Administration of Federal Funds
Type of Costs, Financial Obligations and Property Management

The school establishes and maintains Joint Operating Committee policies, administrative regulations and procedures on administration of federal funds in federal programs as required by the Uniform Guidance and other federal, state and local laws, regulations and requirements. The school's financial management system includes internal controls and grant management standards in the following areas.

Direct and Indirect Costs

Direct costs – costs that can be identified specifically with a particular final cost objective, such as a federal award, or other internally or externally funded activity, or that can be directly assigned to such activities relatively easily with a high degree of accuracy. **(2 CFR 200.1, 200.413)**

Examples of direct costs may include, but are not limited to, salaries and benefits of staff working directly on the federal program, travel costs for program-related training and equipment purchased specifically for the program.

Indirect costs – costs incurred for a common or joint purpose benefiting more than one (1) cost objective, and not readily assignable to the cost objectives specifically benefitted, without effort disproportionate to the results achieved. **(2 CFR 200.1, 200.414)**

Examples of indirect costs may include, but are not limited to, salaries and benefits of Human Resource staff, network infrastructure and building maintenance and repairs.

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

Identification with the federal award rather than the nature of the goods and services involved is the determining factor in distinguishing direct from indirect costs.

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

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

Timely **Financial** Obligation of Funds

Financial Obligations – orders placed for property and services, contracts and subawards made, and similar transactions **that require payment by a recipient or subrecipient under a federal award that will result in expenditures by a recipient or subrecipient under a federal award**.

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

Financial Obligation is for:	**Financial Obligation is made:**
Acquisition of **real or personal** property	On the date on which the school makes a binding written commitment to acquire the property
Personal services by a school employee	When the services are performed
Personal services by a contractor who is not a school employee	On the date on which the school makes a binding written commitment to obtain the services
Work other than personal services	**On the date on which the school makes a binding written commitment to obtain the services**
Public utility services	When the school receives the services
Travel	When the travel occurs
Rental of **real or personal** property	When the school 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

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

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

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

The Administrative Director will decide when an extension of the period of performance is necessary and will recommend that the Business Manager approve this process.

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

The school must seek approval from the federal awarding agency for an extension of the period of performance when the extension is not contrary to federal law or regulations, and the following conditions apply: **(2 CFR 200.308(d)(2))**

1. The terms and conditions of the federal award prohibit the extension;
2. The extension requires additional federal funds; or
3. The extension involves any change in the approved objectives or scope of the project.

The Business Manager will determine when an extension must be requested for approval by the federal awarding agency, draft the written request and notify the Administrative Director of the requested extension.

When an extension to a federal award is approved, the period of performance will be amended to end at the completion of the extension. If termination occurs, the period of performance will be amended to end upon the effective date of termination. The start date of a renewal award begins a new and distinct period of performance. (2 CFR 200.309)

Management of Property Acquired With Federal Funds

Definitions -

Equipment – tangible personal property, including information technology systems, having a useful life of more than one (1) year and a per unit acquisition cost that equals or exceeds the lesser of the capitalization level established by the recipient or subrecipient for financial statement purposes, or $10,000.

Real Property – land, including land improvements, structures, and appurtenances, and legal interest in land, including fee interest, licenses, rights of way and easements. Real property excludes moveable machinery and equipment.

Personal Property – tangible or intangible property other than real property.

Supply – all tangible personal property other than those defined as equipment. Computing devices costing less than $10,000 per unit qualify as supplies.

Insurance Coverage -

The recipient or subrecipient must, at a minimum, provide the equivalent insurance coverage for real property and equipment acquired or improved with federal funds as it provides to property and equipment owned by the recipient or subrecipient.

Contract and Purchasing Administration -

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

Property Classifications -

Property shall be classified as **equipment, supplies, computing devices and capital assets** as defined and specified in accordance with law, regulations and Joint Operating Committee policy. (Pol. 622)

Inventory Control/Management -

All property purchased with federal funds, regardless of cost, will be inventoried as a safeguard.

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

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

Inventory records of **property** must be current and available for review and audit, and include the following information:

1. Description of the item.
2. Manufacturer's serial number or other identification number.
3. Identification of funding source.
4. **Who holds title of the property.**
5. Acquisition date and unit cost.
6. Source of items, such as company name.
7. Percentage of federal **contribution** used in the purchase **and identification of the federal award**.
8. Present location, use, condition of item, and date information was reported.
9. Pertinent information on the ultimate transfer, replacement or disposition of the item and sale price of the property.

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

Equipment must be used in the program or project for which it was acquired for as long as needed, whether or not the project or program continues to be supported by a federal award. (2 CFR 200.313)

During the time that equipment is used on the project or program for which it was acquired, the recipient or subrecipient must also make the equipment available for use on other programs or projects supported by the federal government, provided that such use will not interfere with the purpose for which it was originally acquired. First preference for other use of the equipment must be given to other programs or projects supported by the federal agency that financed the equipment. Second preference must be given to programs or projects under federal awards from other federal agencies. Use for nonfederally-funded projects is also permissible, provided such use will not interfere with the purpose for which

it was originally acquired. The recipient or subrecipient should consider charging user fees as appropriate. (2 CFR 200.313)

Physical Inventory -

Physical inventory of property will be completed by designated school staff in accordance with applicable federal and state law and regulation and Joint Operating Committee policy. (Pol. 622, 706)

The physical inventory of items will be conducted **at least every two (2) years or more often if required by law or Joint Operating Committee policy**, and the results will be reconciled with the inventory records and reported to the federal awarding agency. **(2 CFR 200.313)**

Maintenance -

The school establishes **regular** maintenance procedures to ensure that property is maintained in good condition in accordance with law, regulation and Joint Operating Committee policy. (Pol. 704, 708, 710)

Safeguards -

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

1. Any loss, damage or theft **must be investigated, fully documented and reported to the federal agency or pass-through entity of any loss, damage or theft that will have an impact on the program. The** Administrative Director and/or Business Manager may **also** report **the loss, damage or theft** to local law enforcement.

2. If stolen items are not recovered, the school will submit copies of the investigative report and insurance claim to the federal awarding agency.

3. The school may be responsible for replacing or repairing lost, damaged, destroyed or stolen items.

4. Replaced equipment is property of the originally funded program and should be inventoried accordingly.

5. School property may only be loaned in accordance with Joint Operating Committee policy and administrative regulations. (Pol. 707, 708, 710)

Disposition of Property Acquired with Federal Funds –

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

When the school determines that equipment or supplies acquired under a federal award are no longer needed for the original project or program or for other activities currently or previously supported by a federal awarding agency, the Business Manager will **follow the terms and conditions of the federal award, the disposition instructions in the Department of Federal Programs Administrative Manual on the PA Department of Education's website, and may** contact the federal awarding agency or pass-through entity administering the program to obtain disposition instructions.

Equipment with a **current** fair market value of $**10,000** or less **per unit** may be retained, sold **or otherwise disposed of with no further responsibility to the federal agency or pass-through entity**. For items with a fair market value greater than $**10,000 per unit**, the federal awarding agency **or pass-through entity** is entitled to the federal share of the current market value or sales proceeds**, in accordance with applicable law and regulations**. (**2 CFR 200.313, 200.314, 200.453)**

Supplies acquired under a federal award will vest upon acquisition in the recipient or subrecipient. After the period of performance, if there is a residual inventory of supplies exceeding $10,000 in total aggregate value, and the supplies are not needed for any other federal award the recipient or subrecipient may retain or sell the unused supplies which are new, have never been used or opened. The aggregate value of supplies consists of all supply types, not just like-item supplies. (2 CFR 200.314)

The federal agency or pass-through entity is entitled to compensation in an amount calculated by multiplying the percentage of the federal agency's or pass-through entity's contribution towards the cost of the original purchase(s) by the current market value or proceeds from the sale. (2 CFR 200.314)

The school may retain $1,000 to cover expenses associated with the selling and handling of the equipment or supplies. (2 CFR 200.313, 200.314)

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

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

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

- Public auction and/or online sale – generally conducted by a licensed auctioneer.
- Salvage – scrap sold to local dealers.
- Negotiated sale – normally used when disposing of items of substantial value.
- Sealed bid – normally used for items of substantial value or unique qualities.
- Donation to charitable organizations, for equipment or supplies with little to no value.
- Disposition to trash for equipment or supplies with no value.

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

Monitoring Program Performance

The school will monitor activities of federally-funded programs to assure compliance with appliable laws, regulations, and federal requirements, and to ensure that performance expectations and cost-effective practices are being achieved.

Data on compliance and program performance shall be provided in the form, and at the time intervals required by the state and federal law or the federal awarding agency.

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