Pine Point Public Schools

Fiscal Compliance and Procedure Manual

February 2017

Preface

It is the intention of Pine Point Public Schools (the "District") to comply with all federal, state, and local fiscal laws. The regulatory citations covering fiscal management practices are:

- IDEA 34
- EDGAR
- UGG/2 CFR –Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (referred to as "Part 200.XXX" herein)
- Minnesota Statute 471.345 – Uniform Municipal Contracting Law

It is also the intention of Pine Point Public Schools to ensure special education expenditures are necessary, reasonable, and allowable. The procedures and practices used to accomplish these tasks are outlined in this manual. It is the goal of the management of the District to ensure these practices and procedures are followed.

Organization Structure

The Superintendent is the sole direct hire by the District Board of Education ("Board"), with all other District employees reporting directly or indirectly to the Superintendent. The Director of Finance and Operations ("Director of Finance") is primarily responsible for handling the financial functions of the District, assisted by the Business Manager Assistant, Accounts Payable and Payroll personnel.

The District is a part of PAWN Special Education ("PAWN") whose Special Education Director also serves as the District's Special Education Director. PAWN employs a coordinator who is assigned half time to the District whose primary duty is to assure programmatic compliance. The Special Education teachers and Education Assistants assigned to work with the students with disabilities are supervised by the Building Principals.

PAWN is responsible for the management of the Federal special education dollars the District is entitled to and assists the District personnel with the Minnesota Department of Education ("MDE") Electronic Data Reporting System ("EDRS") and other reporting functions.

Financial Accounting System

The District's accounting is maintained on SMART Finance and SMART HR which is run on the Central Minnesota Educational Research and Development Council ("cmERDC") server. Training and other assistance is also offered by cmERDC. The SMART system enables the following to be incorporated regarding awards received:

- CFDA Title and Number
- Federal Award ID Number
- Fiscal Year of Award
- Federal Agency

Revenues and expenditures are recording according to the UFARS manual maintained and updated by MDE.

Code of Conduct

Each employee must perform their duties to the best of their abilities and perform those duties in an ethical and honest manner.

Through words and actions, an employee will conduct oneself in the following manner:

- Act honestly and ethically in carrying out one's employment duties and responsibilities;
- Comply with all policies and procedures pertinent to one's job duties, and all state/federal laws, rules, and regulations;
- Cooperate fully with internal or external auditors in all areas of their examinations;
- Report suspected code of conduct and ethics violations, significant internal control weaknesses, evidence of theft, embezzlement, unlawful use of public funds or property or other irregularities/wrongdoings through appropriate District channels as designated; and,
- Report any evidence of theft, embezzlement, or unlawful use of public funds or property, other public resources to the District's Superintendent or the District's Director of Finance.
- Medically related and personally identifiable financial information (such as Social Security numbers) shall be restricted to those District personnel with the need to know the information to perform his or her job, and otherwise held confidential.

In order to assure accountability, the District, and each of its individual employees will account for all activities, accept responsibility for those activities, and disclose information/results in a transparent manner.

All new employees will certify knowledge of, and agreement to abide by the code of conduct within 60 days of initial employment and once annually thereafter.

Financial/Cash Management System and Internal Controls

The Director of Finance is responsible for preparing the upcoming annual budget by June 30 and supervising the remainder of the Business Office staff. A mid-year budget revision is typically prepared in the January – March time period. Year-end financial reports are provided to the Superintendent by the Director of Finance as compiled and audited by the accounting firm designated by the Board. Individual budgets by federal award are also submitted to MDE for approval via the Minnesota Department of Education's EDRS (Education Data Reporting System) and SERVS (State Education Record View and Submission System) Financial systems.

The Director of Finance works within the approved budget and requests funds on SERVS. The payment requests on SERVS are documented by reports from the District's accounting software and reviewed and approved by the Director of Finance. Funds are requested on SERVS after the payment has been made and the SERVS draws are supported by reports from the financial accounting system.

The Payroll person maintains the payroll. The Account Payable person is responsible for the General Ledger, entering both the accounts receivable and the accounts payable, as well as maintaining the fixed asset schedule and ensuring that all requisition procedures are followed.

The Business Manager Assistant oversees the requisition process and ensures proper coding of all requisitions.

The duties (setting up new vendors, making deposits, issuing checks, bank account reconciliation, etc.) are divided among the Business Office staff (i.e., "separation of duties") to accomplish adequate internal controls, within the limit the small staff can accommodate. The Board serves as the final internal control function by reviewing and approving all checks written and account transfers made monthly.

Allowability and Procurement

When requesting materials or services, District employees shall ensure the following guidelines are followed:

- The purchase is necessary for the provision of services.

- 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. A conflict of interests may arise when the employee, officer or agent, any member of his/her immediate family, his/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. Where a potential conflict of interest arises, the individual must recuse him or herself from the selection, award or administration of a contract.

- If a conflict of interest occurs, the supervisor will conduct an investigation and determine appropriate disciplinary action. If the offense is considered minor in nature (minor meaning employee was unaware of conflict, and there was not significant financial implications) first offense will warrant a verbal reprimand and training on conflict of interests. Second offense warrants a written reprimand that will be placed in employee's personnel file and additional training on conflict of interests. Third offense, the employee will be placed on a corrective action plan that (1) if not followed will lead to the employee being terminated and (2) is placed in the personnel file.

- If the conflict is determined to be egregious in nature (egregious meaning employee knew of the conflict of interests and there was significant financial implications), the employee will be placed on leave (either paid or unpaid, this will be determined by the supervisor), until an investigation is completed. Upon completion of the investigation, if it is determined a known conflict existed and significant financial ramifications are involved the employee may be terminated.

- If any employee becomes aware of any conflict of interest, such conflict of interest shall be reported to his or her supervisor as soon as practicable. If the supervisor is the person with the conflict of interest, the person who becomes aware of the conflict of interest shall report such conflict to the supervisor's supervisor.

- There is no soliciting or acceptance of gratuities, favors, or anything of monetary value from contractors or subcontractors. This does not apply to situations where the financial interest is

not substantial or the gift is an unsolicited item of nominal value ($5.00 or less).

- All employees involved in purchasing or supervision of purchasing shall receive a copy of the conflict of interest rules and shall sign a certification that he or she has received a copy and understands the conflicts policy.

- All procurement transactions provide full and open competition to the maximum extent practicable.

- Purchases/costs must be reasonable and allowable under federal program regulation. 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 existing circumstances at the time cost is incurred. There must be no acquisition of unnecessary or duplicative items.

- No state or local preference is granted.

- Minority owned businesses, Women's business enterprises and labor surplus area firms will be considered when possible. The Director of Finance periodically will consult with the building principals to adhere to this requirement.

- State and local inter-governmental agreements will be considered when appropriate. The Director of Finance periodically will consult with the building principals to adhere to this requirement.

- When accessing a vendor, the District will ensure that no purchases are made from debarred and suspended vendors. The District will utilize www.sam.gov to check for debarred and suspended vendors. Accounts Payable shall perform this check when setting up the new vendor in our SMART system and annually thereafter.

- For all methods of procurement, the records retained shall include the rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract. The records, including bids or proposals received, shall be retained by the District for at least three years. If any litigation, claim or audit is started before the expiration of the three year period, the records must be retained until all litigation, claims or audit findings involving the records have been resolved and final action taken.

- All District contracts paid from Federal funds shall contain the contract provisions specified in Appendix II to Part 200 as appropriate for the transaction, including, but no limited to;
    - Remedies
    - Termination
    - Equal Employment Opportunity
    - Davis Bacon Act
    - Contract Work Hours and Safety Standards Act
    - Clear Air Act

Micro-Purchase: A micro-purchase is an acquisition of supplies and services of $3,000.00 or less.

- Micro-purchases can be made without soliciting competitive quotations if the District determines the cost is reasonable and allowable.
- The District will, to the extent practicable, distribute micro-purchases equitably among qualified suppliers.
- The $3,000 limit applies to purchases made with Federal dollars. The limit for other purchases is $25,000 as per Minn. Stat. 471.345 Sub. 5a, provided, "If the contract is made upon quotation it shall be based, so far as practicable, on at least two quotations which shall be kept on file for a period of at least one year after their receipt."

Small Purchase: A small purchase is an acquisition of supplies and services costing more than $3,000 and less than $100,000. This $3,000 - $100,000 range is for purchases made with Federal dollars. The range for other purchases is $25,000 - $100,000 as per Minn. Stat. 471.345 Sub. 4a, "the contract may be made either upon sealed bids or by direct negotiation, by obtaining two or more quotations for the purchase or sale when possible, and without advertising for bids or otherwise complying with the requirements of competitive bidding. All quotations obtained shall be kept on file for a period of at least one year after receipt thereof."

- The District will obtain price and rate quotes from at least two qualified sources; more if possible when a larger number of vendors are available.
- Price/rate quotes will include documentation from vendors such as written quote, Internet price search (screen shot of internet site for documentation) or written documentation of a phone call that includes vendor name, vendor number and information given by vendor. Documentation will be kept on file.
- A cooperative bidding process through a state, local or regional entity (otherwise known as a "Cooperative Purchasing Venture") that solicits bids on behalf of the cooperative members in compliance with these procedures shall satisfy the requirements of this procedure.

Competitive Proposals: A competitive proposal is an acquisition of material, products and services costing more than $100,000.

- If appropriate, the District will utilize a sealed bid process.
- A sealed bid is appropriate when a complete, adequate and realistic specification or description of good or service is available. Such description shall not contain features which unduly restrict competition. 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 requirement of procurement.
- Two or more responsible bidders are willing and able to compete effectively for the business.
- Selection among the responsive and responsible vendors can be made principally based on prices and it's a firm, fixed price contract.
- Whether or not a sealed bid is appropriate, the District will award the contract to the responsible vendor whose proposal is most advantageous to the District, considering price and other factors and who has the ability to perform the contract terms successfully.
- For all requests for bids or proposals, the District retains the right to reject all bids or proposals received if there is a sound documented reason and shall include in the bid documents the statement, "The District retains the right to reject any or all offers."

- The invitation to bid or submit a proposal shall be publicly advertised in a local newspaper designated as the District's "official newspaper". All sealed bids shall be publicly opened at a time and place prescribed in the invitation to bid, at least two weeks after the invitation to bid or submit a proposal is published in the local newspaper.
- Where required by Section 200.325, bid and/or performance bonds shall be required.

Non-Competitive Proposal: The District will only use a non-competitive proposal when:

- The item is only available from a single source
- There is public emergency that will not permit delay
- The federal awarding agency or pass-through expressly authorizes non-competitive proposals in response to a written request from the District, **or**
- After soliciting a number of sources, competition is determined inadequate.

Special Education Requisition Procedure

1. Board of Education adopts line item amounts recommended by Director of Finance for Special Education purchases of supplies or services.

2. Special Education teacher wants to purchase services, supplies and/or materials for the SpEd classroom or for an individual student, which are one of the following:
    a. Item specific to one SpEd student identified as needed in the student's IEP
    b. Items needed in the SpEd classroom to deliver the education program for the SpEd students that would not be needed in a General Ed classroom
    c. Other teacher supply items that would not be needed in a General Ed classroom.

3. The teacher fills out a paper requisition form or enters the requisition into Employee Self Serve (a module of our SMART Finance system), which goes to the building secretary. The teacher attaches the attached form entitled "Special Education Teachers – Mandated Documentation" (attached to this document as Attachment 1) to the requisition or brings it to the building secretary.

4. The building secretary routes the requisition to the building principal for approval. The Principal checks for proper coding of the purchase and approves the purchase in the SMART Finance system if:
    a. The amount of the requisition fits within the remaining budget amount available and appears to be a good use of the funds. If the requisition amount exceeds the amount available, the Principal checks with the Director of Finance whether the requisition may be approved, as required by the IEP.
    b. The purchase is consistent with the IEP for the individual student or meets one of the other criteria mentioned in (2) above. The Principal may confer with the PAWN Coordinator assigned to Pine Point when necessary.

5. The requisition is next routed to the Business Manager Assistant through SMART Finance who confirms proper coding and budget authority and approves the purchase in the SMART

system.

6. Once approved by both the Principal and Business Manager Assistant, the requisition is transferred into a Purchase Order by the building secretary and the order is placed.

7. After the item is received, the building secretary forwards the teacher's paper requisition (when not entered into SMART Finance), the attached form entitled "Special Education Teachers – Mandated Documentation", the Purchase Order printed on yellow paper with the notation "OK to pay" with date and initials, packing slip, the IEP when appropriate, invoice and any other pertinent paperwork to the District Office Accounts Payable.

8. Accounts Payable pays the bill and files the paperwork after confirming that all necessary paperwork has been submitted with proper approvals.

9. Purchases of services must follow a similar path (including the completion and filing of the "Special Education Teachers – Mandated Documentation" form), but often begins at the building principal level in step 4 above. The building principal oversees the delivery of the service to ensure the service provided meets the terms of the contract. Accounts Payable checks with the building principal when an invoice is received, to confirm that the service has been provided and that the invoice should be paid.

Small purchases may be made by staff using established charge accounts at approved local locations or by purchasing items and requesting reimbursement. All receipts submitted for payment or reimbursement using this process must be submitted on a voucher and include all paperwork noted in 1-8 above.

Staff Travel

Travel Costs: Travel cost is the expenses for transportation, lodging, subsistence, and related items incurred by employees who are in travel status on official business of the District. (No reimbursement shall be made for alcoholic beverages or for dependents.)

Mileage reimbursement will be paid to staff for travel between the District Office and other locations at which they are assigned to work. Reimbursement will be made monthly based on mileage logs submitted. Mileage is reimbursed at the current IRS rate or as otherwise established by the Board.

When a staff member determines that it would be beneficial to attend a conference or workshop, the staff member completes a Staff Development Request form and submits it to the building Principal. The request includes justification for the travel and an estimate of costs associated with the travel. The building Principal either approves or denies the request. If the request is approved, the employee will submit the registration materials. Upon return, itemized receipts for reasonable travel expenses will be submitted as part of the employee's monthly mileage reimbursement request. The District follows meal limits set by our fiscal host for breakfast, lunch and dinner.

Food

Costs for food at a meeting for professional development or other purpose shall be incurred only if:

- A working lunch is necessary. I.e., there is a genuine time constraint the requires a working lunch.
- The portion of the agenda to be carried out during the lunch is substantive and integral to the overall purpose of the meeting.
- The cost of the working lunch is reasonable.
- The cost is carefully documented to ensure the working lunch is both reasonable and necessary.

Inventory Management

The District will keep an inventory listing of equipment items purchased with special education funds. "Equipment" means an article of nonexpendable, tangible personal property having a useful life of more than one year and an acquisition cost which equals or exceeds $500. Items that do not meet the $500 threshold but are "sensitive" in nature (such as portable technology devices) will be included on the inventory. Inventoried equipment purchased with Special Education funds shall be labeled with a tag that says "Pine Point Public Schools – Purchased with Federal Dollars" and will include an identification number. Property records of all equipment and "sensitive" items will be maintained. A physical inventory of all equipment and "sensitive" items shall be conducted and the results reconciled with the property records at least once every two years. Any loss, damage or theft must be investigated. When equipment is no longer needed it will be disposed of properly and in accordance with federal, state, and local laws, with the goal to ensure the highest possible return.

All items not meeting the definition of equipment shall be considered supplies. Supplies shall not be inventoried; however, each employee shall be responsible to effectively control and account for all supplies trusted to their care. Each employee shall properly safeguard supplies and ensure they are used solely for authorized purposes.

All property of the District shall be insured to the extent necessary to protect the financial interest the District has in the property.

Time and Effort Reporting

Time and effort reporting will be completed for all employees of the District paid through Federal dollars. Time and effort reporting records shall accurately reflect the work actually performed.

For employees funded through a single cost objective, a semi-annual certification stating that the employee worked solely on activities related to a single cost objective will be kept. This certification will be signed by the supervisor after-the- fact.

For employees paid through multiple cost objectives, a semi-annual time report or Personnel Activity Report (PAR) will be kept. The report will be prepared and signed by the employee after-the-fact, reflecting actual work performed.

The budget and payroll will initially be based on an estimate of the cost objective(s) that the employee will be working on. A comparison of actual costs based on the semi-annual activity reports to budgeted distributions will be made at the end of the fiscal year. If the comparison shows a difference between budgeted and actual, adjustments will be made such that the final amount charged to the Federal award is accurate, allowable and properly allocated.

Third Party Billing

Third party billing for Medical Assistance and Minnesota Care is primarily the responsibility of PAWN. However, the District shall seek reimbursement from third parties for the cost of services provided by the District staff whenever the services provided are otherwise covered by the child's health coverage. This will be done in accordance with Minn. Stat. Sec. 125A.21, Subd.2.

Third party revenues received from PAWN shall be coded UFARS Source Code 071 and used to benefit students with IEPs in accordance with Minn. Stat. section 125A.31, Sub.3.

Participation of Private School Students

The District will control and administer federal special education funds used to provide equitable participation services to parentally-place private school children with disabilities.

A timely and meaningful consultation will occur with representatives of private schools located in the member Districts that will include discussion of the child find process, the calculation of proportionate amount, and how the services will be provided. Such consultation shall be documented.

The District will maintain control over the funds, property, and program decisions. The District will ensure that proportionate share funds are used to meet the special education and related services needs of eligible students with disabilities and are not used for the general needs of the private school. The District will track the required expenditures by fiscal year. Any unused funds at the end of the fiscal year will be spent during the following one-year carryover period.

Transportation

The IEP team will determine whether a child is eligible for specialized transportation, whether it be for accommodations, special equipment or an aide. The case manager will communicate with the District Transportation Department in order to initiate transportation and the MARSS Coordinator the appropriate transportation category - transportation code 03 for students with specialized transportation outlined in the IEP or code 06 for a general education student who requires transportation in order to access specialized instruction through a care and treatment facility.

Record Retention

Financial records, supporting documents, statistical records, etc. relating to Federal awards shall be retained for at least three years from the date of submission of the final expenditure report, or for ongoing grants, the date of the submission or the quarterly or annual financial report.

Attachment 1

Special Education Teachers – Mandated Documentation

Please complete this document and attach with your orders sent to the office, as well as for check requests for reimbursements.
We must document the reason for the special education ("SpEd") purchases to prove they are eligible expenses.
The first two questions must be answered "No" as highlighted for the purchase to be allowable and eligible for SpEd funding.

1. In the absence of special education needs, would this cost exist? ___ Yes ___ No

2. Is this cost also generated by student without disabilities? ___ Yes ___ No

3. If the cost is specific to one child, is the service documented in the student's IEP?
   ___ Yes ___ No
   a. If "Yes":
      i. please attach the IEP (or relevant portion thereof) and
      ii. provide the Student MARSS #_____
      iii. If the amount is greater than $500, have the requisition reviewed by the PAWN special education coordinator.

4. If the cost is NOT specific to one child, but to a group of students, please provide the purpose of the purchase that relates to the needs specified in the IEP's of the students being served:

Instructions: This SpEd requisition form need only be used when special education funding is being used, i.e., questions 1 and 2 being answered "No". Any other purchases SpEd teachers make, such as items for their classrooms which general education teachers would also need for their classrooms, these expenditures should be coming from general education funds and this form would not be needed.

Despite this caveat, there may be expenses that the first two questions are "No" but are yet not direct services to students that qualify for state SpEd reimbursement, such as certain office supplies that other general education teachers would not need. These expenditures would require an object code of 401. All other SpEd supplies that have a clear line to a need documented in a student's IEP should be coded to object code 433. For example, if a behavior reward system is used by a SpEd classroom for all SpEd students, these would be coded object 433 and a short description of that system included above as documentation of that SpEd need.

Updated February 18, 2017