LEA's record policies.

Procurement Review by USDE or TEA

In accordance with 2 CFR §200.324, the LEA must make available, upon request of the Federal awarding agency or pass-through entity (TEA):

- Technical specifications on proposed procurements

- Procurement documents, such as requests for proposals or invitations for bids, or independent cost estimates

B. Federal Procurement System Standards

Avoiding Acquisition of Unnecessary or Duplicative Items 2 CFR §200.318(d)

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

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

Use of Intergovernmental Agreements 2 CFR §200.318(e)

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

Use of Federal Excess and Surplus Property 2 CFR §200.318(f)

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

Debarment and Suspension 2 CFR §200.212

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

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

Maintenance of Procurement Records 2 CFR §200.318(h)(i)

The LEA must maintain records sufficient to detail the history of all procurements. These records will include, but are not necessarily limited to, the following: rationale for the method of

procurement, selection of contract type, contractor selection or rejection, the basis for the contract price (including a cost or price analysis), and verification that the contractor is not suspended or debarred.

Time and Materials Contracts 2 CFR §200.318(h)(i)(1-2)

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

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

Settlements of Issues Arising Out of Procurements 2 CFR §200.318(k)

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

Protest Procedures to Resolve Dispute

The LEA maintains protest procedures to handle and resolve disputes relating to procurements and, in all instances, discloses information regarding the protest to the awarding agency.

The LEA's Protest procedures are in accordance with state and local law.

Conflict of Interest Requirements

Employees should not use their position with the LEA to attempt to sell products or services.

Employees shall not recommend, endorse, or require students to purchase any product, material or service in which the employee has a financial interest or that is sold by a company that

employs or retains the LEA employee during non-school hours.

Standards of Conduct (Conflicts of Interest) 2 CFR §200.318(c)(1)

In accordance with 2 CFR §200.318(c)(1), the LEA maintains the following standards of conduct covering conflicts of interest and governing the actions of its employees engaged in the selection, award and administration of contracts.

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

The term “immediate family” is defined as:

1. Spouse.
2. Son or daughter, including a biological, adopted, or foster child, a son- or daughter-in-law, a stepchild, a legal ward, or a child for whom the employee stands *in loco parentis*.
3. Parent, stepparent, parent-in-law, or other individual who stands *in loco parentis* to the employee.
4. Sibling, stepsibling, and sibling-in-law.
5. Grandparent and grandchild.
6. Any person residing in the employee’s household at the time of illness or death.

The officers, employees, and agents of the LEA may neither solicit nor accept gifts, gratuities, favors, services, benefits, or anything of monetary value from contractors or parties to subcontracts that could reasonably be construed to influence the person’s discharge of assigned duties and responsibilities, unless the gift is an unsolicited item of nominal value. Officers, employees, and agents of the LEA may accept gifts that are of nominal value given for the purpose of advertising, ceremonial occasions or official events. As used in this policy, nominal value is defined as \$50 or less.

II. Property Management Systems

A. Property Classifications

Equipment means tangible personal property (including information technology systems) having a useful life of more than one year and a per-unit acquisition cost which equals or exceeds the lesser of the capitalization level established by the LEA for financial statement purposes, or \$5,000. 2 CFR §200.33.

The LEA's established capitalization threshold is \$5,000.

Supplies means all tangible personal property other than those described in §200.33 Equipment. A computing device is a supply if the acquisition cost is less than the lesser of the capitalization level established by the LEA for financial statement purposes or \$5,000, regardless of the length of its useful life. 2 CFR §200.94. The LEA's established capitalization threshold is notated above in the Equipment definition.

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

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

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

B. Inventory Procedure

All shipments are shipped to the business office and then delivered to the appropriate individual placing the order. When inventory is delivered to the appropriate individual they must sign the packing list as approval that all goods were received and return to the business office. During the annual inventory update, an inventory tag will be placed on the item and scanned into the inventory list if the item is considered valuable.

All equipment must be tagged and computing devices, such as laptops, smartphones, and tablets should also be tagged. The Technology Director is responsible for configuring or installing technology equipment and/or computing devices.

C. Inventory Records

For each equipment and computing device purchased with federal funds, the following information is maintained thorough the yearly updated asset inventory update:

- Description of the property;
- Serial number or other identification number;
- Source of funding for the property;
- 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.

If property is lost, stolen or disposed of, the person disposing of the property will complete an asset disposal worksheet which can be obtained from the campus office, business office or the technology director.

D. Physical Inventory

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

Capital & Non-Capital Fixed Asset Procedures

1. A standard requisition must be issued for all fixed assets. Include complete specifications, description, manufacturer name, and part numbers to properly identify an item.
2. The location assignment information must be specified on the requisition for annual inventory purposes. Include the room number, building, site or department location that will be recorded in the fixed asset record.
3. If a fixed asset is transferred to another location, a “Transfer Form” must be completed. If a fixed asset is deleted, a “Deletion Form” must be submitted with a “Work Order” to have the equipment picked up. Each “Transfer Form” and “Deletion Form” must be signed by the proper authorities. Each site will be responsible for the location assignment for each fixed asset.
4. Each school site or department must maintain the fixed asset inventory sheets on an annual basis that will be reviewed by outside auditors.
5. An inventory tag will be placed on all fixed asset items where possible and feasible.

6. Fixed asset data will be entered into the system.
7. Location assignment changes, disposal or sale status information will be updated on the system so all records are accurately maintained.
8. Fixed assets should be accounted for at historical cost – cost at the time of original construction or purchase.
9. The cost of the assets includes all necessary charges to acquire the assets, e.g. transportation costs, site preparation costs, installation costs, and etc.
10. Donated assets should be recorded at estimated fair market value at the time of donation.
11. Physical inventory should be conducted annually.
12. The following information is needed for inventory record:
 - a. Description & Serial Number
 - b. Date & cost of acquisition
 - c. Budget Code
 - d. Location – including campus and room numbers
 - e. SISD tag number
 - f. Estimated useful life
 - g. Method of acquisition (e.g. purchase, donation
 - h. Function/Program that uses the asset
 - j. Additional information for capital assets:
 - Depreciation expense and accumulated depreciation
 - Depreciation method

Fixed (capital) Assets

Fixed (capital) assets are tracked and recorded on the LEA's inventory system by the business office personnel and the financial general ledger by the business office personnel. A physical inventory is performed annually by the technology coordinator and business office personnel and the results are reconciled with inventory records. The district currently uses RCI Technologies to perform the inventory and asset updates. All missing items are investigated by the business office personnel. Fixed (capital) assets that are stolen, obsolete, damaged beyond repair, etc. are reported to the business office personnel for removal from the LEA's financial records.

E. Maintenance

In accordance with 2 CFR 200.313(d)(4), the LEA maintains adequate maintenance procedures to ensure that property is kept in good condition. The Technology Coordinator or Campus Administrator is contacted if it appears an item is broken.

Lost or Stolen Items

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

If any property is lost, stolen or damaged the Campus Administrator must be notified immediately.

The Campus Administrator should determine preventive measures to take to avoid further incidents of lost or stolen items.

F. Use of Equipment 2 CFR §200.313

Equipment must be used in the program or project for which it was acquired as long as needed, whether or not the project or program continues to be supported by the federal award, and the LEA will not encumber the property without prior approval of the federal awarding agency and the pass-through entity. When no longer needed for the original program or project, the equipment may be used in other activities supported by the federal awarding agency, in the following order of priority: (1) activities under a federal award from the federal awarding agency which funded the original program or project; then (2) activities under federal awards from other federal awarding agencies. 2 CFR §200.313(c)(1)

Transfer of Equipment

All disposition of equipment and surplus supplies, including transfer of equipment, require approval by TEA, regardless of the dollar amount of the current fair market value. The LEA will use the required TEA disposition form, available on the TEA website, to seek disposition approval prior to the actual transfer of the equipment.

Current Use of Equipment Shared with other Projects or Programs 2 CFR §200.313(c)(2-3)

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.

User fees should be considered if appropriate. However, the LEA must not use equipment acquired with the federal award to provide services for a fee that is less than private companies charge for equivalent services unless specifically authorized by federal statute for as long as the federal government retains an interest in the equipment.

G. Disposal of Equipment 2 CFR §200.313(e)

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

All disposition of equipment and surplus supplies require approval by TEA, regardless of the dollar amount of the current fair market value. The LEA will use the required TEA disposition form, available on the TEA website, to seek disposition approval prior to the actual disposition of the equipment/supplies. Reasons for removal may include that the equipment is no longer operable, was destroyed, was stolen, or is no longer needed.

The Business Office Personnel is responsible for requesting and submitting the disposition request form to TEA.

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, after receiving approval by TEA. If the item has a current FMV of more than \$5,000, the federal awarding agency is entitled to the federal share of the current market value or sales proceeds.

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

If the LEA chooses to sell the equipment, the Superintendent is responsible for the process. Approved equipment may be sold or traded under one of the following conditions:

- By competitive bidding through the Business Office.

If the federal awarding agency is entitled to the federal share of the current market value or sales proceeds, the business office personnel is responsible for the accounting and submittal of the funds.

Every effort should be made to determine if a need for the equipment exists anywhere in the LEA before a sale or trade is allowed. The Superintendent is responsible for determining the appropriate method of disposition.

Equipment considered as surplus and/or unfit for further economical usage (including scrap

material) may be transferred to the maintenance department for temporary storage or for ultimate disposition.

Sale of Surplus Property

The Superintendent is responsible for the administration of surplus sales.

Neither LEA supplies, nor equipment, shall be sold or conveyed other than via a Surplus Sale, unless authorized by the Superintendent and School Board. Currently the district does not participate in surplus sales.

I. Control of Property, Equipment, Supplies Placed in a Private School for Equitable Services

This section is not applicable to charter schools:

Property, equipment and supplies placed at a private school to fulfill the ESEA and IDEA-B requirements to provide equitable services to parentally-placed private school children remain the property of the LEA. The district will control and administer the funds used to provide equitable services and will hold title to and administer materials, equipment, and property purchased from Federal funds for the provision of equitable services.

The district will ensure the property, equipment and supplies placed in the private school:

- a) Are used only for the purposes of the provision of equitable services,
- b) Are placed in the private school only for the period of time needed to provide equitable services,
- c) Are removed when no longer needed for the provision of equitable services,
- d) Are removed when needed to avoid unauthorized used,
- e) Are removable without remodeling the facility.

Inventory tags with the name of the school district are utilized are utilized to ensure proper identification of the district's property being placed temporarily in the private school.

The Grant Administrator is responsible for ensuring the proper administration of property, equipment, and supplies placed in a private school for the provision of equitable services.

III. Written Compensation Policies

A. Time and Effort 2 CFR §200.430(i)

Time and Effort Standards

All employees who are paid in full or in part with federal funds must keep specific documents to demonstrate the amount of time they spent on grant activities. This includes an employee whose salary is paid with state or local funds but is used to meet a required “match” in a federal program. These documents, known as time and effort records, are maintained in order to charge the costs of personnel compensation to federal grants.

Charges to federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must:

- Be supported by a system of internal controls which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;
- Be incorporated into official records;
- Reasonably reflect total activity for which the employee is compensated, not exceeding 100% of compensated activities;
- Encompass both federally assisted and all other activities compensated by the LEA on an integrated basis;
- Comply with the established accounting policies and practices of the LEA and
- Support the distribution of the employee’s salary or wages among specific activities or costs objectives.

Time and Effort Procedures

Despite the lack of specific rules requiring certain signatures or certain periods of certification, it’s very possible that auditors may interpret the requirement that records “must be supported by a system of internal controls which provides reasonable assurance” as including the need for certain signatures or periods of certification. Because of that uncertainty, ~~we~~ it is generally recommended there be no changes to ~~you’re the~~ LEA’s time and effort system if ~~you~~ the LEA believes ~~you’re~~ they are in compliance with the previous rules until auditors begin to interpret these new standards.

School districts are required to maintain auditable "time and effort" documentation that show how each employee paid with federal funds spent his or her compensated time. Such documentation are written, after-the fact (not estimated or budgeted) documentation of how the time was spent. Time and effort reports should be prepared by any staff with salary charged (1) directly to a federal award, (2) directly to multiple federal awards, or (3) directly to any combination of a federal award and other federal, state or local fund sources. All

professional staff teaching in core academic subjects must be highly qualified. (See Shiner ISD Board Policy DBA)

Monthly reports are required for personnel whose time is charged in part to more than one revenue source (split-funded staff). These reports document the portions of time and effort dedicated to each revenue source. Such records must (1) be completed after-the-fact, (2) account for the total time for which the employee is compensated, (3) be prepared at least monthly, (4) coincide with one or more pay periods, and (5) be signed by the employee and countersigned by an administrator or supervisor.

Semi-annual certifications are required for personnel whose compensation is funded solely from federal funds. These certifications document that he/she has been working solely in activities supported by the federal funds (although some district policies require monthly reports for such personnel). The certification must (1) cover a semi-annual period (e.g., September-January and February-June, or September-February and March-August), (2) identify the program, and (3) be signed and dated by an employee and supervisor having first-hand knowledge of the work performed by the employee.

NOTE: If a school operating a school wide program consolidates Federal, State, and local funds in a consolidated school wide pool, an employee who is paid with funds from that pool is not required to file a semi-annual certification. Because Federal funds are consolidated with State and local funds in a single consolidated school wide pool, there is no distinction between staff paid with Federal funds and staff paid with State or local funds. A school that consolidates Federal funds in its school wide program is not required to meet most of the statutory and regulatory requirements of the specific Federal programs included in the consolidation. However, the school must ensure that it meets the intent and purposes of the Federal programs included in the consolidation so that the needs of the intended beneficiaries are met. If funds are not consolidated in a school wide pool, then time and effort reporting must be maintained for federally funded personnel.

Time and effort reporting guidelines are specified in the U.S. Office of Management and Budget (OMB) Circulars A-87 and A-133. The circulars provide instructions to auditors performing Single Audits of states, local governments, and non-profit organizations. OMB-87 establishes standards for charging employee compensation for federal grants. OMB A-133 lists the compliance requirements for federal education programs, including Title I Part A.

All personnel paid with Federal funds are subject to Time Distribution Reporting to ensure that Federal program funds are used to pay only their proportionate share of personnel costs. The reporting must demonstrate that an employee paid with Federal funds actually worked on that specific Federal program or cost objective.

The type of time distribution report required is dependent on whether the employee works on a single cost objective or multiple cost objectives and whether the LEA elects to use the Substitute System of Time and Effort Reporting authorized by TEA.

A cost objective is a function, organizational subdivision, contract, grant, or other activity for which cost data are needed and for which costs are incurred. For example, a single cost objective can be a single function or a single grant or a single activity.

Salaries and wages of employees used in meeting cost sharing or matching requirements of Federal awards are also subject to the Time Distribution Reporting requirement.

Contractors are not subject to the Time Distribution Reporting requirement.

Single Cost Objective (Periodic/Semi-Annual Certification)

Applies to employees who work solely (100% of their time) on a single Federal award/grant program or cost objective.

Charges for their salaries and wages must be supported by Periodic (Semi-Annual) Certifications that certify the employee worked solely on that program/single cost objective for the period covered by the certification.

The Periodic (Semi-Annual) Certification must be prepared at least semi-annually and signed after-the-fact.

The Periodic (Semi-Annual) Certification must be signed by the employee or by the supervisor having first-hand knowledge of the work performed by the employee.

The Periodic (Semi-Annual) Certifications are submitted for the time periods of August through December and January through May.

The Periodic (Semi-Annual) Certifications are submitted to the Business Office Personnel.

The Periodic (Semi-Annual) Certifications are reviewed semi-annually by the business office personnel for accuracy and compliance with Federal requirements.

Appendix C of this manual provides a sample of the Periodic (Semi-Annual) Certification form.

Multiple Cost Objectives (Time and Effort Personnel Activity Reports – PARs)

Applies to employees who do not work 100% of their time on a single Federal award/grant program or single cost objective but instead work under multiple grant programs or multiple cost objectives.

A distribution of their salaries or wages must be supported by Personnel Activity Reports (PARs).

The PARs must reflect an after-the-fact distribution of the actual activity of the employee and must account for the total activity for which the employee is compensated.

The PARs must be prepared at least monthly and must coincide with one or more pay periods.

The PARs must be completed and signed after-the-fact.

The PARs must be signed by the employee. The supervisor may sign in addition to the employee, but the signature of the supervisor alone is not sufficient for documentation.

The PARs are submitted monthly to the business office personnel for review of accuracy and compliance with Federal requirements, who then forwards to the grant administrator for final approval and cost reconciliation.

Substitute System for Time and Effort Reporting for Employees Supported by Multiple Cost Objectives

The LEA does not elect to use the Substitute System for Time and Effort Reporting in lieu of the Personnel Activity Report (PAR) for employees supported by multiple cost objectives.

If the employee's schedule is not consistent from week to week, but changes regularly, that particular employee is not eligible to use the Substitute System but must submit monthly PARs instead.

If the employee is eligible to use the Substitute System, the employee must complete the TEA-approved Employee Schedule and Certification form on a semi-annual basis, at a minimum.

If the employee's predetermined schedule changes substantively (by more than 10%) during the year, the employee must complete and submit an updated Employee Schedule and Certification form.

The Employee Schedule and Certification form must be completed and signed after-the-fact.

The Employee Certification form must be signed by both the employee and the supervisor having first-hand knowledge of the work performed by the employee.

The Employee Schedule and Certification is submitted for the time periods of August through December and January through May.

The Employee Schedule and Certification form is submitted semi-annually to the business office for review of accuracy and compliance with Federal requirements, who then forwards to the grant administrator for final approval and cost reconciliation.

Charges to the grants must be supported by the Employee Schedule and Certification forms.

The grant administrator will submit the required LEA Management Certification form to TEA (that notifies TEA of the LEA's election to use the Substitute System) on an annual basis by the deadline established by TEA for each school year in which the Substitute System is implemented.

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.

For employees working under multiple cost objectives, budget estimates or other distribution percentages determined before the services are actually performed do not qualify as support for charges to Federal grant awards. However, the budget estimates or distribution percentages may be used for interim accounting purposes, provided that:

- 1) The LEA's system for establishing the estimates produces reasonable approximations of the activity actually performed;
- 2) At least quarterly, comparisons of actual costs to budgeted distributions based on the monthly Time and Effort PARs are made;
- 3) At least semi-annually, comparisons of actual costs to budgeted distributions are made based on the Substitute System's Employee Schedule and Certification forms, if applicable;
- 4) If the cost comparisons show the differences between budgeted and actual costs are less than ten percent, adjustments made to costs charged to Federal awards as a result of the cost reconciliation are recorded annually;
- 5) If the cost comparisons show the differences between budgeted and actual costs are ten percent or more, adjustments made to costs charged to Federal awards as a result of the cost

reconciliation are recorded quarterly;

6) The budget estimates or other distribution percentages are revised at least quarterly, if necessary, to reflect changed circumstances.

The business office personnel is responsible for performing the cost reconciliation and adjustments.

Job Descriptions

An integral component of an adequate financial management system is the development and maintenance of records documenting the duties and responsibilities of personnel and the employee's acknowledgement of their understanding of their duties and responsibilities.

Employee job descriptions are signed and dated by the employee as acknowledgement that the employee has full knowledge of their duties and responsibilities. Job descriptions are also signed and dated by the employee's immediate supervisor.

Employee job descriptions must be current. Employee job descriptions are updated as new assignments are made. The human resource personnel will monitor job descriptions to ensure they are kept up-to-date and that the job descriptions accurately and completely describe the work performed by the specific position. Job descriptions for positions that are split-funded are reviewed quarterly, at a minimum, to ensure the job description remains current.

Employee job descriptions for personnel paid from Federal funds must delineate all program or cost objectives under which the employee works. Job descriptions and duties must be specific to the particular grant program and clearly identify the functions and programs they benefit, including the fund source(s) from which the position is compensated. The human resource personnel will ensure the job description aligns the activities of the position to the program goals of the fund source and ties the source of funds to the activity.

If a position benefits multiple cost objectives or programs, the job description will clearly define each program, function, and/or fund source and clearly identify and distinguish the duties and responsibilities for each respective program, function, and/or fund source.

If a position benefits a single cost objective or program, the job description will clearly indicate the employee is assigned 100% to the program. If a position that benefits a single cost objective is funded through multiple sources, a sentence will be added to the job description stating that the position is supported by a single cost objective even though its funding is split among multiple sources.

If a position has administrative duties, the job description will clearly delineate the administrative activities and identify the percentage of administrative activities compared to program activities.

Employee Exits

Any staff member who separates from employment with the LEA will be ineligible to attend any conference, workshop, or convention paid out of any LEA funds, when such attendance occurs after the separation date.

Any staff member who separates from employment with the LEA and attends a conference, workshop, or convention paid out of any LEA funds, when such attendance occurs after the separation date, will be liable for the costs of the conference, workshop, or convention and will not be reimbursed for such costs by the LEA.

The business office personnel is responsible for ensuring compliance with this requirement.

B. Human Resources/ Payroll Policies

Leave Policy

See District Policy DEC Legal and Local located on the district website.

Reporting Absences

All employees must report their absences using an Absence from Duty form. Employees will contact the campus secretary or direct supervisor when filling out the Absence from Duty Form. It is very important that employees carefully select the type of leave to be taken (state, local, off-duty, etc.). Absences must be taken in whole or half days.

Supplemental Pay

Employees who perform other duties in addition to their regular assignments are paid supplemental pay. Employee's regular duties are outlined in the job description that is signed by the employee and employee's supervisor. The job descriptions are kept at the central office.

All Shiner ISD employees, full-time or part-time, must be paid through Payroll for any type of compensation, EXCEPT reimbursements for travel, fees, dues, etc. If an employee earned wages in a second unrelated job such as judging contests, athletic events and so forth, the compensation will go through Payroll. These payment requests will need to be submitted on extra duty pay sheets or Check Request Forms. ALL supplemental pay must have some type of documentation to verify the hours worked. Normally, this is in the form of a

timesheet. The employee and Principal/Supervisor/Program Director must also sign the timesheet. STAMPED SIGNATURES WILL NOT BE ACCEPTED. Supplemental pay requires signature of administrator and Superintendent.

Timesheet Procedures

1. Auxiliary employees must clock in and clock out daily under the appropriate job description code using the Time Clock Plus System provided by the District.
2. On a monthly basis the payroll clerk prints a timesheet report for each employee to review and sign.
3. After the employee reviews the total of hours he/she is to be paid, the supervisor should:
 - a. Check total hours.
 - b. Sign the sheet. Employee **and** Supervisor must sign the timesheet.

Time and Effort & Semi-Annual Certification Reporting

School districts are required to maintain auditable "time and effort" documentation that show how each employee paid with federal funds spent his or her compensated time. Such documentation are written, after-the fact (not estimated or budgeted) documentation of how the time was spent. Time and effort reports should be prepared by any staff with salary charged (1) directly to a federal award, (2) directly to multiple federal awards, or (3) directly to any combination of a federal award and other federal, state or local fund sources. All professional staff teaching in core academic subjects must be highly qualified. (See Shiner ISD Board Policy DBA)

Monthly reports are required for personnel whose time is charged in part to more than one revenue source (split-funded staff). These reports document the portions of time and effort dedicated to each revenue source. Such records must (1) be completed after-the-fact, (2) account for the total time for which the employee is compensated, (3) be prepared at least monthly, (4) coincide with one or more pay periods, and (5) be signed by the employee and countersigned by an administrator or supervisor.

Semi-annual certifications are required for personnel whose compensation is funded solely from federal funds. These certifications document that he/she has been working solely in activities supported by the federal funds (although some district policies require monthly reports for such personnel). The certification must (1) cover a semi-annual period (e.g., September-January and February-June, or September-February and March-August), (2) identify the program, and (3) be signed and dated by an employee and supervisor having first-hand knowledge of the work performed by the employee.

NOTE: If a school operating a school wide program consolidates Federal, State, and local funds in a consolidated school wide pool, an employee who is paid with funds from that pool

is not required to file a semi-annual certification. Because Federal funds are consolidated with State and local funds in a single consolidated school wide pool, there is no distinction between staff paid with Federal funds and staff paid with State or local funds. A school that consolidates Federal funds in its school wide program is not required to meet most of the statutory and regulatory requirements of the specific Federal programs included in the consolidation. However, the school must ensure that it meets the intent and purposes of the Federal programs included in the consolidation so that the needs of the intended beneficiaries are met. If funds are not consolidated in a school wide pool, then time and effort reporting must be maintained for federally funded personnel.

Time and effort reporting guidelines are specified in the U.S. Office of Management and Budget (OMB) Circulars A-87 and A-133. The circulars provide instructions to auditors performing Single Audits of states, local governments, and non-profit organizations. OMB-87 establishes standards for charging employee compensation for federal grants. OMB A-133 lists the compliance requirements for federal education programs, including Title I Part A.

Overtime Compensation

Shiner ISD compensates overtime for non-exempt employees in accordance with Federal Wage & Hour laws. All employees are classified as exempt or nonexempt for purposes of overtime compensation. Only non-exempt employees are entitled to overtime compensation. Please contact your immediate supervisor/manager for further information.

Overtime is legally defined as all hours **worked** (leave days do not count toward hours for overtime) in excess of 40 hours per week and is not measured by the day or by the employee's regular work schedule. Employees who are approved to work beyond their normal schedule, but less than 40 hours per week will be compensated at straight time. Employees approved to work more than 40 hours in a week, will be paid or will be credited for hours over 40 at time and one-half. Most non-exempt employees will use a timesheet.

Tax, TRS, and Other Deduction Information

W-4 PROCEDURES

Employees must complete a W-4 form so that the payroll department can withhold the correct federal income tax from wages. Because tax situations can change, a new form may be necessary. Please consult a tax advisor with any questions regarding withholding.

A new W-4 form can be accessed from the IRS website (www.irs.gov) or forms are available in the payroll department. A new properly executed form will replace all prior forms received.

EARNED INCOME CREDIT

If you are eligible and want to receive an advanced Earned Income Credit, a W-5 must be completed and forwarded to the payroll department each year.

MEDICARE TAX INFORMATION

Employees hired by Shiner ISD after March 31, 1986 are required to contribute 1.45 percent of their gross pay to the Medicare program operated by the Social Security Administration.

457 – FICA ALTERNATIVE

Shiner ISD does not deduct for social security. The 457 FICA Alternative program has been established for temporary and part-time employees who are not eligible for TRS membership. The deduction is 7.5 percent of gross pay and is pre-tax.

Teacher Retirement (TRS)

Texas public school employees employed in a TRS eligible position must contribute to the TRS system. The total deduction is 7.05 percent of TRS-eligible wages. This deduction consists of a 6.4 percent pre-tax deduction and a .65 percent after-tax deduction for the TRS-Care program.

Each employee that is participating in the TRS program will receive an annual statement of their account showing all deposits made from September through August. The annual statement is provided from TRS. Please keep your address updated to ensure receipt of your statement. If you have moved, you can obtain a Change of Address form from the Human Resource Department. If you are planning to retire under TRS, you should notify TRS as soon as possible to obtain a retirement packet. You can request this packet and other information from TRS. Contact information for TRS is listed below.

Teacher Retirement System of Texas
1000 Red River Street
Austin, Texas 78701-2698
1-800-223-8778
<http://www.trs.state.tx.us/>

W-2 Forms

W-2 forms will be sent on or before January 31st each year. It is very important to keep your mailing address updated. If you have moved, contact the Business Office with your new address. To replace a lost W-2 form, contact the payroll department.

REMINDERS FROM THE PAYROLL DEPARTMENT

- Failure to turn in payroll paperwork by deadlines (15th of the month) may prevent timely pay of employees and substitutes
- Always use current forms.
- Payroll Due Date is the 15th of each month unless notified in advance of a change in the date. Please note that the due date is the date Payroll must be RECEIVED by our department. Should any problem arise in being able to comply with the due date, be sure to contact Payroll.
- All timesheets/supplemental sheets must be signed by the appropriate

Principal/Supervisor. Stamped signatures are not acceptable. A Principal/Supervisor cannot approve their own timesheet/supplemental. An additional supervisory signature must be obtained.

- Appropriate court documentation is required to support jury duty Absence from Duty form. The summons is not acceptable.
- An employee MUST use all days available to him/her before full dock can be taken. Workers compensation is the only exception.
- Please make a check list for review to ensure all checks for your campus have been received. Notify Payroll immediately regarding any missing or additional checks received

Position Control

The LEA utilizes internal accounting records for each employee position:

- a) Request to Post Position: Responsibility of the Superintendent
- b) Advertisement of Position: Responsibility of the human resource personnel
- c) Personnel Recommendation: Responsibility of Superintendent or Campus Administrator
- d) Employee Job Description: Responsibility of human resource personnel
- e) Annual Employee Salary Information Confirmation: Responsibility of Superintendent and/or human resource personnel
- f) Transfer Form to move from one position or department to another: Responsibility of the Campus Administrator

The human resource personnel ensures all wage changes and annual salaries and deductions are accurately tracked and recorded. The business office personnel ensures employee salaries are allocated to the proper general ledger accounts. The human resource personnel ensures payroll taxes and deductions are properly calculated.

IV. Record Keeping

A. Record Retention

The LEA maintains all records that fully show (1) the amount of funds under the grant or subgrant; (2) how the subgrantee uses those funds; (3) the total cost of each project; (4) the share of the total cost of each project provided from other sources; (5) other records to facilitate an effective audit; and (6) other records to show compliance with federal program requirements. 34 CFR §§76.730-.731 and §§75.730-.731. The LEA also maintains records of significant project experiences and results. 34 CFR §75.732. These records and accounts must be retained and made available for programmatic or financial audit.

The U.S. Department of Education is authorized to recover any federal funds misspent within 5 years before the receipt of a program determination letter. 34 CFR §81.31(c). Consequently, the

LEA retain records for a minimum of five (5) years from the date on which the final Financial Status Report is submitted, unless otherwise notified in writing to extend the retention period by the awarding agency, cognizant agency for audit, oversight agency for audit, or cognizant agency for indirect costs. However, if any litigation, claim, or audit is started before the expiration of the record retention period, the records will be retained until all litigation, claims, or audit findings involving the records have been resolved and final action taken. 2 CFR §200.333.

Requirements

Record retention ensures that critical records are identified and retained in accordance with State and Federal guidelines. The Local Government Records Act establishes the primary requirements for records retention policies and plans. These record retention guidelines are specified in Board Policy – CPC (Legal) & (Local).

State Law Regarding Records Retention

The Texas State Library and Archives Commission records retention schedules are available at: www.tsl.state.tx.us/slr/recordspubs/localretention.html

The Government Code, Section 411.158, provides that the Texas State Library and Archives Commission shall issue records retention schedules for each type of local government, including a schedule for records common to all types of local government. The law provides further that each schedule must state the retention period prescribed by Federal or State law, rule of court, or regulation for a record for which a period is prescribed; and prescribe retention periods for all other records, which periods have the same effect as if prescribed by law after the records retention schedule is adopted as a rule of the Commission.

The retention period for a record applies to the record regardless of the medium in which it is maintained. Some records listed in the retention schedule are maintained electronically in many offices, but electronically stored data used to create in any manner a record or the functional equivalent of a record as described in the retention schedules must be retained, along with the hardware and software necessary to access the data, for the retention period assigned to the record, unless backup copies of the data generated from electronic storage are retained in paper or on microfilm for the retention period. This includes electronic mail (email), websites, and electronic publications.

The use of social media applications may create public records. Any content (messages, posts, photographs, videos, etc.) created or received using a social media application may be considered records and should be managed appropriately. The retention of social media records is based on content and function. Local governments will need to consult the relevant records retention schedule for the minimum retention periods.

Unless otherwise stated, the retention period for a record is in calendar years from the date of its creation. The retention period applies only to an official record as distinct from convenience or working copies created for informational purposes. Where several copies are maintained, each local government should decide which shall be the official record and in which of its divisions or departments it will be maintained. Local governments in their records management programs should establish policies and procedures to provide for the systematic disposal of copies.

A local government record whose retention period has expired may not be destroyed if any litigation, claim, negotiation, audit, public information request, administrative review, or other action involving the record is initiated; its destruction shall not occur until the completion of the action and the resolution of all issues that arise from it.

A local government record whose retention period expires during any litigation, claim, negotiation, audit, public information request, administrative review, or other action involving the record may not be destroyed until the completion of the action and the resolution of all issues that arise from it.

If a record described in the retention schedule is maintained in a bound volume of a type in which pages were not meant to be removed, the retention period, unless otherwise stated, dates from the date of last entry.

If two or more records listed in the retention schedule are maintained together by a local government and are not severable, the combined record must be retained for the length of time of the component with the longest retention period. A record whose minimum retention period on the retention schedule has not yet expired and is less than permanent may be disposed of if it has been so badly damaged by fire, water, or insect or rodent infestation as to render it unreadable, or if portions of the information in the record have been so thoroughly destroyed that remaining portions are unintelligible. If the retention period for the record is permanent in the retention schedule, authority to dispose of the damaged record must be obtained from the Director and Librarian of the Texas State Library and Archives Commission. A Request for Authority to Destroy Unscheduled Records (FORM SLR 501) should be used for this purpose.

B. Collection and Transmission of Records

Records are kept as paper copies. Current year and prior year are kept at campus and/or business office. All prior years are kept in the records retention room located off site.

The LEA's records management system establishes a records retention schedule and determines which records are active and should be retained in office space, which records are inactive and should be moved to storage, which records have served their usefulness and may be destroyed, which records are confidential or sensitive and require security measures to restrict access, which

records are essential and require backup protection, and which records demonstrate compliance with legal requirements.

In developing the LEA's records retention schedule, the Superintendent who serves as the Records Management Officer will ensure it is consistent with the applicable minimum retention schedules adopted by the Texas State Library and Archives Commission, i.e., Local Schedule GR – Records Common to All Governments, Local Schedule EL - Records of Elections and Voter Registration, Local Schedule TX – Records of Property Taxation, and Local Schedule SD – Records for Public School Districts. 13 TAC (Texas Administrative Code) 7.125.

Note: The Texas State Library and Archives Commission records retention schedules are available at: www.tsl.state.tx.us/slrn/recordspubs/localretention.html

In addition, records that are not listed on the Texas State Library and Archives Commission records retention schedule, but are retained for administrative value, are included in the records management plan, with a retention period identified for each record type.

The LEA may not dispose of a record listed in the applicable retention schedule prior to the expiration of its retention period. The LEA's records control schedule may not set a retention period that is less than that established for the record in the applicable schedule. Original paper records may be disposed of prior to the expiration of their minimum retention periods if they have been microfilmed or electronically stored pursuant to the provisions of the Local Government Code, Chapter 204 or Chapter 205, as applicable, and rules of the Texas State Library and Archives Commission adopted under those chapters. Actual disposal of such records is subject to the policies and procedures of the LEA's records management program.

Even if the legal retention period has expired for a record, the record will not be destroyed if one of the following exists:

- a) The subject matter of the record is known to be in litigation;
- b) The record is subject to a pending request for disclosure under the Open Records Act;
- c) There is an outstanding request to inspect and review the record under the Family Educational Rights and Privacy Act (FERPA);
- d) The record is subject to a pending audit by a Federal or State granting agency or subgrantor agency;
- e) Questions remain unresolved from a conducted audit until audit findings are solved.

The LEA maintains and preserves original records and/or in electronic format for convenience use. Records stored on microfiche will comply with the requirements established in the Texas State Library's Local Government Bulletin A, Microfilming Standards and Procedures. Records stored on electronic or magnetic media must follow the requirements established in Local Government Bulletin B, Electronic Records Standards and Procedures.

Active records are stored at the Central Office or Campus Administration Office. Active records are records that are current or accessed frequently. Inactive records are records that are accessed infrequently or not at all. Inactive records are stored in records room off site. The records retention schedule will identify all records in storage and their location.

Any person who knowingly or intentionally violates the specific rules for the destruction of records established by the Texas Government Records Act violates the law. According to Section 202.001 of the Texas Government Records Act (Local Government Code 202.001), records may be destroyed if:

- a) The record is listed on a records control schedule accepted for filing by the Texas State Library and Archives Commission (the Commission) and its retention period has expired or it has been microfilmed or stored electronically in accordance with established requirements;
- b) The record appears on a list of obsolete records approved by the Commission;
- c) A destruction request is filed with and approved by the Commission (for a record not listed on an approved control schedule);
- d) The record destruction or obliteration is directed by an expunction order issued by a district court pursuant to State law;
- e) The record is defined as exempt from scheduling or filing requirements by rules adopted by the Commission or listed as exempt in a records retention schedule issued by the Commission.

Records may be destroyed by burning, shredding, pulping, burial in a landfill or by sale or donation for recycling purposes, subject to the following exceptions:

- a) Records to which public access is restricted under Chapter 552, Government Code, or other State law may be destroyed only by burning, pulping, or shredding;
- b) An LEA that sells or donates records for recycling purposes must establish procedures for ensuring that the records are rendered unrecognizable as local government records by the recycler;

c) The Commission may approve other methods of destruction that render the records unrecognizable as local government records.

The Records Management Consultants update LEA records approximately every 5 years at a minimum. Any records scheduled for destruction are pulled and recorded by the Records Management Consultants and picked up at a later date for destruction. No records are destroyed without the approval of the Superintendent. The Business Office maintains the confidentiality statement provided by the Records Management Consultants.

For special education records, a notice will be published in the local paper notifying the public of the intent to destroy records, specifying the date range of special education records that will be destroyed within thirty (30) calendar days from the date of the notice. No confidential information is published. Documents will only be released to the student named on the record.

If record retention schedules prescribed by the Texas State Library and Archives Commission indicate a retention period that differs from the Federal requirements, the more restrictive retention period will be followed. Since Title IV of the No Child Left Behind (NCLB) – Elementary and Secondary Education Act (ESEA) has no statute of limitations, all records are maintained for that grant program.

C. Access to Records

The LEA provides the awarding agency, Inspectors General, the Comptroller General of the United States, and the pass-through entity, or any of their authorized representatives the right of access to any documents, papers, or other records of the LEA which are pertinent to the Federal award, in order to make audits, examinations, excerpts, and transcripts. The right also includes timely and reasonable access to the LEA's personnel for the purpose of interview and discussion related to such documents.

Program Evaluation

The Superintendent and Campus Administrators will monitor Federal grant-supported activities to assure compliance with applicable Federal requirements and to assure that performance goals are being achieved. Actual accomplishments will be compared to the objectives of the program.

Activities for monitoring and evaluating program performance include, but are not limited to:

- Interviews with campus administrators;
- Collaboration with regional Education Service Center staff for training, technical assistance, and consultative services;
- Review of applicable data;

- Leadership team meetings on a regular basis to review program activities

Monitoring Implementation of Written Policies and Procedures

The LEA will self-monitor implementation of their written policies and procedures.. The LEA policies and procedures will be reviewed yearly and changes will be made accordingly. Employees are required to sign and date that they have read the policies and procedures every year.

Audit Resolution

The LEA will review the results of audit and monitoring visits and implement corrective actions. The Superintendent will review the audit/monitoring findings with the Grant Administrator and or Business Office Personnel and ensure that all findings are corrected promptly and appropriately.

V. Questions to Consider When Determining Allowability of Cost with Federal Funds

Fiscal and program staff should refer to this section for a useful framework when performing an analysis of allowability. 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?
 - Am I familiar with the program-specific statutes and regulations?
 - Have I reviewed the Program Guidelines issued by TEA for this particular grant program?
- Is the proposed cost consistent with program-specific fiscal rules?
 - Does the program have a supplement, not supplant rule?
 - Are there other program-specific fiscal rules that affect this cost item?
- Is the proposed cost consistent with an approved program plan and budget?
 - Have I reviewed the applicable program plan?
 - Is the cost item budgeted in our local budget or does it need to be added?
 - Does the cost require specific approval from TEA?
 - Is the cost item budgeted in the grant application or does it need to be added?
 - If the cost was in the grant application, was the cost approved by TEA?
- Is the proposed cost consistent with specific conditions imposed on the grant (if applicable)?
 - Have I reviewed the NOGA for the grant award to determine specific terms and conditions?
- Is the proposed cost consistent with EDGAR?
 - Is the proposed cost item reasonable?
 - Is it a type generally recognized as ordinary and necessary for the operation of the LEA?
 - Is it a type generally recognized as necessary for the proper and efficient performance of the specific federal program?
 - Are sound procurement practices, such as arms-length bargaining, full and open competition standards followed?
 - Are you significantly deviating from your locally established practices and policies?
 - Is the price consistent with market prices for comparable goods or services for the geographic area?
 - Did you perform a cost/price analysis?
 - Did you perform a lease vs purchase analysis?
 - Did you consider the use of federal excess and surplus property in lieu of purchasing new equipment or property?

- Is this the minimum amount I need to spend to meet my need?
 - Is this the “Cadillac” version of what I really need?
 - Does it pass the prudent person test?
- Is the proposed cost item necessary?
 - Is it needed for the proper and efficient performance of the grant program?
 - Does it address program-specific goals and objectives?
 - Is it aligned with identified needs based on results and findings from a needs assessment?
 - Is it aligned with identified needs based on program data?
 - Have you reviewed the Campus Improvement Plan and/or District Improvement Plan and Comprehensive Needs Assessment?
 - Is there an educational benefit associated with the cost?
 - Is it identified in your program plan?
 - Is it identified in the budget and grant application?
 - Do I really need this or is it just nice to have?
 - Do I have the capacity to use what I am purchasing?
 - Would this be a duplicative item of something we already have?
 - If I were asked to defend this purchase, would I be able to?
- Is the proposed cost item allocable to the federal award?
 - Is the cost incurred specifically for the federal program?
 - Will the program benefit in proportion to the funds charged to the program?
- Does the proposed cost item conform to any limitations or exclusions set forth in the terms and conditions of the federal award?
 - Have you reviewed the NOGA, if applicable, to determine terms and conditions of the award?
- Is the proposed cost item consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the LEA?
- Is the proposed cost item accorded consistent treatment?
 - Have you determined whether it would be a direct cost or indirect cost and whether the determination for this type of cost is consistent with like costs in like circumstances?
- Will the accounting treatment of the proposed cost item conform with the generally accepted accounting principles (GAAP)?
- Will the proposed cost item be used as a match or cost-share?
- Have I reviewed the Selected Items of Cost in EDGAR?
- Are any credits being extended that should reduce the amount being allocated to the federal award?
- Do I have a system in place to adequately document the entire procurement cycle of the cost item?

- Do I have a system in place to ensure the expenditure occurs during the grant program performance period?
- Do I have a system in place to ensure that once it is purchased and received, personnel who will use the cost item are made aware of its fund source and intended purpose and beneficiaries?
- Are there any State or local rules applicable to this cost item that are more restrictive than federal rules?

VI. Legal Authorities and Helpful Resources

The following documents contain relevant grants management requirements. Staff should be familiar with these materials and consult them when making decisions related to the federal grant.

- Education Department General Administrative Regulations (EDGAR)
 - <http://www2.ed.gov/policy/fund/reg/edgarReg/edgar.html>
- Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (2 CFR Part 200)
 - <http://www.ecfr.gov/cgi-bin/text-idx?SID=ccccf77e01c9e6d4b3a377815f411704&node=pt2.1.200&rgn=div5>
- USDE's Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (2 CFR Part 3474)
 - http://www.ecfr.gov/cgi-bin/text-idx?SID=ccccf77e01c9e6d4b3a377815f411704&tpl=/ecfrbrowse/Title02/2cfr3474_main_02.tpl
- Federal program statutes, regulations, and guidance
 - <http://www.ed.gov/>
- LEA regulations, rules, and policies
 - Shiner ISD Legal and Local Policy: <http://pol.tasb.org/home/index/801>

VII. APPENDIXES

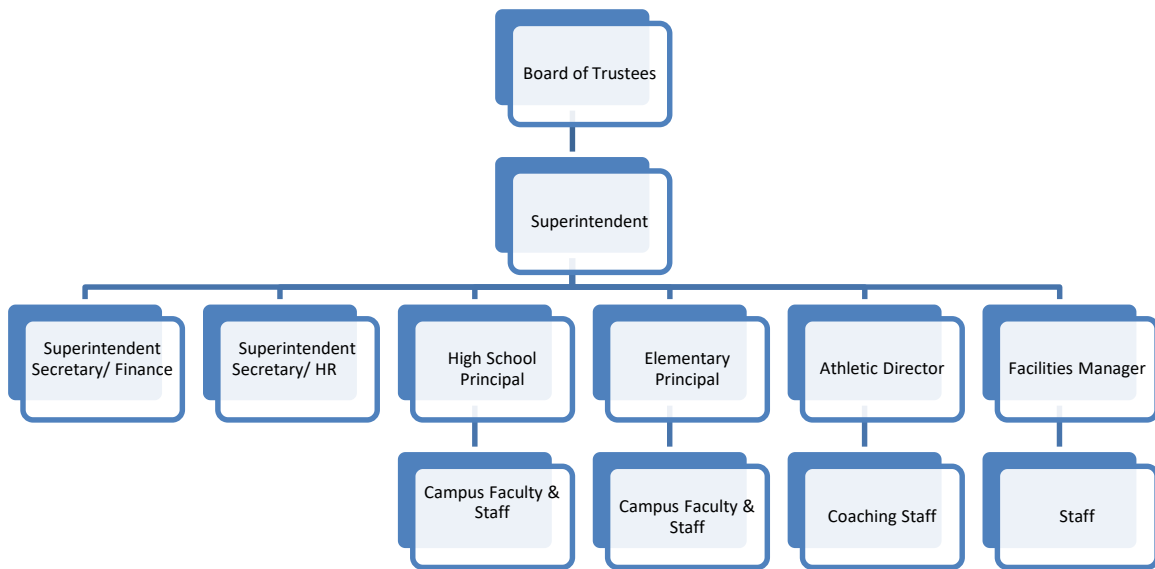
Appendix A: Organizational Chart

Appendix B: Chart of Accounts

Appendix C: Semi Annual Certification of Sole Program Assignment

APPENDIX A

Shiner ISD Organizational Chart



APPENDIX B

FINANCIAL ACCOUNTABILITY SYSTEM FUND CODES AND ACCOUNT GROUPS

Fund codes are the first, second, and third digits in the code structure.

GENERAL OPERATING FUNDS (1XX) ***(State and locally funded)***

199 General Fund - This fund classification is used to account for transactions in which the local governing board has wide discretion to use as provided by law. The majority of the transactions handled by the District are accounted for in this fund.

SPECIAL REVENUE FUNDS (2XX, 3XX, 4XX) ***(State, locally and federally funded)***

211 ESEA Title I, Part A

240 Food Service

244 Vocational Education – Carl Perkins Basic Grant

255 Title II, Part A: Teacher and Principal Training and Recruiting (TPTR)

289 – Title IV

410 State Instructional Materials

461 Campus Activity Funds

DEBT SERVICE FUND ***(Locally funded)***

599 Debt Service Fund - This fund must be used to account for general long-term debt principal and interest for debt issues and other long-term debts for which an **ad-valorem tax** has been dedicated.

699 CAPITAL PROJECT FUND

816 Permanent Scholarships

863 Payroll Clearing Account

864 Finance Clearing Account

865 Activity Funds - These funds are held in a custodial capacity by a school district, and they consist of clearing accounts and funds that are the property of students or others. Locally raised revenues used for general operating purpose, such as certain principal's activity accounts, are not agency funds and are to be budgeted and accounted for in the General Fund.

GENERAL FIXED ASSETS AND GENERAL LONG-TERM DEBT ACCOUNT GROUPS (9XX) (Memorandum only)

901 General Fixed Assets - This set of self-balancing accounts is to account for those general fixed assets. This account group is for specific pieces of property such as equipment, land, building and all associated costs.

902 General Long-Term Debt - This set of self-balancing accounts is to account for debts of a non-current nature.

FINANCIAL ACCOUNTABILITY SYSTEM FUNCTION CODES

A Function code appears in the fifth and sixth digits of the code structure and represents a general operational area in a school district. It groups together related activities such as instruction or plant maintenance.

- 11 Instruction** -- A function for which expenditures are for the purpose of directly instructing students including those enrolled in adult basic education programs.
- 12 Instructional Resources and Media Services** -- A function for which expenditures are directly and exclusively for establishing and maintaining libraries and other major facilities dealing with instructional materials and media.
- 13 Curriculum Development and Instructional Staff Development** -- A function for which expenditures are directly and exclusively for in-service training and other staff development involving instructional or instructional related personnel of the district.
- 21 Instructional Leadership** -- A function for which expenditures are directly for

managing, directing and supervising general and specific instructional programs.

- 23 School Leadership** -- A function for which expenditures are for general administration of a school campus or similar type of organizational unit. In most cases, function code 23 costs are limited to operating a principal's office, and include all types of activities pertaining to the operation of that office.
- 31 Guidance, Counseling and Evaluation Services** -- A function for which expenditures are directly and exclusively for assessing and testing students' abilities, aptitudes and interests; counseling students with respect to career and educational opportunities and helping them establish realistic goals.
- 32 Social Work Services** -- A function for which expenditures are directly and exclusively for promoting and improving school attendance of students, including the promotion of positive student and parent attitudes toward attendance.
- 33 Health Services** -- A function for which expenditures are directly and exclusively for providing health services to individuals. Expenditures for school nurses, other medical, dental and optical services, inoculations, etc., are function 33 costs.
- 34 Student (Pupil) Transportation** -- A function for which expenditures are for providing transportation to students to and from school.
- 35 Food Services** -- A function for food service operation expenditures, including the cost of food, labor, and other expenditures necessary for the preparation, transportation and storage of food.
- 36 Extracurricular Activities** -- A function for which expenditures are for extracurricular or other purposes that are not essential in the delivery of services for function 11, function code 20 series, or other function code 30 series activities.
- 41 General Administration** -- A function for which expenditures are for purposes of managing or governing the school district as an overall entity, and that cover multiple activities that are not directly and exclusively for costs applicable to specific functions.
- 51 Facilities Maintenance and Operations** -- A function for which expenditures are for activities to keep the physical plant open, clean, comfortable, safe for use, and keeping the grounds in an effective working condition and state of repair.
- 52 Security and Monitoring Services** -- A function for expenditures related to keeping student and staff surroundings safe. Examples include police officers or security guards, school bus security monitors, crossing guards, security vehicles, telephones and radios, and drug detection dogs.

- 53 Data Processing Services** -- A function for which expenditures are for non-instructional data processing services, whether in-house or contracted. Examples of function 75 costs are costs for computer facility management, computer processing, systems development, analysis and design, and those interfacing costs associated with general types of technical assistance to data users.
- 61 Community Services** -- A function for which expenditures are for activities *other than* regular public education and adult basic education programs. These types of expenditures are for services or activities relating to the whole community or some segment of the community, including resources to non-public schools, institutions of higher education, and any proprietary types of services incurred for outside entities in the community.
- 71 Debt Services** -- A function for which expenditures are for the retirement of service fees and for all debt interest.
- 81 Facilities Acquisition and Construction** -- A function for which expenditures are for acquiring, equipping, and/or additions to real property.
- 93 Shared Service Arrangement** – Payments to fiscal agent of an SSA.

FINANCIAL ACCOUNTABILITY SYSTEM EXPENDITURE OBJECT CODES

An Expenditure Object Code (digits seven through ten in the code structure) identifies the nature and object of a transaction. The District's accounting records are to reflect expenditures at the most detailed level using all four digits available for expenditure object codes.

6100 PAYROLL COSTS

This major classification includes the gross salaries or wages and benefit costs for employee services.

6110 Teachers and Other Professional Personnel

6112 Salaries or Wages – Substitutes for Teachers and Other Professionals

6118 Extra Duty Pay - Teachers and Other Professional Employees

6119 Salaries or Wages for Teachers / Other Professionals

6120 Support Personnel

6121 Extra Duty Pay / Overtime - Support Personnel

6129 Salaries or Wages – Secretaries / Para-Professionals

6140 Employee Benefits

6141 Social Security / Medicare

6142 Group Health and Life Insurance

6143 Workers' Compensation

6144 TRS Care/ On Behalf Payments

6145 Unemployment Compensation

6146 Teacher Retirement

6200 *PROFESSIONAL AND CONTRACTED SERVICES*

This major account classification is used to record expenditures for services rendered to the local education agency by firms, individuals, and other organizations.

6210 Professional Services

6211 Legal Services

6212 Audit Services

6213 Tax Appraisal and Collection

6219 Other Professional Services -- Expenditures for professional services rendered by personnel who are *not employees of the local education agency*.

6230 Regional Education Service Center Services

6239 Regional Education Service Center Services

6240 Contracted Maintenance and Repair Services -- This group of expenditure object codes is used to classify expenditures for maintenance

and repair services rendered by firms, individuals, or other organizations, *other than the local education agency*. Maintenance and repair services are for normal upkeep, repair and minor restorations.

6247 Contracted Maintenance and Repair of Grounds and Equipment

6249 Contracted Maintenance and Repair

6250 Utilities

6259 Other Utilities -- Expenditures for all other utilities not detailed above.

6260 Rentals - Operating Leases

6269 All Other Rentals -- Expenditures for all other rentals not detailed above, including those for equipment, copiers, postage machines, etc.

**FINANCIAL ACCOUNTABILITY SYSTEM
EXPENDITURE OBJECT CODES**

6300 SUPPLIES AND MATERIALS

This major classification includes all expenditures for supplies and materials.

6310 Supplies and Materials for Maintenance and/or Operations

6311 Gasoline and Other Fuels for Vehicles, Including Buses

6317 Ground Supplies

6319 Other Supplies for Maintenance and/or Operations

6320 Textbooks and Other Reading Materials

6321 Textbooks

6329 Other Reading Materials -- Expenditures for magazine and newspaper subscriptions and other reading material not listed above; subscription services (electronic libraries).

6330 Testing Materials

6339 Testing Materials

6340 Food Service

6341 Food

6342 Non-Food

6344 USDA Commodities

6349 Food Service Supplies

6390 Supplies and Materials – General

6399 General -- Expenditures for those items of relatively low unit cost (even though used in large quantities) necessary for the instruction process and/or for administration. Included here are consumable teaching and office items such as paper, pencils, workbooks, postage, etc.

6400 *OTHER OPERATING EXPENDITURES*

This major classification used to code all other expenditures that are necessary for the operation of the local education agency.

6410 Travel and Subsistence and Stipends

6411 Travel and Subsistence - Employee only -- This code is used to classify the cost of transportation, meals, room, and other expenses associated with traveling on official school business. The cost of employee travel also includes any registration fees associated with attending conferences, including seminars and in-service training.

6412 Travel and Subsistence – Students -- This code is used to classify costs paid on behalf of students traveling for school sponsored events, including transportation costs, meals, participation fees, room, and other expenses associated with students traveling.

6419 Travel and Subsistence – Non-Employees

6420 Insurance and Bonding Expenses

6427 Insurance

6428 Liability Insurance

6429 Insurance & Bonding Costs

6430 Election Expenses

6439 Election Expenses

6490 Miscellaneous Operating Expenses -- This code is used to classify expenditures for operating expenses not mentioned elsewhere.

6492 Payments to Fiscal Agents

6493 Payments to Members – SSA

6494 Reclassification of Transportation Expenses

6495 Dues paid to Clubs, Organizations and Committees

6499 Miscellaneous Operating Expenses -- Expenditures for fees and awards.

6500 *DEBT SERVICE*

This major classification is used to code all expenditures for debt and debt related costs.

6510 Debt Principal

6511 Bond Principal

6512 Capital Lease-Purchase Principal

6513 Long-Term Debt Principal

6520 Interest

6521 Interest on Bonds

6522 Capital Lease-Purchase Interest

6523 Interest on Loans

6590 Other Debt Service Expense

6599 Other Debt Fees

6600 *CAPITAL OUTLAY - LAND, BUILDING AND EQUIPMENT*

This code is used to classify expenditures for fixed assets. Fixed assets, unless otherwise defined below, are locally defined as those items with a unit cost of

greater than \$5,000 and a useful life of at least two years.

6610 Land Purchase and/or Improvements -- These expenditures are capitalized regardless of unit cost.

6619 Land Purchase and Improvements

6620 Building Purchase, Construction or Improvements -- These expenditures are capitalized regardless of unit cost.

6629 Fees Associated with Building Purchase or Improvements -- Expenditures for architectural, legal, and other fees connected with building purchase, construction, and/or remodeling.

FINANCIAL ACCOUNTABILITY SYSTEM EXPENDITURE OBJECT CODES

6630 Furniture and Equipment

6631 Vehicles -- Automobiles, buses, trucks, and vans which cost \$5,000 or more.

6639 Furniture & Equipment -- Furniture with a unit cost of \$5,000 or more and a life expectancy of at least 2 years. Expenditures for all other equipment and capital outlay items not classified elsewhere.

6650 Fixed Assets Under Capital Lease / Purchase

6651 Capital Lease of Buildings

6659 Capital Lease of Equipment

FINANCIAL ACCOUNTABILITY SYSTEM SUB-OBJECT CODES

06 Secretary	24 Football
10 UIL Salaries	25 Girls Athletics
17 Band	31 Counselor
18 One Act Play	38 AEP
19 Elem. Music	51 Ag
20 UIL	55 Art
23 Athletics	

FINANCIAL ACCOUNTABILITY SYSTEM ORGANIZATION CODES

High School	001	Tax Office	703
Elementary School	101	Business Office	750
Superintendent	701	District Wide	999
Board Members	702	Private School	200

FINANCIAL ACCOUNTABILITY SYSTEM PROGRAM INTENT CODES

Program Intent codes (two digits) are used to account for the cost of instruction and other services that are directed toward a particular need of a specific set of students. The “intent” determines the program intent code, not the demographic makeup of the students served.

10 BASIC SERVICES

11 Basic Education Services -- The cost incurred to provide the primary level of education/instruction to students in grades K-12.

20 ENHANCED SERVICES

21 Gifted and Talented Education Program -- This code is used to identify costs for programs established for students who have been identified as functioning at a higher intellectual plane.

22 Career and Technology -- This code is used to identify costs that can be specifically identified with those vocational education programs approved by the Texas Education Agency.

23 Services to Students with Disabilities (Special Education) -- This code is used to identify costs that can be specifically identified with instruction and related services for those programs for handicapped children approved by the Texas Education Agency.

24 Accelerated Education -- The cost incurred to use instructional strategies to provide services in addition to those provided at the basic level of instruction, thereby increasing the amount and quality of instructional time for students at risk of dropping out of school.

25 Bilingual Education and Special Language Programs -- The cost incurred to evaluate, place and provide educational or other services that are intended to make the students proficient in the English language.

30 Title I, Part A Schoolwide Activities Related to State Compensatory Education Costs on Campuses with 40% or More Educationally Disadvantaged Students – The SCE costs incurred to supplement federal awards for use on Title I, Part A schoolwide campuses with at least 40% educationally disadvantaged students (including fund code 211,) in the amount of the SCE allotment used to supplement federal awards. This program intent code is also used in the Special Revenue Fund for fiscal budgets approved in notice of grant awards (NOGA) for school wide federal projects benefiting Title I, Part A school wide campuses with at least 40% educationally disadvantaged students.

31 High School Allotment

32 Prekindergarten

33 Prekindergarten- Special Education

34 Prekindergarten- Compensatory Education

35 Prekindergarten- Bilingual Education

Other

91 Athletics and Related Activities – The costs incurred to provide for participation in competitive athletic activities such as football, basketball, golf, swimming, wrestling, gymnastics, baseball, tennis, track, volleyball, etc. This includes costs associated with coaching as well as sponsors for drill team, cheerleaders, pep squad or any other organized activity to support athletics. However, this does not include band.

99 Undistributed -- This code is used to identify costs for expenditure functions not specifically identified with the major program areas listed above.

APPENDIX C

Certification of Sole Program Assignment

CERTIFICATION OF SOLE PROGRAM ASSIGNMENT

DATE:

To Whom It May Concern:

I hereby certify that I have utilized 100% of my time solely in the implementation of NCLB Program activities (position title) as required during the period _____ (DATE) through _____ (DATE) I am aware that 100% of my salary during this time is funded from _____ (FUNDING SOURCE).

Name, Position	Date

Campus Principal	Date

***Job Description is on file at the SISD central office.**