

State and Federal Grant Policies and Procedures Manual

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

Effective July 1, 2025

Revised July 2026

Copyright © 2021

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

State and Federal Grant Policies and Procedures Manual

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

Table of Contents

Introduction

- Purpose
- Effective Date
- Monitoring for Compliance and Consequences for Non-compliance
- Definitions
- Education Department General Administrative Regulations (EDGAR)
- Organization of District

I. Federal Grant Application Process

- TEA Grants
- Other Federal Grants

II. Financial Management System

- A. Overview
- B. Financial Management Standards
- C. Budgeting Grant Funds
  - Budgeting - The Planning Phase: Meetings and Discussions
  - Negotiating the Submitted Application
  - After Receiving the Approved Application and NOGA/GAN
  - Amending the Application

Copyright © 2021

D. Timely Obligation of Funds

When Obligations are Made

Period of Availability of Federal Funds

Liquidation of Financial Obligations

Carryover

E. Accounting Records

Documentation Associated With Using District Credit Cards/Pro-Cards

F. Expending Grant Funds

Direct and Indirect Costs

Indirect Cost Rate

Determining Allowability of Costs

Factors Affecting Allowability of Costs

Requesting Prior Written Approval

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

Other Considerations for Allowability

Costs That Require Special Attention include pre-award language here

Travel

Advertising and Public Relations Costs

Hosting Meetings and Conferences

Entertainment Costs and Field Trips

Use of Federal Funds for Religion Prohibited

Use of Federal Funds for Construction or Major Remodeling and Renovation

Use of Federal Funds Benefiting Students and Teachers in Private Schools

G. Reporting Expenditures

TEA Grants

Refunds Due to TEA

Grants from Other Awarding Agencies

H. Federal Cash Management Policy/Procedures

Advance Method

Interest Earned on Advances

Remitting Interest

Excess Cash on Hand

Copyright © 2021

Reimbursement Method

Noncompliance with Cash Management Requirements

I. Program Income

Definition

Use of Program Income

Reporting Program Income

Earning Program Income after the Grant Period

III. Procurement System

A. Conflict of Interest Requirements

Standards of Conduct

Organizational Conflicts

Disciplinary Actions

Mandatory Disclosure

B. Full and Open Competition

Geographical Preferences Prohibited

Domestic Preferences for Procurement

Prohibition on Certain Telecommunications Companies

Never Contract with the Enemy

Contracting with Small and Minority Businesses

Prequalified Lists

Solicitation Language

C. Federal Procurement System Standards

Avoiding Acquisition of Unnecessary or Duplicative Items

Use of Intergovernmental Agreements

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

Awarding Contracts to Responsible Contractors

Contract Provisions

Maintenance of Procurement Records

Time-and-Materials Contracts

Settlements of Issues Arising Out of Procurements

Protest Procedures to Resolve Disputes

D. Responsibility for Purchasing

Copyright © 2021

E. Purchase Methods When Using Federal Funds 75

State Requirement Related to Purchasing Methods

Micro-Purchases (Purchases up to $49,999)

Simplified Acquisition Procedures (Purchases between $50,000 and $349,999 in the Aggregate)

Competitive Procurement ($100,000 or more TEC 44.031(a))

Professional and Consulting Services

Allowable Professional Service Costs

Noncompetitive Procurement

Cost/Price Analysis for Federal Procurements in Excess of $350,000

F. Purchase Cards (District-Issued Credit Cards/Pro Cards)

G. Contract Administration

Documentation for Contracts

Payment Only After Services Are Performed

Verification of Receipt of Goods and Services Provided by Contractors

Prompt Payment to Vendors/Contractors

H. Submission of Procurement System

IV. Property Management Systems

A. Property Classifications

B. Inventory Procedure

C. Inventory Records

D. Physical Inventory

E. Equipment Insurance and Maintenance of Equipment

F. Lost or Stolen Items

G. Use of Equipment

H. Disposal of Equipment and Supplies

Equipment

Supplies

V. Written Compensation Policies

Allowable Compensation

Reasonable Compensation

Professional Activities Outside the District

Job Descriptions

Copyright © 2021

A. Documentation of Personnel Expenses

Standards for Documentation of Personnel Expenses

Time and Effort Procedures

Reconciliation and Closeout Procedures

Employee Exits

VI. Human Resources Policies

VII. Record Keeping

A. Record Retention

B. Records That Must Be Maintained

C. Collection and Transmission of Records

D. Access to Records

E. Privacy

VIII. Monitoring

A. Self-Monitoring

B. TEA Monitoring

Risk Assessment

Special Conditions

Identification as a High-Risk Grantee

Monitoring

Remedies for Noncompliance

C. Subrecipient Monitoring

IX. Audits

A. Annual Independent Audit

B. Single Audit

Who Is Required to Have a Single Audit?

What Happens During a Single Audit?

C. Audits and Special Investigations Conducted by TEA or By Another Regulatory Agency

District Procedures for Reporting Fraud, Waste, or Abuse

X. Programmatic Fiscal Requirements

A. Supplement, Not Supplant

What Does Supplement, Not Supplant Mean?

Rebutting the Presumption of Supplanting

Copyright © 2021

Supplement, Not Supplant Under Title I, Part A of the ESEA

How to Document Compliance for an Auditor

Procedures for Complying with Supplement, Not Supplant

B. Maintenance of Effort (MOE)

Expenditures Included in the Determination of MOE

Expenditures Excluded from the Determination of MOE

"Preceding Fiscal Year" Defined

Failure to Meet MOE

Procedures for Complying with MOE

XI. Programmatic Requirements

A. Private Nonprofit School Participation

B. Equitable Access and Participation

C. Civil Rights and Prohibition of Discrimination

Prohibition of Discrimination on the Basis of Race, Color, or National Origin

Prohibition of Discrimination on the Basis of Sex

Prohibition of Discrimination on the Basis of Age

Prohibition of Discrimination on the Basis of Disability

Section 504

Title II of ADA

Enforcement of Section 504 and Title II of ADA

Prohibition of Discrimination of Groups Affiliated with Boy Scouts of America

School Prayer

D. Program Reporting

XII. Emergency Policies and Procedures

XIII. Legal Authorities and Helpful Resources

Copyright © 2021

Introduction

Purpose

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

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

Effective Date

The Uniform Guidance (2 CFR Part 200), incorporated into EDGAR, went into effect on December 26, 2014, applying to federal education programs no later than July 1, 2015. The Uniform Guidance and EDGAR were revised in 2024 and all federal awards after that date are subject to the new rules. These policies and procedures reflect those updates.

Monitoring for Compliance and Consequences for Non-compliance

The District is responsible for complying with all the U.S. Constitution, Federal statutes, regulations, and the terms and conditions of federal awards (2 CFR 200.303(b)). Compliance with these policies and procedures is monitored by the District and TEA. Failure of a district employee to comply with any of these requirements may result in disciplinary action, up to and including termination.

Copyright © 2021

Definitions

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

Two terms used frequently in 34 CFR Part 75 and 76 are "state-administered grants" and "direct grants." "*State-administered grants*" are those grants that pass through a state agency (i.e., a *pass-through agency*) such as TEA. The majority of grants the District receives are state-administered grants. Both TEA and the subgrantees must comply with the requirements in 34 CFR Part 76 in addition to the requirements in 2 CFR Part 200.

"*Direct grants*" are those grants that do *not* pass through another agency such as TEA and are awarded directly by the federal awarding agency to the grantee organization. These are usually discretionary grants that are awarded by USDE or by another federal awarding agency. In many instances, TEA may apply for a direct grant from the USDE on a competitive basis and then award subgrants. Or the District may apply directly from the USDE for a competitive grant. In either case, these grants are "*direct grants,*" and the District must comply with the requirements in 34 CFR Part 75 in addition to the requirements in 2 CFR Part 200.

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

The federal provisions contained and referenced in this document apply to all recipients and subrecipients receiving and expending federal funds. A *recipient* is "an entity, usually but not limited to non-Federal entities that receives a Federal award directly from a Federal awarding agency" and a *subrecipient* is "an entity, usually but not limited to non-Federal entities, that receives a subaward from a pass-through entity to carry out part of a Federal award; but does not include an individual that is a beneficiary of such award." (2 CFR 200.1). The terms *recipients* and *grantees* are used interchangeably throughout this manual, as well as *subrecipient* and *subgrantee.*

Education Department General Administrative Regulations (EDGAR)

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

Copyright © 2021

EDGAR	Applicability
34 CFR Part 75 – Direct Grant Programs	Applies to grants awarded directly to the District by the USDE or by another federal awarding agency; also applies to subgrants awarded by TEA for a competitive grant that TEA applied for and received
34 CFR Part 76 – State-Administered Programs	Applies to all formula grants administered by TEA and to all grants allocated to TEA based on a formula
34 CFR Part 77– Definitions that Apply to Department Regulations	Applies to all federal education grants
34 CFR Part 81 – General Education Provisions Act (GEPA) – Enforcement	Applies to all federal education grants
34 CFR Part 82 – New Restrictions on Lobbying	All federal grants (government-wide)
34 CFR Part 84 – Government-wide Requirements for Drug-Free Workplace	Applies to all entities that receive grants directly from the USDE or from any other federal agency. It does not apply to LEAs that only receive funds through TEA or another pass-through agency.
34 CFR Part 86 – Drug and Alcohol Abuse Prevention	Applies to IHEs (i.e., colleges and universities) receiving federal funds directly from the USDE or any other federal agency
34 CFR Part 97 – Protection of Human Subjects	Applies to all research involving human subjects conducted, supported, or otherwise subject to regulation by the USDE or any other federal department or agency that makes it applicable. There are exemptions for certain educational activities.
34 CFR Part 98 – Student Rights in Research, Experimental Programs, and Testing	Applies to all federal education grants unless specifically exempted in the regulations
34 CFR Part 99 – Family Educational Rights and Privacy	Applies to all entities receiving federal education funds
2 CFR Part 200 – Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards	Applies to all new federal grants awarded as of December 26, 2014

Copyright © 2021

2 CFR Part 3474 – Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (adopts 2 CFR Part 200 in its entirety with two minor exceptions)	Applies to all federal education grants awarded as of December 26, 2014
2 CFR Part 3485 – Nonprocurement Debarment and Suspension	Applies to all entities that receive federal grants, subgrants, and subcontracts (government-wide)

Organization of District

The District is organized into the following departments and divisions:

See the Appendix 1 for the current organizational chart for Cedar Hill Independent School District (CHISD).

CHISD is organized to focus on the community as the primary customer and an invaluable source of information for a continuous process of needs assessment and improvements. The School Board and the Superintendent then share information for planning and implementing effective programming.

The first line of responsibility for federal or state grants begins with Business Services in conjunction with the Teaching and Learning Department. These departments are responsible for new grant applications and continuing federal and state programs, as well as budgeting. Further program development and implementation of supplemental grant programs may also include Career Technical Education, Special Education, Counseling, Innovation/Finance and the Testing and Accountability departments to ensure effective strategies and proper implementation of grant-funded programs.

I. Federal Grant Application Process

TEA Grants

The majority of federal grants the District applies for and receives are *formula* grants administered by TEA (i.e., state-administered grants). The District may also apply for and receive *discretionary* grants from TEA or directly from the USDE or another federal awarding agency (i.e., direct grants). The policies and procedures outlined in this document apply to all federal formula and discretionary grants, regardless of the awarding agency. Federal agencies

Copyright © 2021

impose requirements or conditions that are not addressed herein and that may result in the need to create additional policies and/or procedures to comply with those requirements.

Refer to TEA's Grant Process for a description of their process for administering state and federal formula and discretionary grants. Also refer to TEA's description of Applying for a Grant for information on allocations, notices of grant funding opportunities, and the competitive review process.

Request for Application (RFA)

TEA publishes a *Request for Application* (RFA) for each grant (formula and discretionary) and posts all grants on the TEA Grant Opportunities page (eGrants). Some grants are available only in eGrants, while others are available only in paper or email format. Applicants for eGrants must be approved for access to TEA Login (TEAL) before applying for an eGrant. Each District staff member who wishes to access the application must ensure they are approved for access to eGrants in sufficient time to allow timely access to the electronic application.

The process an applicant must follow to apply for funds is different for eGrants than for paper applications. Applicants can find detailed information about individual grants by selecting a grant from the **Application Name** dropdown list on the TEA Grant Opportunities page. For each individual grant available, the following information is displayed:

- **Program Information:** Briefly describes the program purpose and lists eligibility criteria
- **Eligibility:** Describes organizations that are eligible to apply for the grant
- **Statutory Authority:** Cites the legislation that authorizes the grant
- **Funding Information:** Provides the start and ending date of the grant, whether it is state or federal, and the total amount that will be awarded
- **Application and Support Information:** Lists links to components of the RFA such as the General and Fiscal Guidelines, Program Guidelines, Application, and any other pertinent grant materials, such as the announcement letter and any issued errata notices
- **Critical Events:** Lists all deadlines associated with the grant, including the application due date, amendment due date, and fiscal and programmatic reporting due dates
- **Contact Information:** Lists the TEA program and fiscal contacts. The TEA Program Contact can provide information about eligibility, program purpose or description, or allowable uses of funds. The TEA Funding Contact can answer questions about the grant application, including allocation and amendment questions.

Each RFA published by TEA includes the *General and Fiscal Guidelines* that apply to all federal and state grants, the *Program Guidelines* (that apply to a specific grant program), and the *General Provisions and Assurances* that apply to all grants administered by TEA. District employees who manage the program or fiscal aspects of any TEA grant should consult the *General and Fiscal Guidelines* regularly and frequently, as they may change or be updated periodically.

Copyright © 2021

All employees who deal with federal grants must also carefully review and be familiar with all *Provisions and Assurances*, as applicable:

- *General Provisions and Assurances*: Required for every TEA grant agreement
- *Debarment and Suspension*: Required for all federal grants, regardless of dollar amount and for contracts over $25,000
- *Lobbying Certification*: Required for all contracts greater than $100,000
- Every Student Succeeds Act: Required for all programs funded under the Elementary and Secondary Education Act of 1965, as amended by Public Law 114-95, Every Student Succeeds Act

The RFA also includes the grant application (i.e., Standard Application System, or SAS) and the instructions for completing the SAS schedules (i.e., forms). Program managers preparing grant applications should carefully review all contents of the RFA package *prior to planning and developing a grant application* to ensure all requirements are met and the application is completed correctly. Some applications require advance coordination among district staff and/or among other entities such as local businesses, community organizations, or institutions of higher education (IHEs, i.e., colleges and universities).

Submitting Complete Applications on Time

It is equally important that federal grant applications be prepared and submitted *on time*. For formula grants administered by TEA that usually begin July 1, the District cannot obligate funds and begin grant activities until the District submits the application to TEA in *substantially approvable form.* In order to prevent unnecessary delays in program implementation and the provision of services to scholars, it is the policy of the District that all formula grant applications will be submitted as soon as possible but no later than July 1 unless a later grant beginning date is published by TEA. TEA will process the applications in the order received.

For *competitive discretionary grants*, it is the policy of the District that those applications be submitted in sufficient time for TEA to *receive* the application by the established deadline date and time specified in the competitive RFA. Failure of TEA to *receive* the application by the specified deadline date and time will render the application ineligible for consideration for review and scoring and for funding. In addition, all required forms must be completed in accordance with the instructions in the RFA in order to be eligible for consideration for funding. The program manager assigned to the grant is responsible for ensuring the application is completed accurately and submitted on time to TEA.

Authorized Official

The person signing/certifying the application must be an authorized official of the District (usually the Superintendent) who will represent the District in the event of a legal dispute. The Superintendent or Chief Financial Officer or designee, is the authorized official for this District.

Copyright © 2021

By signing/certifying the application, the authorized official is certifying that he or she will comply with the terms and conditions of the grant, all applicable provisions and assurances, and the approved application. The signed/certified application submitted to TEA, and the Notice of Grant Award (NOGA) issued by TEA, together constitute a legally binding contractual agreement between the District and TEA. Campus principals do not have the authority to submit a grant application.

District program staff, fiscal staff, and management personnel are responsible for knowing all requirements and complying with them. It is the policy of the District that the grant program described in the application is carried out in compliance with applicable statutes, regulations, rules, and guidelines, and in accordance with the approved application to achieve maximum efficiency and effectiveness with the goal of providing an integrated, coordinated delivery of services for scholars. Grant funds will be obligated, expended, and accounted for in an environment based on ethical principles and sound business practices.

The District program manager assigned to the specific grant program is responsible and held accountable for knowing the program requirements, fiscal requirements, and reporting requirements. In addition to the policies and procedures outlined in this manual, the program manager may be required to develop additional policies and procedures in order to comply with the specific requirements that may apply to a particular grant program. Any such additional policies and procedures must be used in conjunction with the policies and procedures outlined in this manual.

TEA monitors federal grants for compliance with fiscal and program requirements. In addition, the District's independent auditor is required to determine compliance with certain requirements during the annual independent audit. Failure to comply with applicable statutes, regulations, rules, and guidelines or to implement the grant program in accordance with the approved application could result in the District being identified as a high-risk grantee and having corrective actions or additional sanctions imposed by TEA or other awarding agency; the repayment of federal dollars as a result of monitoring or audit findings; or termination of the grant. Refer to TEA's Corrective Actions Related to Federal Grants for more information related to potential actions for noncompliance.

Other Federal Grants

The assigned program manager is responsible for monitoring grant opportunities that may be available from agencies other than TEA. Approval from the Superintendent's Cabinet (Chief Academic Officer and Chief Financial Officer) to pursue the grant opportunity must be obtained in advance of completing and submitting the application. An authorized official of the District (as previously described) must sign/certify the application prior to submission.

Copyright © 2021

Opportunities for other federal grants passed through other state agencies might be published in the *Texas Register* in the "IN ADDITION" section. Opportunities for federal grants available directly from the USDE or from another federal awarding agency are published in www.grants.gov.

II. Financial Management System

A. Overview

Federal regulations require grantees to use fiscal control and fund accounting procedures that insure proper disbursement of and accounting for federal funds (34 CFR 76.702 and 2 CFR 200.302). Implementing and maintaining a proper accounting system is a fiduciary responsibility associated with receiving a federal award. The acceptance of an award creates a legal duty on the part of the District to use the funds or property made available under the award in accordance with the terms and conditions of the grant. The approved grant application itself constitutes an accounting document in that it establishes the purpose and amount of TEA's obligation to the subgrantee. In turn, it establishes a commitment by the District to perform and expend funds in accordance with the approved grant agreement and the applicable laws, regulations, rules, and guidelines. (2 CFR § 200.303(b)).

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

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

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

Texas Law and Rule

TEC, Section 44.007 requires the State Board of Education (SBOE) to establish a mandatory fiscal accounting system with which all school districts, ESCs, and open-enrollment charter

Copyright © 2021

schools in Texas must comply. TEC further requires each school district and open-enrollment charter school to adopt and install a standard accounting system that conforms with generally accepted accounting principles (GAAP) and that meets the minimum requirements prescribed by the commissioner of education. It also requires these entities to maintain records of all revenues and expenditures.

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

FASRG currently consists of the following 6 modules:

- Module 1 – Financial Accounting and Reporting (FAR) (PDF, 2,518 KB) and FAR Appendices (PDF, 7,241 KB)
- Module 2 – Special Supplement - Charter Schools (PDF, 1,556 KB)
- Module 3 – Special Supplement - Nonprofit Charter School Chart of Accounts (PDF, 3,398 KB)
- Module 4 – Auditing (PDF, 2,376 KB)
- Module 5 – Purchasing (PDF, 1,401 KB)
- Module 6 – State Compensatory Education, Guidelines, Financial Treatment, and an Auditing and Reporting System (PDF, 917 KB)

B. Financial Management Standards

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

- the preparation of reports required by general and program-specific terms and conditions; and
- the tracing of funds to a level of expenditures adequate to establish that funds have been used according to the federal statutes, regulations, and the terms and conditions of the federal award.

Copyright © 2021

The District complies with the required federal standards for financial management systems by complying with the minimum budgeting, accounting, auditing, and reporting requirements established in TEA's Financial Accounting and Reporting (FAR) (PDF, 2,518 KB) *Module 1* of the FASRG. Based on generally accepted accounting principles, FAR Appendices (PDF, 7,241 KB) details a mandatory account code structure which all school districts, ESCs, and open-enrollment charter schools must use in accounting for all funds received and expended, including state and local funds and federal grant funds.

FAR Appendices (PDF, 7,241 KB) establishes uniformity in governmental accounting and specifies a *mandatory* account code structure consisting of a minimum of 15 digits, plus 5 digits used at local option (for a total of 20 possible digits). For each accounting transaction, the minimum 15-digit account code structure consists of a *fund code, function code, object code, organization code, fiscal year code, and program intent code*, each serving a different purpose in designating the use of funds, campus served, and student population served.

The mandatory account code structure begins with a 3-digit fund code, which designates the funding source, e.g., the general fund, food service fund, a specific grant (referred to as a *special revenue code*), etc. A different 3-digit fund code is provided for fiscal agents of a shared services arrangement (SSA).

Each accounting transaction recorded in the general ledger must begin with the 3-digit fund code (*net asset code* for nonprofit open-enrollment charter schools). For example, the 3-digit fund code for Title I, Part A is 211. The budget and all revenues and expenditures for Title I, Part A must be recorded in the accounting records using this specific fund code.

Additionally, 34 CFR § 76.760(b) authorizes grantees to use more than one program to support an activity if the grantee has an accounting system that permits the identification of costs paid for under each program. The fund accounting system in FAR accommodates this requirement.

Identification of All Federal Awards

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

Copyright © 2021

The Finance Coordinator is responsible for ensuring the required information and planned budget is submitted to the Director of Finance to be entered into the general ledger upon receipt of TEA's NOGA and/or submission of the application. A summary report is then forwarded to the appropriate Program Manager for review.

Financial Reporting

Accountability is the paramount objective of financial reporting. Accurate, current, and complete disclosure of the financial results of each federal award or program is made in accordance with the financial reporting requirements set forth in 2 CFR §§ 200.328 - .329 and in EDGAR. The District collects and reports financial information with the frequency required in the terms and conditions of the award and monitors its activities under federal awards to assure compliance with applicable federal requirements.

Financial reports are generated monthly and reviewed for anomalies, inconsistencies, or errors. The Finance Coordinator is responsible for generating the reports. The software program used to generate reports is Skyward.

Accounting Records

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

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

The District uses the minimum 15-digit account code structure mandated in FAR to record all revenues, encumbrances, and expenditures. The District uses the state account code structure mandated in the Financial Accounting and Reporting (FAR) module to record all revenues, encumbrances, and expenditures. The Finance Coordinator is responsible for ensuring the District uses the appropriate FASRG account code structure to record all grant related accounting transactions. The accounting entries are reviewed on a monthly basis to ensure the accuracy of fund accounting.

Copyright © 2021

Internal Controls

Effective control and accountability must be established and maintained for all funds, property, and assets. The District must safeguard all assets and ensure they are used solely for authorized purposes.

Internal controls are tools (i.e., policies, procedures, best practices, and activities) to help program and financial managers achieve results and safeguard the integrity of their program. The District's internal controls are in alignment with guidance in the *Standards for Internal Control in the Federal Government* (the Green Book) issued by the Comptroller General of the United States and the *Internal Control Integrated Framework*, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and are designed to provide *effective and efficient operations* based on demonstration of the follow principles:

- A commitment to integrity and ethical values
- Independent oversight over the development and performance of internal controls
- Clearly defined organizational structure, clear reporting lines, and appropriate authorities
- A commitment to attract, develop, and retain competent individuals, and
- Maintaining a level of competence that allows personnel to accomplish their assigned duties and holding individuals accountable

In accordance with 2 CFR § 200.1, "internal controls" means a process implemented by the District to provide reasonable assurance regarding the achievement of objectives in the following categories:

(a) Effectiveness and efficiency of operations
(b) Reliability of reporting for internal and external use, and
(c) Compliance with applicable laws and regulations

To accomplish these objectives, the District:

- develops and maintains policies, procedures, and effective practices to ensure federal funds are properly administered and spent and federal property is safeguarded against loss and from unauthorized use or disposition. The District also ensures all employees who deal with federal funds are aware of the policies and procedures and are properly trained in the use of them. On an annual basis the employees of Business Services shall review the internal control procedures and related policies and update the procedures and policies as appropriate. If any weakness in an internal control is detected, the internal control procedures shall be revised to incorporate the weakness(es) at either the annual review or as the need arises dependent upon the severity (materiality) of the weakness. As part of the review process, any training will be conducted. A copy of the district's Internal Control Procedures is embedded with this manual and available from Business

Copyright © 2021

Services. The Chief Financial Officer shall be responsible for the annual review and update of the Internal Control Procedures.

- ensures employees comply by regularly and frequently evaluating and monitoring their compliance with the policies and procedures, statutes, regulations, and the terms and conditions of the award. At the District level, managing State, Federal, and Local grants will be a collaborative process between Teaching and Learning, Special Revenue, Business Services, Human Resources, and other departments as necessary. Each respective department will be responsible for their duties and responsibilities as they relate to the management of state, federal, and local grants. The duties of key stakeholders are listed below in general terms. Additionally, specific duties and responsibilities may be listed within an area of compliance in this Manual. In an effort to ensure compliance of fiscal policies and procedures, Business Services shall conduct annual training for campus and department administrative and support staff, as appropriate. Critical training areas shall include, but not be limited to:

    - Financial Procedures
    - Budget Development Process
    - Cash Management
    - State and Federal Grants Management
    - Activity Account Management

- takes prompt action when instances of noncompliance are identified, including noncompliance identified in audit findings, and taking the appropriate disciplinary action for employees who do not comply, and
- takes reasonable cybersecurity and other measures to safeguard information including protected personally identifiable information (PII) and other information designated as sensitive consistent with applicable federal, state, and local laws regarding privacy and obligations of confidentiality. 2 CFR § 200.303. All District staff shall take compliance training on an annual basis. Additional training related to cybersecurity and other measures to safeguard information including protected personally identifiable information (PII) and other types of information are conducted on an as needed basis. This also includes information the Federal agency or pass-through entity designates as sensitive or other information the recipient or subrecipient considers sensitive and is consistent with applicable Federal, State, local, and tribal laws regarding privacy and responsibility over confidentiality.

According to the Handbook, the District must have an effective system of internal controls in place to prevent, detect and reduce the risks of fraud, waste and abuse of federal grant awards. In order to be in compliance, the District shall complete a review of the internal controls process on at least a yearly basis and update as appropriate to self-certify that the internal controls system is

Copyright © 2021

efficient and effective. If deficiencies are noted, Business Services shall develop a Corrective Action Plan to remedy the deficiencies, as appropriate.

Budget Control

The budget for each federal award is recorded in the general ledger in accordance with FAR using the designated 3-digit fund code. Obligations/encumbrances and expenditures are also recorded in the general ledger for each federal award. On a regular basis, the District compares actual *expenditures* or outlays with *budgeted* amounts for each federal award. The Finance Coordinator is responsible for ensuring the required information and planned budget is submitted to the Director of Finance to be entered into the general ledger upon receipt of TEA's NOGA and/or submission of the application. Not less than monthly, the Finance Coordinator uses reports in the Skyward Software system to compare the budget for each grant to expenditures.

During the approval process of purchase orders the Finance Coordinator verifies the budget. If the budgets exceeds any maximum allowable budget variation, the Finance Coordinator contacts the Program Manager for corrections or explanation.

Cash Management

The District maintains written procedures to implement the cash management requirements found in 2 CFR § 200.305 and in EDGAR.

Please see *II. Financial Management System, G. Federal Cash Management Policy/Procedures* of this document for these written cash management procedures.

Allowable Costs

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

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

Copyright © 2021

C. Budgeting Grant Funds

Budgeting - The Planning Phase: Meetings and Discussions

Before Developing the Grant Budget and Submitting the Application: The grant budget must be based on the proposed activities planned and described in the grant application. Prior to developing the budget, the program manager must know the intent of the federal program and the activities that are allowable to be conducted with grant funds. The program manager must coordinate with other District staff as appropriate to conduct the appropriate needs analysis using the appropriate data to determine the goals and objectives for the program and the activities that will be implemented to accomplish the goals and objectives. Once the goals, objectives, strategies, and activities are outlined, then the budget used to carry out the identified strategies and activities should be developed.

Reviewing and Approving the Budget Prior to Submitting the Application: Prior to completing the application, the program manager coordinates with the Finance coordinator in preparing the budget to ensure budgeted items are categorized according to the proper class/object code. This detailed budget, which serves as the guide for expenditures is used to complete the application. In most instances, particularly for formula grants, the budget entered into the grant application will not be as detailed. The detailed budget is to be modified or revised as necessary to accommodate changes, which may result in an amendment to the application prior to incurring certain expenditures.

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

By June, the Program Manager works collaboratively with Business Services to review the items in the proposed budget to ensure budgeted items are listed in the correct class/object code according to FAR and the District's classification chart and to ensure the items are allowable. The budget is also reviewed to ensure that any costs requiring specific or prior approval are specifically identified and listed. See *II. Financial Management System, E. Expending Grant Funds*, for a discussion on performing allowability determinations. If the Finance Coordinator determines that a cost is not allowable, then the relevant staff member is notified to make a change.

Once the Finance Coordinator and program managers determine that all planned items are allowable and are budgeted in the proper class/object code according to FAR, the Finance

Copyright © 2021

Coordinator then enters the final budget into the appropriate budget schedules of the grant application.

Negotiating the Submitted Application

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

After Receiving the Approved Application and NOGA/GAN

After submitting the approved application and/or receiving the NOGA/GAN from the awarding agency, a complete copy of the application and NOGA/GAN will be provided to the responsible Program Manager/Director. The Finance Coordinator is responsible for providing copies to appropriate staff members.

The following steps are taken to ensure the District is prepared to implement the grant on the beginning date of the grant to maximize the effectiveness of the grant. The steps/practices the district uses to ensure the grant will be implemented in a timely manner and to maximize benefits for the intended population include: establishing the roles and responsibilities of key staff members; ensuring systems and processes are established and in place to accommodate the various activities that must occur simultaneously; ensuring quality personnel are hired and trained to implement the grant program; ensuring practices and procedures are in place for program manager and business services personnel to regularly and frequently report to management; coordinating with other federal and state grant programs to maximize effectiveness and efficiency of grant services and expenditures; ordering supplies and equipment needed to implement the grant; monitoring program activities to ensure they are being conducted in accordance with the approved application and requirements; monitoring the approved budget closely to determine when and if an amendment is required; preparing and submitting the required program reports and expenditure reports, etc.

Amending the Application

The District consults and complies with the guidelines and procedures provided by TEA or other awarding agency as it pertains to when and how to submit an amendment to an approved application. TEA publishes its requirements for when to amend the application online. Specific

Copyright © 2021

deadlines for submitting amendments are published in the corresponding RFA and/or in the *Critical Events* calendar on the TEA Grant Opportunities Page for the specific grant program. Procedures are in place to ensure the District does not exceed any maximum allowable variation in the budget.

Monitoring and Amending the Budget: The Program Managers work with the Finance Coordinator to monitor the budget and expenditures to determine when and if an amendment or Transfer is required. Once it is determined that a budget amendment or Transfer is necessary, the request is submitted to the Finance Coordinator (usually via email) to be entered into the financial software. The Finance Coordinator, is responsible for ensuring that any maximum allowable budget variation is not exceeded prior to entering the amendment.

Monitoring and Amending the Program Description: The Program Manager over each specific Federal Grant is responsible for monitoring program activities against the approved application and to identify changes that may be needed to the program description in the application. If an amendment is deemed necessary, the Program Manager is responsible for preparing documentation and submitting the revision request to the Finance Coordinator who will electronically submit to the governing authority. The Finance Coordinator is responsible for reviewing and approving amendments to the program description and for finalizing any program adjustments. The Program Manager in cooperation with the Finance Coordinator are responsible for creating and maintaining the proper documentation as required by TEA and/or other governing entities.

D. Timely Obligation of Funds

When Obligations are Made

"Financial Obligations," means orders placed for property and services, contracts and subawards made, and similar transactions that require payment under a federal award that will result in expenditures by a recipient or subrecipient under a federal award. 2 CFR § 200.1 (*Financial obligations*).

(This does *not* mean obligations for which goods and services will be delivered in a future *budget* period.) Essentially, a financial obligation is a *commitment to pay*.

All financial obligations for all goods and services must occur during the approved budget period or the time interval from the start date of a funded portion of an award to the end date of that funded portion (i.e., between the beginning and ending dates as stated on the NOGA) 2 CFR § 200.403(h). Then, in order to be an allowable cost, those goods and services must be delivered

Copyright © 2021

during the grant period in sufficient time to provide substantial benefit to the grant to be considered *necessary* to carry out the objectives of the grant. 2 CFR § 200.404(a).

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

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

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

34 CFR § 75.707; 34 CFR § 76.707.

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

Encumbrances represent commitments (i.e., obligations) related to contracts not yet performed (executory contracts), and are used to control expenditures for the year and to enhance cash management. A school district often issues purchase orders or signs contracts for the purchase of goods and services to be received during the grant period. At the time these commitments or

Copyright © 2021

obligations are made, which in its simplest form means that when a purchase order is prepared, the appropriate account is checked for available funds. If an adequate balance exists, the amount of the order is immediately charged to the account to reduce the available balance for control purposes. The encumbrance account does not represent an expenditure for the period, only a commitment to expend resources.

Period of Availability of Federal Funds

All financial obligations must occur on or between the beginning and ending dates of the grant project. This time between the start and end date of a federal award is known as the *period of performance*. 2 CFR § 200.1. The *period of performance* consists of either one, or many, funded portions or budget periods during which the District is authorized to spend award funds. For a cost to be allowable, it must be incurred in the appropriate budget period. 2 CFR § 200.403(h). The period of performance and budget period are indicated on TEA's NOGA or other awarding agency's GAN. Further, certain grants have specific requirements for carryover funds that must be adhered to.

TEA Grants: As a general rule, state-administered federal funds are available for obligation within the year for which Congress appropriates the funds. However, given the unique nature of educational institutions, for many federal education grants, the period of availability is 27 months. Federal education grant funds are typically awarded on July 1 of each year. While the District will always plan to spend all current grant funds within the year for which the grant was appropriated, 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, 2021 would remain available for obligation through September 30, 2023.

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

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

Copyright © 2021

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

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

Liquidation of Financial Obligations

The District must *liquidate* (i.e., make the final payment because the goods or services were received during the grant period, or *cancel* the obligation because the goods or services were *not* received during the grant period) all financial obligations incurred under the award in accordance with the requirements of TEA or other awarding agency. For TEA formula grants, this is usually within 30 calendar days after the ending date of the formula grant to coincide with the submission of the final expenditure report to TEA. For *direct* grants from USED, this may be not later than 90 days after the end of the period of performance (or an earlier date as agreed upon) unless an extension is authorized. 2 CFR § 200.344(c).

Any funds not obligated within the period of performance or not liquidated within the appropriate time frame are said to *lapse* and must be returned to the awarding agency. 2 CFR § 200.344(e). Lapsing of funds is usually considered by TEA to be an indicator of poor planning and may cause the District to be identified as high risk. Consequently, the District closely monitors grant spending throughout the grant cycle.

The Finance Coordinator is responsible for ensuring that the final draw-down of grant funds from the granting agency shall be made within the allowable timeframe. The final draw down process shall be the same as the quarterly or periodic draw down. All adjustments to the general ledger shall be recorded in the general ledger prior to submitting the final draw down request. The final draw-down shall be reviewed and approved in the same manner as the quarterly/periodic draw-down. There should not be any outstanding purchase orders or other obligations at the time of the final draw-down. The district shall refund any balances paid that are not authorized to be retained by the district for use in other projects.

The district's purchasing deadlines have been established to facilitate the purchase of all goods and services within the fiscal year and/or grant period. The purchasing deadline for non-federally funded purchases is in late March of each year. The purchasing deadline for federally funded purchases will be in mid May, unless the deadline is adjusted to fall within the grant's period of performance. At a minimum, the purchasing deadlines for federally funded

Copyright © 2021

purchases shall end approximately one (1) month prior to the end of the grant period to ensure receipt and use of the goods and services for the intended grant activities.

Carryover

TEA Grants: As previously described, the Tydings Amendment typically extends the period of availability for formula grants for an additional 12 months. Accordingly, the District may have multiple years of grant funds available under the same program at the same time.

Usually, TEA *discretionary* grants do not have a carryover period, as any unobligated and unexpended funds are carried over at the *state* level and are used to issue NOGAs for the subsequent funding period. TEA discretionary grantees must request to extend the ending date of the project/NOGA directly from TEA if such an extension is allowable pursuant to the guidelines related to a particular grant.

Direct Grants: Grantees receiving direct grants are not covered by the 12-month Tydings period. However, under 2 CFR § 200.308(g)(2), direct grantees enjoy unique authority to expand the period of availability of federal funds. Prior approval is not required if authorized in the terms and conditions of the Federal award to initiate a one-time extension ; however, in order to obtain this extension, the District must provide written notice to the federal awarding agency at least 10 calendar days before the end of the period of performance specified in the award. This one-time extension may not be exercised merely for the purpose of using unobligated balances. The federal agency may approve additional no-cost extensions.

The District will seek written prior approval for extensions from the federal agency when:

- 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(g)(2)

The final draw-down of grant funds from the granting agency shall be made within the allowable time frame. Unless the Federal awarding agency or pass-through entity authorizes an extension, a non-Federal entity must liquidate all obligations incurred under the Federal award not later than 90 calendar days after the end date of the period of performance as specified in the terms and conditions of the Federal award. The grant liquidation guidelines shall be adhered to in making final payment for all goods and services and placed into service before the end of the grant period.

TEA has developed procedures to request an extension for filing expenditure reports. The request form must be completed, signed by the Superintendent, and filed with TEA within 30 days of the final expenditure report deadline.

Copyright © 2021

E. Accounting Records

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

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

Transaction Documentation and Storage Procedures

Original Source Documentation

- Every financial transaction must be supported by **original source documentation**, which may include:
    - Purchase Orders (POs)
    - Vendor invoices
    - Receiving documentation
    - Contracts or agreements
    - Payment authorizations

Storage and Filing

- All documentation is maintained in the **Skyward financial system**, where it is electronically linked to the corresponding PO and transaction record.
- In addition to digital storage:
    - **Hard copies** of checks and supporting documentation are filed by the **Accounts Payable staff**.
    - These physical records are organized by fiscal year and month, and stored securely in **Business Services**.

Responsible Positions

- **Accounts Payable Clerk**: Ensures all documentation is collected, scanned, and filed in Skyward.
- **Purchasing Manager**: Verifies completeness of documentation before payment approval.

Copyright © 2021

- **Receiving Department Staff**: Provides receiving reports and confirms delivery of goods/services.

Exceptions and Missing Documentation Procedures

No Original Documentation

- If original documentation is missing:
    - The **Accounts Payable Manager or Specialist** contacts the vendor or campus/department to request a copy.
    - A **narrative is drafted and attached to the PO**, explaining the absence and listing efforts made to obtain the original.
    - The transaction is flagged for review by the **Purchasing Manager** before payment is processed.

Illegible Documentation

- If documentation is illegible:
    - A clear copy is requested from the vendor or originating department.
    - If unavailable, a **certified summary** of the document is prepared and attached, signed by the responsible staff member.

If electronic source documentation is maintained, the District ensures the documentation is easily retrievable and is readable in accordance with the requirements in 2 CFR § 200.334-.338. Refer to *Section VII. Record Keeping* of this manual for more information about these requirements.

Documentation Associated With Using District Credit Cards

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

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

Copyright © 2021

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

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

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

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

Rebates on Credit Cards: Per 2 CFR 200.406, any rebates on a district-issued credit card will be credited to the original funding source(s) for which the card is used to make purchases. The District may prorate rebates based on a percentage of the total amount of funds used from each funding source.

F. Expending Grant Funds

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

Direct and Indirect Costs

Determining Whether a Cost is Direct or Indirect

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

Copyright © 2021

Indirect costs are those that have been incurred for a common or joint purpose benefitting more than one *cost objective*, and not readily assignable to the *cost objectives* specifically benefited, without effort disproportionate to the results achieved. 2 CFR § 200.1. Generally, these costs cannot be directly assigned or allocated to one specific project because they support multiple projects. Consistent with the Uniform Guidance, these costs are sometimes classified as "facilities and administration" costs (F&A costs).

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

All costs charged to a federal grant are either direct or indirect costs. There is no universal rule for classifying certain costs as direct or indirect costs. A cost may be direct for some specific service or function but indirect for the federal award or other final cost objective. Therefore, it is essential that each item of cost incurred for the same purpose in like circumstances must be treated consistently as either a *direct* cost or *indirect* cost to avoid possible double charging of federal awards. 2 CFR § 200.412. Indirect costs usually support areas that benefit all activities of the District, such as Accounting, Budget, Human Resources, Purchasing, Building Maintenance, etc.

The association of costs with a federal award determines whether costs are direct or indirect. Costs charged directly to a federal award are typically incurred specifically for that federal award (including, for example, supplies needed to achieve the award's objectives and the proportion of employee compensation and fringe benefits expended in relation to that specific award). 2 CFR § 200.413(b).

The salaries of *administrative and clerical staff* should normally be treated as *indirect costs*. 2 CFR § 200.413(c). *Direct* charging of these costs may be appropriate only if *all* of the following conditions are met:

- Administrative or clerical services are integral to a project or activity.
- Individuals involved can be specifically identified with the project or activity.
- The costs are not also recovered as *indirect costs*.

Indirect Cost Rate

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

Copyright © 2021

Two indirect cost rates are approved by TEA and are used by the District. The *restricted* rate is used for federal grants containing the *supplement, not supplant* requirement (34 CFR §§ 76.563 and .564). The *unrestricted* rate may be used for federal grants that do *not* contain the supplement, not supplant requirement. The Director of Finance is responsible for extracting the required information to be included in the indirect cost rate/proposal and submitting it to TEA. The regulations permit a state educational agency to approve an indirect cost rate for longer than one year. TEA has approved the district's indirect cost rate for one year.

Applying the Indirect Cost Rate: The District must have a current, approved federal indirect cost rate to charge indirect costs to a federal grant. Once the District has an approved indirect cost rate, the percentage is multiplied against the *actual* direct costs (excluding distorting items specified by TEA or other awarding agency, such as the portion of each contract in excess of $50,000, subgrants, capital outlay, debt service, etc.) incurred under a particular grant to produce the dollar amount of indirect costs allowable to that award. 34 CFR § 75.564 - 34 CFR § 76.569. Once the District applies the approved rate, the funds that may be claimed for indirect costs have no federal accountability and may be used as if they were non-federal funds. For *Direct Grants*, reimbursement of indirect costs is subject to the availability of funds and statutory or administrative restrictions. 34 CFR § 75.564.

Indirect costs are part of *administrative* costs (vs. *program* costs). Where a federal program has a specific cap on the percentage of *administrative* costs that may be charged to a grant, that cap must include all *direct administrative* charges as well as any recovered *indirect* charges. If *administrative* costs are limited to 5%, for example, the total *direct* administrative costs plus *indirect* costs claimed for the grant cannot exceed 5%.

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

As part of the year-end grant closeout process and prior to finalizing expenditures and submitting the Final Expenditure Report to the Texas Education Agency (TEA), the District ensures that the final amount charged to indirect costs is calculated/adjusted based on actual, allowable expenditures incurred during the grant period. This process maintains compliance with applicable federal and state regulations and ensures fiscal accuracy.

Copyright © 2021

Process Overview:

1) **Review of Actual Expenditures**
   Upon the conclusion of the grant period and prior to submitting the Final Expenditure Report, the Finance Coordinator conducts a full reconciliation of all grant-related expenditures. This includes confirming that all costs are allowable, allocable, and supported by documentation.

2) **Indirect Cost Calculation**
   Indirect Cost is calculated using the current year's approved Indirect Cost Rate and submitted to the Finance Coordinator and CFO.

3) **FINAL Expenditure Report Submission**

After all adjustments and documentation are complete, the Director of Finance submits the Final Expenditure Report to TEA. The report is certified by the Finance Coordinator before the required deadline.

Determining Allowability of Costs

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

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

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

Copyright © 2021

Factors Affecting Allowability of Costs

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

✔ ***Necessary* and *Reasonable* for the performance of the federal award.**
Reasonable Costs: A cost is *reasonable* if it does not exceed an amount a prudent person would incur under the circumstances prevailing when the decision was made to incur the cost. "Reasonable" means that sound business practices were followed, and purchases were comparable to current market prices.

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

When determining reasonableness of a cost, consideration must be given to:

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

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

A key aspect in determining whether a cost is *necessary* is whether the district can demonstrate that the cost addresses an existing need and can prove it. For example, the

Copyright © 2021

district may deem a language skills software program necessary for a limited English proficiency program.

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

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

✔ **Allocable to the federal award.** A cost is *allocable* to the federal award if the goods or services involved are *chargeable* or *assignable* to the federal award *in accordance with the relative benefits received.* This means that the federal grant program derived a benefit in proportion to the funds charged to the program. 2 CFR § 200.405. For example, if 50% of a supplementary teacher's salary is paid with grant funds, then that teacher must spend at least 50% of his or her time on the grant program. Additionally, if equipment or supplies purchased with grant funds benefits more than one grant program, the purchase must be "split-funded" among the grant programs receiving benefit. The District must be able to demonstrate how a particular cost benefits the specific population being served in the grant. This is an area of frequent audit exceptions.

✔ **Consistent with policies and procedures** that apply uniformly to both federally-financed and other activities of the District. For example, personnel whose travel is paid with federal funds is reimbursed at the same rates as personnel whose travel is paid with state or local funds, and the grant is charged accordingly.

✔ **Conform to any limitations or exclusions set forth as cost principles** in 2 CFR Part 200, Subpart E, or in the terms and conditions of the federal award.

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

✔ **Adequately documented.** All expenditures must be properly documented with original source documentation that is clearly written and maintained on file (either electronically

Copyright © 2021

or on paper) with accounting records. Documentation includes purchase orders/requisitions, invoices, receipts, verification of receipt of goods and services, travel authorizations and vouchers, contracts, time-and-effort records, copies of checks, bank statements, etc. Expenditures that are not supported by source documentation cannot be charged to the grant.

- ✔ **Determined in accordance with generally accepted accounting principles (GAAP), unless provided otherwise in 2 CFR Part 200.**

- ✔ **Not included as a match or cost-share of another federal program**, unless the specific federal program authorizes federal costs to be treated as such. Some federal program statutes require the grantee to contribute a certain amount of non-federal resources to be eligible for the federal program.

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

- ✔ Administrative Closeout Costs. Administrative closeout costs may be incurred until the due date of the final report(s). If incurred, these costs must be liquidated prior to the due date of the final report(s) and charged to the final budget period of the award unless otherwise specified by the Federal agency. All other costs must be incurred during the approved budget period.

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

2 CFR Part 200's cost guidelines must be considered when federal grant funds are expended. Federal rules require state- and District-level requirements and policies regarding expenditures to be followed as well. For example, state and/or District policies relating to travel or equipment may be narrower or more restrictive than the federal rules. In this case, the stricter State and/or District policies must be followed.

Copyright © 2021

Requesting Prior Written Approval

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

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

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

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

2 CFR Part 200, Subpart E, examines the allowability of 56 specific cost items (commonly referred to as *Selected Items of Cost*) at 2 CFR §§ 200.420 -.476. These cost items are listed in the chart below along with the citation where it is discussed. Please do not assume that an item is allowable because it is specifically listed, as it may be *unallowable* despite its inclusion in the selected items of cost section, or it may be allowable only under certain conditions, including prior written approval.

The expenditure may be *unallowable* for a number of reasons, including: the express language of the regulation states the item is unallowable; the terms and conditions of the grant deem the item unallowable; or State/local restrictions dictate that the item is unallowable or allowable only under certain conditions or circumstances. The item may also be unallowable because it does not meet one of the factors affecting allowability of costs, such as being reasonable because it is considered too expensive. If an item is unallowable for any of these reasons, the District does not use federal funds to purchase it.

Copyright © 2021

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

Item of Cost	**Citation of Allowability Rule**
Advertising and public relations	2 CFR § 200.421
Advisory councils	2 CFR § 200.422
Alcoholic beverages	2 CFR § 200.423
Alumni 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 and prizes	2 CFR § 200.438
Equipment and other capital expenditures	2 CFR § 200.439
Exchange rates	2 CFR § 200.440
Fines, penalties, damages and other settlements	2 CFR § 200.441
Fundraising and investment management costs	2 CFR § 200.442
Gains and losses on the disposition of depreciable assets	2 CFR § 200.443
General costs of government	2 CFR § 200.444
Goods or 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

Copyright © 2021

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, student aid costs, and tuition remission	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
Telecommunications and video surveillance costs	2 CFR § 200.471
Termination and standard closeout costs	2 CFR § 200.472
Training and education costs	2 CFR § 200.473
Transportation costs	2 CFR § 200.474
Travel costs (*TEA restricts to actual costs, not per diem*)	2 CFR § 200.475
Trustees	2 CFR § 200.476

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

Other Considerations for Allowability

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

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

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

Copyright © 2021

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

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

The respective program manager determines the allowability of each cost. To protect the district from an audit or monitoring finding each program manager determines the following before purchase order approval:

- Reasonable

Copyright © 2021

- Necessary
- Allowable and
- Allocable to the grant in accordance with benefits received.

Costs That Require Special Attention include pre-award language

All obligations with federal grant funds must occur during the grant period. Obligations that occur before or after the grant period are not allowable costs unless approved as a pre-award cost as reflected on the grant application. The obligations must be liquidated in accordance with the grant deadlines, especially as they relate to the final draw-down of federal grant funds.[2 CFR 200.309]

In addition to the aforementioned, certain types of costs may be allowable under federal law but may not be allowable under state law or guidelines, or may only be allowable under certain circumstances and conditions. TEA's Guidelines Related to Specific Costs (under *Allowable Cost Guidance*) outlines several other types of costs that require special attention due to the fact some costs frequently cause audit exceptions or monitoring findings. Included in that guidance are descriptions of allowable awards and incentives; cell phones; employer contributions to *voluntary* retirement plans; field trips; printing costs; food costs, including for hosting meetings and conferences; fundraising; gifts; promotional items; social events; and training on grant writing.
The District makes every effort to comply with these guidelines in the expenditure of federal grant funds to avoid audit exceptions. The District ensures compliance with federal grant expenditure guidelines through a multi-step review and approval process. All federal grant expenditures must be pre-approved by the Program Manager and reviewed by the Finance Coordinator for allowability, allocability, reasonableness and consistency with federal regulations and the District's policies. The Finance Coordinator (or equivalent) conducts periodic internal reviews to confirm expenditures align with grant requirements. District employees engaged in federally-funded activities are required to consult this document regularly and be familiar with its contents. District employees engaged in federally-funded activities are required to review the District's State and Federal Grants Manual and related compliance documents at least annually. This is accomplished through training sessions coordinated by the Business Services staff.

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

Copyright © 2021

Travel

Travel costs are the expenses for transportation, lodging, subsistence (i.e., meals), and related items incurred by employees who are in travel status on official business of the District. TEA's policy for reimbursing travel is more restrictive than the federal cost principles allow. In an effort to keep travel costs reasonable, TEA restricts reimbursement for travel paid from federal and state grants to rates that are specified in the State of Texas *General Appropriations Bill, Article IX, General Provisions, Travel Regulations*, in effect for the particular grant period. TEA regularly publishes information and guidance about allowable travel costs and rates on the Administering a Grant page (scroll down under *Handbooks and Other Guidance*).

The federal cost principles allow for reimbursement for meals on a *per diem* basis, whether or not the employee actually spends the entire per diem. However, Texas is more restrictive. TEA in following the travel restrictions specified in the Appropriations Bill for state employees, allows for reimbursement of meals at *actual costs*, not to exceed the federal rate for the locale, or local policy, *whichever is less.* Travel *allowances* (where the employee is reimbursed the per diem rather than actual costs whether or not the employee actually spends all of the maximum allowable per diem) are not allowable charges to state and federal grants in Texas. The State of Texas defines reimbursement of the difference between the maximum per diem and the actual amount spent on meals as a "gift of public funds," which is unallowable per the Texas Constitution. Therefore, the District ensures that its travel policy and reimbursement practices reflect this requirement.

Additionally, if local District policy provides for reimbursement for travel expenses at an amount that exceeds the rates allowed by TEA, the District pays the difference from state or local funds. District policy does not provide for reimbursement of travel expenses at a higher rate as specified in the District's written travel policies.

In general, reimbursement from state or federal grants for employees on travel is limited to the following:

- the *actual* cost of meals incurred by the employee per day, not to exceed the maximum allowable federal per diem rate
- the *actual* cost of lodging, not to exceed the current federal rate in the locale to which the employee is traveling
- the actual cost of coach airfare
- actual mileage in a personal vehicle
- the cost of a rental car and gasoline

Applying Meal Funds to Lodging Reimbursement: Per July 2022 guidance from TEA related to travel, for both in-state and out-of-state travel, the traveler may apply funds available for meal

Copyright © 2021

reimbursement (i.e., up to the rate specified in the Federal Rate Schedule) toward lodging. For example, if the traveler chooses to stay in a hotel that costs $10 more per night than the allowable maximum for lodging, the traveler may apply $10 of the maximum available for meal reimbursement per day toward the lodging rate. If the traveler chooses to apply meal reimbursement to lodging, the maximum meal reimbursement rate per day is reduced by the same amount (applying $10 of the meal reimbursement to lodging would reduce the meal reimbursement by $10 per day). Note: All lodging costs must still be *reasonable* and *necessary*.
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 rate given on the Federal Rate Schedule.

Temporary Dependent Care Costs: Pursuant to the provisions in 2 CFR § 200.475(c), the District may reimburse an employee on travel status for temporary dependent care costs *above and beyond regular dependent care*. Such travel is allowable provided that *all* of the following conditions are met:

1. The costs are a direct result of the individual's travel to the conference for the federal grant.
2. The costs are consistent with the District's established written policy for all District travel regardless of funding source of the employee or of the travel.
3. The dependent care costs are only temporary during the travel period.

Travel costs for dependents are unallowable.
The District does not reimburse employees for temporary dependent care costs.

*Documentation that Travel Costs are **Reasonable** and **Justifiable***: Additionally, costs incurred by employees and officers for travel, including costs of lodging, other subsistence, and incidental expenses, must be deemed by the District to be *reasonable* and otherwise allowable only to the extent such costs do not exceed charges normally allowed by the District in its regular operations as the result of its written travel policy.

Pursuant to the requirements in 2 CFR § 200.475(b), documentation must be maintained that *justifies* that (1) participation of the particular *individual* is *necessary* to the federal award; and (2) the costs are *reasonable* and *consistent* with the District's established policy. To ensure compliance with both district and Texas Education Agency (TEA) guidelines, the district has established the following procedures for evaluating and documenting travel-related expenses:

1. **Pre-Approval Process**
   All travel must be pre-approved using the district's **Request to Attend form and Justification** form. This form requires justification for the travel, including:

Copyright © 2021

- Purpose and benefit to the district or program
- Estimated costs (transportation, lodging, meals, registration, etc.)
- Funding source and program alignment

2. **Necessity and Reasonableness Review**
   Travel requests are reviewed by the appropriate department head or supervisor to determine:
   - Whether the travel is essential to the performance of official duties
   - Whether the costs are reasonable compared to standard rates and alternatives
3. **Allowability Check**
   Business Services and the Innovation Finance Coordinator verifies that all proposed expenses:
   - Comply with TEA guidelines and federal cost principles (2 CFR Part 200)
   - Are allowable under the specific grant or funding source
   - Do not include unallowable costs such as alcohol, entertainment, or personal expenses
4. **Consistency with District Policy**
   All travel must adhere to the district's travel policy, including:
   - Use of district-approved vendors and rates
   - Per diem limits for meals and lodging
   - Required documentation for reimbursement
5. **Documentation and Audit Readiness**
   The following documentation is maintained and made available for auditors and monitors:
   - Completed and approved Requisition/purchase order
   - Itemized receipts and proof of payment
   - Completed Travel Voucher or equivalent reimbursement form
   - Written justification for any exceptions or unusual expenses

Refer to the District's *written travel reimbursement policy (Financial Procedures Manual),* which complies with TEA's guidelines related to travel, for specific provisions related to travel. 2 CFR § 200.475(a).

Request to Attend Form

Employees who plan to travel must complete a *Request to Attend* form *prior* to travel, detailing the dates of the proposed travel, purpose of the travel, how it will benefit the grant program, and *estimated* travel expenses. The *Request to Attend* form must be approved by the employee's supervisor. The supervisor will verify that the travel by the particular *individual* is necessary to accomplish the objectives of the grant program. The Purchasing Manager will verify that costs are reasonable and consistent with the District's travel policies. Innovation Finance Coordinator

Copyright © 2021

will also ensure that sufficient funds are budgeted and available for travel in the appropriate grant program prior to the employee incurring any travel expenditures.

Travel Reimbursement

Travel costs must be properly documented to be reimbursable by the District. The employee must document travel costs with a *Travel Reimbursement Request form* (or other comparable documentation) that is completed *after* the travel has occurred. The *Travel Reimbursement Request Form* (or similar 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 for this particular individual to travel on this particular trip in order to accomplish the objectives of the grant program
- Dates of travel
- Actual mileage (not to exceed reimbursement at the maximum allowable rate). Travelers are required to calculate mileage by one of the following two methods:
    - Actual odometer reading (point-to-point method)
    - Electronic mapping source (such as that on google maps or any other online mapping service). If this method is chosen, the traveler must print out the driving directions provided by the site and attach them to the travel voucher.

  Travelers are required to select the shortest and most economical route but may justify the selection of another route if it was chosen for safety reasons and specific justification of the selection is given.

- *Actual amount* expended on lodging per day, with a receipt attached (may not exceed the federal rate for the locale)
- *Actual amount* expended on meals per day (must not exceed the federal rate for the locale; tips and gratuities are not reimbursable). Receipts for meals are not required by TEA but may be required per local District policy.
- Actual amount of airfare (receipt must be attached; a printed copy of an online receipt is acceptable)
- Actual amount expended on public transportation, such as taxis and shuttles (receipt not required by TEA but may be required per local District policy)
- Actual amount expended on a rental car, with 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 *actual cost for gasoline* is reimbursed)
- Actual cost of parking (receipt may be required at the local level, but is not required by TEA)

Copyright © 2021

- Actual amount expended on incidentals, such as hotel taxes, copying of materials, and other costs associated with the travel (receipts must be attached)
- The amount of any cash advance paid to the employee prior to the travel
- Total amount to be reimbursed to the employee
- The signature and date of the employee
- The signature and date of the supervisor or other manager

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

Predetermined Conference Hotel Lodging Rates:
The primary goal is to demonstrate that the employee is staying in the most cost-effective (while still being safe) hotel lodging. If the hotel *conference* rate *exceeds* the federal rate for the locale, check the rate of hotels in close proximity and **print or record the rates in writing**. If the hotel is within walking distance and is within the federal rate for the locale, it may be difficult to justify staying at the conference hotel at the higher rate.

But if the hotel with a lower rate is *not* within walking distance and **would require the traveler to travel by bus, taxi, or even rental car to get to the hotel conference facilities each day**, it may be justifiable to stay at the conference hotel with the higher rate if the traveler can document that it would cost more to stay at another hotel and pay for the bus or taxi at least twice per day, or even pay for a rental car and gas and parking for the rental car (whichever is the most economical) than to stay at the conference hotel.

Complete and accurate documentation must be maintained in order for this scenario to be considered acceptable by an auditor or monitor. The traveler must submit in writing a request to exceed the federal hotel lodging rate prior to travel and the request must be approved by the Purchasing Manager.

Other costs requiring special attention are discussed below.

Advertising and Public Relations Costs

Pursuant to the requirements in 2 CFR § 200.421, the costs of *advertising* are allowable only for the recruitment of grant personnel; the procurement of goods and services for the award; disposal of scrap or surplus materials acquired under the award; and program outreach. Allowable *public relations* costs are those specifically required by the federal award, necessary to communicate with the public and press pertaining to specific activities or accomplishments, or as necessary to keep the public informed on matters of public concern. All advertising and public relations costs

Copyright © 2021

must be necessary for the performance of the particular award, and must *not* be for the purpose of advertising or relating to the public with regard to the District in general.

Hosting Meetings and Conferences

2 CFR § 200.432 discusses the allowability of conference costs paid by the district as a sponsor or host of the conference. A conference is defined as "an event whose primary purpose is to disseminate technical information beyond the recipient or subrecipient and is necessary and reasonable for successful performance under the award." These federal guidelines state that costs may include rental of facilities, cost of meals and refreshments, local transportation, identifying and providing locally available dependent-care resources, and other items incidental to such conferences unless further restricted by the terms and conditions of the federal award. Per the guidance, conference hosts/sponsors must exercise discretion and judgment in ensuring that conference costs are appropriate, necessary, and managed in a manner that minimizes the costs to the federal award.

However, the USDE issued more restrictive guidance related to the use of funds for conferences and meetings (under *Allowable Cost Guidance*), particularly with regard to food costs such as meals, snacks, and refreshments.

Per guidance from the USDE:

> "Generally, there is a very high burden of proof to show that paying for food and beverages with Federal funds is necessary to meet the goals and objectives of a Federal grant. When a grantee is hosting a meeting, the grantee should structure the agenda for the meeting so that there is time for participants to purchase their own food, beverages, and snacks. In addition, when planning a meeting, grantees may want to consider a location in which participants have easy access to food and beverages.
>
> While these determinations will be made on a case-by-case basis, and there may be some circumstances where the cost would be permissible, it is likely that those circumstances will be rare. Grantees, therefore, will have to make a compelling case that the unique circumstances they have identified would justify these costs as reasonable and necessary."

Additionally, the USDE guidance states that grantees should consider whether a face-to-face meeting or conference is the most effective or efficient way to achieve the desired result and whether there are alternatives, such as webinars or video conferences, that would be equally or similarly effective and more efficient in terms of time and costs than a face-to-face meeting. The USDE guidance also states that grantees should consider how the meeting or conference will be

Copyright © 2021

perceived by the public; for example, will the meeting or conference be perceived as a good use of taxpayer dollars?

These and more specific guidelines are also discussed in TEA's *Budgeting Costs Guidance Handbook* in the *Food and Beverage Costs* section.

The District does not use grant funds when hosting a meeting or conference for non-employees.

Entertainment Costs, Prizes, and Field Trips

Pursuant to 2 CFR § 200.438, costs of *entertainment*, including amusement, diversion, and social activities and any associated costs are *unallowable*, except where specific costs that might otherwise be considered entertainment have a programmatic purpose. TEA interprets this section to include some *field trips*, depending on the nature and purpose of the field trip. All federally funded field trips require TEAs Field Trip form be attached to the PO request in Skyward and the adherence to District policy and procedures.

TEA's *Budgeting Costs Guidance Handbook* includes information about allowable and unallowable field trips. District staff will consult these guidelines prior to planning and scheduling any field trips.

Prizes are only allowable if they have a specific and direct programmatic purpose and are included in the federal award.

Use of Federal Funds for Religion Prohibited

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

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

34 CFR § § 75.532 and 76.532

Use of Federal Funds for Construction or Major Remodeling and Renovation

Federal funds will not be used to purchase real property or for construction unless the costs are specifically permitted by applicable statutes or implementing regulations for the program. 34 CFR § 76.533.

Copyright © 2021

Remodeling and Renovation: Major remodeling and renovation is defined as *construction*. Therefore, all of the federal requirements apply to any major remodeling or renovation paid with federal funds.

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

> "minor alterations in a previously completed facilities project. The term also includes the *extension* of utility lines, such as water and electricity, from points beyond the confines of the space in which the minor remodeling is undertaken but within the confines of the previously completed facility. The term may also include related designs and drawing for these projects. The term does *not* include construction or renovation, structural alterations to buildings, facilities maintenance, or repairs."

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

If construction and/or major remodeling and renovation are allowable and approved under a particular federal program, there are numerous laws and regulations with which the District must comply. The District will comply with all applicable state and federal laws, regulations, and guidelines for construction and/or major remodeling and renovation, including those found in 34 § CFR 76.600 and in 34 CFR §§ 75.600 - .617, as well as those found in 2 CFR §§ 200.318 - .327 related to procurement. In addition, the District will comply with requirements under the Department of Labor's Davis-Bacon and related Acts, as well as bonding requirements specified in 2 CFR § 200.326. Failure to comply with these requirements could result in the repayment of funds.

The district does not use federal funds for construction, remodeling, or renovation at the current time.

Use of Federal Funds Benefiting Students and Teachers in Private Schools

Many federal programs contain the requirement that equitable services be provided to students and teachers in private nonprofit schools located within the District's boundaries if the officials of the nonprofit school desire that their children and teachers receive the benefits of those federal

Copyright © 2021

programs. In the event that private nonprofit schools wish to participate, there are restrictions with regard to the use and control of funds which benefit those students and teachers. 34 CFR §§ 76.658 - .662.

The expenditure of all federal funds for the benefit of participating private school students and teachers is directly related to the specific federal program under which private school students and teachers are receiving benefits. The following provisions will be adhered to in the use of federal funds for the benefit of private school students and teachers.

- The District/ESC10 SSA shall maintain continuing administrative direction and control over funds and property that benefit private school teachers and students. No funds will ever be paid to a private school. All goods and services are purchased by the District on behalf of and for use by the participating private school.
- The District/ESC10 SSA will monitor participating private schools to verify compliance with these requirements.
- The District/ESC10 SSA shall not use funds to finance the existing level of instruction in a private school or to otherwise benefit the private school.
- The District/ESC10 SSA shall use funds to meet the *specific* program *needs of students* enrolled in private schools, rather than the *needs* of a *private school* or the *general needs of the students* enrolled in a private school.
- The District/ESC10 SSA may use funds to make *District* personnel available in facilities *other than* District facilities to the extent necessary to provide equitable program benefits designed for students enrolled in a private school and if those benefits are not normally provided by the private school.
- The District/ESC10 SSA may use funds to pay for the services of a *private school employee* if the employee performs the services outside of his or her regular hours of duty and the employee performs the services under the supervision and control of the District or other public entity.
- Equipment and Supplies
    - The District/ESC10 SSA must keep title to and exercise continuing administrative control of all equipment and supplies that the District acquired with federal funds. The District/ESC10 SSA will only place equipment and supplies in a private school for the period of time needed for the federal grant project. (The equipment and supplies are “on loan” to the private school for the duration of the grant project.)
    - The District/ESC10 SSA will monitor to ensure that the equipment or supplies placed in a private school are used only for the purposes of the project and can be recovered from the private school without remodeling the private school facilities.
    - The District/ESC10 SSA will remove the equipment or supplies from a private school if the equipment or supplies are no longer needed for the purposes of the

Copyright © 2021

project or if removal is necessary to avoid use of the equipment or supplies for purposes other than the project purposes.

- The District/ESC10 SSA will ensure that federal funds are not used for the construction of private school facilities.
    - The District is currently a member of Region 10 Shared Services Arrangements (SSA). They ensure compliance and monitor the use of materials and equipment.

For additional information pertaining to the requirements for participation by students enrolled in private nonprofit schools, see section *XI. Programmatic Requirements, A. Private Nonprofit School Participation* in this manual.

G. Reporting Expenditures

TEA Grants

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

TEA requires that districts and other grantees use a standard format for reporting expenditures for grants funded through TEA. Reports are submitted electronically through the automated Expenditure Reporting (ER) system by class/object code. The *Program Guidelines* for each RFA published by TEA and/or the *Critical Events* calendar provided on the TEA Grant Opportunities page for a specific program identify the required expenditure reporting dates. However, even though dates for submitting interim expenditure reports may not be specified, the District will submit expenditure reports more frequently, such as monthly, to indicate that grant activities and expenditures are occurring as planned and there are no major delays in the project.

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

Each District employee who reports and/or certifies expenditures in ER is required to have a TEAL account TEA Login (TEAL) username and password to access ER. The District reports cumulative expenditures to date in ER, and the system automatically calculates the amount already paid to the District and the amount owed and generates a payment to the District.

When filing interim reports, the District will only report actual expenditures, and any expenditures that will be paid out within three business days once payment is received by the

Copyright © 2021

District. In addition, the District will comply with the cash management procedures described in *II. Financial Management System, G. Federal Cash Management Policy/Procedures* of this manual.

The Director of Finance submits the reports in ER. Each report is certified by the Finance Coordinator, an authorized official who attests that expenditures are true and correct. Effective July 1, 2015, the fiscal reports requesting payment will include a certification signed/certified by an official who is authorized to legally bind the District. 2 CFR § 200.415. The certification reads as follows:

> "I certify to the best of my knowledge and belief that the information provided herein is true, complete, and accurate. I am aware that the provision of false, fictitious, or fraudulent information, or the omission of any material fact, may subject me to criminal, civil, or administrative consequences including, but not limited to violations of U.S. Code Title 18, Sections 2, 1001, 1343 and Title 31, Sections 3729-3730 and 3801-3812."

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

The ER system automatically rejects expenditure reports if:

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

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

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

Copyright © 2021

Refunds Due to TEA

If the final expenditure report indicates that a refund is due to TEA, within 30 days of notification that a refund is due, the District will submit a refund check to the following address:

Texas Education Agency—MSC
P.O. Box 13717
Austin TX 78711-3717

The District will write the name of the grant program and the NOGA ID number on the refund check and note the reason for the refund (e.g., due to an internal audit or an annual audit).

Failure to comply with the requirements for submitting a refund within 30 days will result in an enforcement action by TEA to withhold future payments. 2 CFR § 200.339

Grants from Other Awarding Agencies

The District will submit expenditure reports to other awarding agencies in the time and manner requested by the granting agency. The District will comply with the cash management procedures described in the following section.

H. Federal Cash Management Policy/Procedures

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

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

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

Advance Method

If the advance payment method is used, the District maintains

Copyright © 2021

- *written procedures* that minimize the time elapsing between the transfer of funds and disbursement by the District, and
- *financial management systems* that meet the standards for fund control and accountability. 2 CFR § 200.305.

In accordance with federal requirements, advance payments are limited to the minimum amounts needed and are timed in accordance with the actual, immediate cash requirements of the District. The timing and the amount of advance payments is as close as is administratively feasible to the actual disbursements by the District. The District also makes timely payments to contractors.

To the extent the District receives advance payments of federal funds as described above, the District will expend (i.e., pay out) the federal funds on allowable expenditures within 3 business days (i.e., 72 hours) of receipt to avoid excess cash on hand and a refund due to TEA (see *Excess Cash on Hand* section below). (Please note that interest starts accruing upon *receipt* of funds. See *Interest Earned on Advances* section below.) Accordingly, the District will not have more cash on hand than is necessary to meet three days' cash needs. Therefore, the District requests cash no earlier than six working days before actual disbursement of funds and will request only that amount that has already been paid out or will be paid out within three business days once the payment is received from TEA.

The District ensures that it requests payment only for obligations incurred during the grant period and for goods and services that have been actually received. The District also verifies that it is not requesting payment for any costs that cannot be satisfactorily documented with appropriate source documentation.

The District does not maintain federal funds in interest-bearing accounts.

Interest Earned on Advances

The District will calculate interest earned on cash advances upon *receipt* of advance payments and will remit interest as specified below. Any interest earned on those funds while on deposit in the District's bank account after receipt and before disbursal will be included in the interest-earned calculation. Total federal grant cash balances will be calculated on cash balances per grant and applying the District's average interest rate.

Annually, the District will remit interest earned on U.S. Department of Education grants to the U.S. Department of Health and Human Services Payment Management System (PMS) as specified below. As permitted in the regulations, the District will retain up to $500 per year for administrative expenses.

Copyright © 2021

The Director of Finance is responsible for monitoring cash on hand that earns interest on a monthly basis. The District uses the Reimbursement Method and therefore does not earn interest on advances.

Remitting Interest

Payment of interest will be through an electronic medium using either Automated Clearing House (ACH) network or a Fedwire Funds Service payment.

Returns should follow the instructions provided by the Federal agency. All returns to PMS should follow the instructions provided at https://pms.psc.gov/grant-recipients/returning-funds-interest.html.

When returning funds or interest to PMS the District includes the following information on the return, as applicable:

For ACH Returns:
Routing Number: 051036706
Account number: 303000
Bank Name and Location: Credit Gateway—ACH Receiver St. Paul, MN

For Fedwire Returns*:
Routing Number: 021030004
Account number: 75010501
Bank Name and Location: Federal Reserve Bank Treas NYC/Funds Transfer Division, New York, NY

* Please note that the organization initiating payment is likely to incur a charge from their Financial Institution for this type of payment.

For recipients that do not have electronic remittance capability, please make check** payable to:
The Department of Health and Human Services
Mail Check to Treasury approved lockbox:
HHS Program Support Center, P.O. Box 530231, Atlanta, GA 30353-0231

(** Please allow 4-6 weeks for processing of a payment by check to be applied to the appropriate PMS account)

Questions can be directed to PMS at 877-614-5533 or PMSSupport@psc.hhs.gov.

Copyright © 2021

Excess Cash on Hand

In addition to remitting interest per the preceding instructions, per TEA's policy (TEA's General and Fiscal Guidelines, Return of Interest Earned from Excess Cash on Hand), any funds that are not paid out within three business days of *receipt* of funds are considered *excess cash on hand*, which must be returned to TEA immediately as a refund. Refunds that are a result of excess cash will be sent to the following address:

Texas Education Agency—MSC
P. O. Box 13717
Austin TX 78711-3717

Per instructions from TEA, the District will write the name of the grant program and the NOGA ID number on the refund check. The refund will be credited to the NOGA ID from which the excess funds were drawn down. The Finance Coordinator monitors cash balances monthly. Any excess cash identified shall be returned to TEA promptly. All supporting documentation will be provided to the Accounts Payable department in accordance with check processing procedures.

Reimbursement Method

Prior to each payment request, on a monthly basis, the Director of Finance reviews the general ledger to determine the exact amount of cumulative expenditures to date including payroll expenditures. The Finance Coordinator verifies that legible, satisfactory source documentation is on file to support each cost included in the request for payment. Prior to the draw-down request, the Director of Finance and Finance Coordinator review and verify the accuracy of the amount to be requested. The Finance Coordinator logs into the ER system to request payment; the Finance Coordinator then certifies and submits the expenditure requests. All reimbursements are based on actual disbursements (i.e., payments already made), not on obligations.

When using this method, the District will only request *reimbursement* for funds actually already paid out.

Reimbursements of *actual expenditures* do not require interest calculations as detailed in the *Advance Method* section.

Noncompliance with Cash Management Requirements

Pursuant to the provisions of 2 CFR § 200.339, grantees that fail to comply with cash management requirements, including the repayment of interest earned, may be subject to the following special conditions or enforcement actions:

- Identification as a high-risk grantee, pursuant to the provisions of 2 CFR § 3474.10 and 2 CFR § 200.208, which may involve the imposition of special conditions and being placed

Copyright © 2021

on reimbursement basis only (District would not be able to draw down its own funds in the ER system without first submitting supporting documentation for expenditures)
- Temporarily withholding payments until the District takes corrective action
- Disallowing all or part of an activity associated with the noncompliance
- Suspension or termination of the award, in part or in its entirety
- Withholding further awards for future grants from TEA
- Debarment or suspension from receiving any future federal funds from any entity
- Other remedies that may be legally available

I. Program Income

Definition

Program income means gross income earned by the District 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 § 200.1.

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 (costs to purchase or fabricate items must be allowable under the grant and the activities must be appropriate for the grant program)
- license fees and royalties on patents and copyrights
- principal and interest on loans made with federal award funds

Interest earned on advances of federal funds is *not* program income. Except as otherwise provided in federal statutes, regulations, or the terms and conditions of the federal award, program income does *not* include rebates, credits, discounts, and interest earned on any of these. 2 CFR § 200.1. Additionally, taxes, special assessments, levies, fines, and other such revenues raised by the District are *not* program income unless the revenues are specifically identified in the federal award or federal awarding agency regulations as program income. Finally, proceeds from the sale of real property, equipment, or supplies are *not* program income. 2 CFR § 200.307

The District will describe in the applicable grant application any program income it wishes to earn, including a description of the activity(ies) that will be conducted to earn program income and how the activity(ies) will further the objectives of the grant program. The CFO and Finance Coordinator will make the final determination if the activity that is proposed to generate program income is suitable for the program and whether it is permissible to proceed with requesting it in the application.

Copyright © 2021

Use of Program Income

Deduction Method: Per federal regulations, the default method for the use of program income for the District is the *deduction* method. 2 CFR § 200.307(b). Under the *deduction* method, program income is *deducted* from *total* allowable costs to determine the *net* allowable costs. Thus, prior to submitting the expenditure report, the amount of program income must be deducted from total expenditures. Program income will only be used for current costs unless the District is otherwise directed by TEA or other awarding agency. 2 CFR § 200.305(b)(2)(ii)(5).

Addition Method: The District may also request written prior approval from the TEA Chief Grants Administrator (or other awarding agency) to use the *addition* method. Under the *addition* method, program income may be *added* to the Federal award. The program income must then be used for the purposes and under the conditions of the Federal award. 2 CFR § 200.307(e)(2)

While the *deduction* method is the default method, the District always refers to the NOGA/GAN prior to determining the appropriate use of program income. If the NOGA/GAN does not address the use of program income or does not authorize districts to use the *addition* method, the District must determine if it needs to request authorization from TEA or other awarding agency to apply the *addition* method if it is in the best interest of the District.

The district does not plan to generate any program income as part of a federal grant award. In the event that the district opts to generate program income as part of a federal grant award in the future, all recommendations for program income activities, shall be reviewed and approved by the appropriate Superintendent's Cabinet staff and Chief Financial Officer.

Reporting Program Income

If the District earns any program income, all program income will be reported on the expenditure report, even when the District has been given permission in the application to retain the program income and add it to the grant funds.

Earning Program Income after the Grant Period

There are no federal requirements governing the disposition of program income earned after the end of the grant period, unless the terms of the agreement or the program-specific federal regulations provide otherwise. After the ending date of the grant, the District is no longer required to report any program income generated for the grant. For multi-year discretionary grant projects, this means at the end of the multi-year grant project.

III. Procurement System

Copyright © 2021

Module 5 of TEA's *Financial Accountability System Resource Guide* (FASRG) outlines requirements and best practices related to the purchasing function. Reflecting state (and some federal) requirements for purchasing, *Module 5* is based on statutes containing requirements for districts for competitive *purchasing/contracting processes* found in the *Texas Education Code, Local Government Code, Texas Government Code, Texas Revised Civil Statutes*, Texas Attorney General Opinions, federal regulations and other sources.

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

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

Also in accordance with *Module 5*, the District's administrative *procedures* pertaining to purchasing goods and services shall reflect *quality assurance* and *quality control*, including an analysis of products provided through the procurement process, a review of services provided, and a review of vendor performance. Additionally, the District's purchasing practices and procedures must comply with federal procurement standards, some of which are already incorporated into *Module 5.* It should be noted that some state requirements for purchasing are more restrictive than the federal requirements. Key state requirements that are more restrictive are noted in this section.

The District follows all Federal and State regulations for procurement of goods and services. All procedures are documented in the Purchasing Procedures Manual.

Conflict of Interest Requirements

Substantial state and federal requirements exist pertaining to standards of conduct and conflict of interest. It is the intent of the District for all employees, officers, or agents to conduct all activities associated with procurements in compliance with the highest ethical standards, including the avoidance of any *real or perceived conflict of interest.* It is also the intent of the District to impose appropriate sanctions or disciplinary actions, including but not limited to termination and/or prosecution, for any employees or officers who violate any of these requirements.

Copyright © 2021

Standards of Conduct

State Requirements

According to *FASRG Module 5*, it is a serious breach of the public trust to subvert the public purchasing process by directing purchases to certain favored vendors, or to tamper with the purchasing process, whether it is done for kickbacks, friendship or any other reason. State law relating to violation of purchasing requirements imposes upon violators certain criminal penalties, which are found in *Section 44.032, Texas Education Code, and Chapter 271.029, Local Government Code.*

The following common standards of ethics shall govern the conduct of District employees involved in the purchasing function:

1. It is a breach of ethics to attempt to realize personal gain through public employment with a school district by any conduct inconsistent with the proper discharge of the employee's duties.

2. It is a breach of ethics to attempt to influence any public employee of a school district to breach the standards of ethical conduct set forth in this code.

3. It is a breach of ethics for any employee of a school district to participate directly or indirectly in a 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; or
    - Any other person, business or organization with whom the employee or any member of the employee's immediate family is negotiating or has an arrangement concerning prospective employment is involved in the procurement.

4. Gratuities: It is a breach of ethics to offer, give or agree to give any employee or former employee of a school district, or for any employee or former employee of a school district 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 government. Acceptance of gratuities may be construed as a criminal offense.

Copyright © 2021

5. In addition, Texas law makes a gift (an item valued at $50 or more, cash of any amount, or a negotiable instrument of any value) to a public employee a Class A misdemeanor if the employee is someone who exercises some influence in the purchasing process of the governmental body. (*Texas Penal Code*, 36.09[d] and [h]). Examples of acceptable gifts include, but are not limited to, baked goods/treats: mugs or cups; small technology devices such as phone chargers; promotional items such as pens, note pads, etc. Kickbacks: It is 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 of a school district, or any person associated therewith, as an inducement for the award of a subcontract or order.

6. Contract Clause: The prohibition against gratuities and kickbacks prescribed above should be conspicuously set forth in every contract and solicitation therefore.

7. It is a breach of ethics for any employee or former employee of a school district knowingly to use confidential information for actual or anticipated personal gain, or for the actual or anticipated gain of any person.

Local Government Code, Chapter 176 provides information regarding conflict of interest statements to be filed by vendors and certain school district employees. Refer to the Texas Ethics Commission website for additional information and sample forms.

Federal Requirements

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

> No employee, officer, agent, or board member 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, agent, board member, any member of his or her immediate family (spouse, children, parents, siblings), his or her partner (personal/life or business), 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, agents, and board members of the District may neither solicit nor accept gratuities, favors, or anything of monetary value from contractors or parties to

Copyright © 2021

subcontracts, unless the gift is an unsolicited item of nominal value. (See state requirements above pertaining to defining "nominal value.")

The district requires that each employee or officer, especially those who may be involved in any way in the purchasing process, sign a written *Statement of Conduct* including a statement avoiding any real or perceived Conflict of Interest. Disciplinary action, including possible termination, may be taken for violations. Instances of violations will be investigated and disciplinary action determined on a case by case basis.

Recusal from Procurement Transactions

If a conflict is identified, the involved employee or officer must be removed from the procurement transaction. The process includes:

1. **Recusal Documentation**:
   A formal Recusal Statement must be signed by the individual and submitted to the Business Services-Purchasing. This document should include:
   Description of the conflict
   - Date of recusal
   - Signature of the employee/officer
   - Signature of the reviewing authority

2. **Transaction Reassignment**:
   The procurement activity will be reassigned to another qualified individual by the Purchasing Manager to ensure continuity and impartiality.

3. **Recordkeeping**:
   All recusal documentation is retained in the procurement file and logged in the Conflict of Interest Registry maintained by the Business Services-Purchasing.

Training and Certification

To ensure awareness and compliance:

1. **Mandatory Training**:
   All procurement personnel must complete Conflict of Interest training, which covers:
   - Definitions and examples of conflicts
   - Reporting procedures
   - Recusal protocols
   - Legal and ethical implications

Responsible Offices and Positions

Copyright © 2021

The following roles are responsible for implementing and overseeing conflict of interest procedures:

- **Purchasing Manager**– Oversight of procurement staff and reassignment of transactions
- **Chief Financial Officer** – Primary recipient of disclosures and policy enforcement
- **General Counsel** – Legal review and alternative reporting channel (if necessary)

Disciplinary Actions

The District will impose appropriate sanctions or disciplinary actions, including but not limited to termination and/or prosecution, for any employee or officer who violates any of these requirements related to standards of conduct and conflict of interest. 2 CFR § 200.318(c)(1)

Disciplinary actions will be determined based on the severity, frequency, and impact of the violation, and will be determined on a case by case basis. Disciplinary steps may include, verbal warning, written warning, reassignment of duties, and/or termination. All determinations will be made through Human Resources and will align with District Policies and Procedures outlined in the Staff Handbook, Financial Procedures Manual, and Purchasing Manual.

Due Process and Documentation

Before any disciplinary action is taken, the following steps will be followed:

- **Investigation**: Conducted by the Human Resources Department in coordination with the Chief Financial Officer and, if necessary, the District Police Department.
- **Employee Response**: The employee will be given an opportunity to respond to the allegations.
- **Documentation**: All findings, communications, and disciplinary actions will be documented and retained in the employee's personnel file.
- **Appeal Process**: Employees may appeal disciplinary decisions through the Human Resources Office.

Mandatory Disclosure

The District will promptly disclose in writing to TEA, the federal awarding agency, and the agency's Office of Inspector General whenever it has credible evidence of the commission of a violation of federal criminal law involving fraud, conflict of interest, bribery, or gratuity violations under Title 18 or Civil False Claims Act (31 U.S.C. 3729–3733). Failure to report can result in remedies for noncompliance per 2 C.F.R. § 200.339.

- Includes both criminal and civil false claims actions
- Must be made in writing to the Federal agency, the agency's Office of Inspector General, and the pass-through entity (if applicable)

Copyright © 2021

- Also required to report matters to recipient integrity and performance (i.e. SAM and FAPIIS)
- Includes any activities or subawards in connection with the Federal award.

Determining and Disclosing Potential Conflicts of Interest

The District has established a formal procedure to identify and address potential conflicts of interest in procurement and related activities. When a procurement transaction is initiated, the Purchasing Manager, in coordination with the Chief Financial Officer, conducts a preliminary review of all individuals involved to assess any relationships, financial interests, or affiliations that may present a conflict. If a potential conflict is identified, the Purchasing Manager must disclose it in writing to the Superintendent within 24 hours of becoming aware of the issue. This disclosure must include a description of the nature of the conflict, the parties involved, and any relevant documentation. If the individual responsible for reviewing the conflict is themselves implicated, the disclosure must be redirected to the District's Legal Counsel to ensure impartiality. All disclosures are documented and retained in the District's Conflict of Interest Registry in the Business Services, and appropriate steps are taken to recuse the individual from the transaction if necessary.

A. Full and Open Competition

All procurement transactions paid with federal funds are conducted in a manner that provides *full and open competition* consistent with 2 CFR § 200.319 and 200.320. In an environment of full and open competition, no proposer or bidder has a competitive advantage over another. All potential proposers and bidders must be provided the same information and have the same opportunity to submit a bid or proposal. Providing a competitive advantage to one or more potential proposers or bidders over another can open up the potential for disputes and lawsuits that can be costly and can significantly delay the completion of projects.

In order to ensure objective contractor performance and eliminate unfair competitive advantage, contractors that develop or draft specifications, requirements, statements of work, or invitations for bids or requests for proposals (RFPs) are excluded from competing on those procurements. The District does not engage in the following situations that may restrict *full and open competition,* including but not limited to:

- placing unreasonable requirements on firms in order for them to qualify to do business;
- Prequalified lists must not preclude potential bidders from qualifying (200.319(e));
- requiring unnecessary experience and excessive bonding;
- noncompetitive pricing practices between firms or between affiliated companies;

Copyright © 2021

- noncompetitive contracts to consultants that are on retainer contracts;
- organizational conflicts of interest;
- specifying only a "brand name" product instead of allowing "an equal" product to be offered and describing the performance or other relevant requirements of the procurement; and
- any arbitrary action in the procurement process. 2 CFR § 200.319(a)

Safeguards Against Unfair Competitive Advantage and Contractor Exclusion

To ensure fairness and compliance in the District's procurement process, strict procedures are in place to prevent the release of information that could provide a competitive advantage to any potential contractor. All communications with vendors are managed by the Purchasing Manager and any information shared is limited to what is publicly available in the solicitation documents. Contractors who assist in developing or drafting specifications, scopes of work, or any part of a Request for Proposal (RFP) are automatically excluded from competing for that procurement opportunity, in accordance with federal and state guidelines. The Purchasing Manager is responsible for reviewing all documentation associated with each procurement transaction—including pre-solicitation communications, RFP drafts, and vendor interactions—to ensure compliance with these requirements.

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

Domestic Preferences for Procurement

The District should, to the greatest extent practicable and consistent with law, provides a preference for the purchase, or acquisition, of goods and products produced in the United States. The District includes this preference in all contracts and purchase orders for work or products using federal funds. 2 CFR § 200.322.

Prohibition on Certain Telecommunications Companies

The District will not procure, enter into a contract to procure, or extend or renew a contract to procure covered telecommunications and video surveillance equipment or services described in Public Law 115-232, section 889. Covered telecommunications and video surveillance equipment or services are those produced by Huawei Technologies Company, ZTE Corporation, Hytera Communications Corporation, Hangzhou Hikvision Digital Technology Company, or Dahua Technology Company, or any subsidiary or affiliate of such entities. 2 CFR § 200.216. . To meet this requirement, [insert position/office] will check www.sam.gov to ensure the vendor is not excluded for this reason. *See OMB 2 CFR Frequently Asked Questions*, Q-47 https://www.cfo.gov/assets/files/2CFR-FrequentlyAskedQuestions_2021050321.pdf

Never Contract with the Enemy

Copyright © 2021

The District complies with the regulations implementing Never Contract with the Enemy in 2 CFR part 183 prohibiting contracts, grants and cooperative agreements that exceed $50,000, are performed outside the U.S. and its territories, and are in support of a contingency operation in which members of the Armed Forces are actively engaged in hostilities. 2 CFR § 200.215.

Contracting with Small, Minority, Women's, or Veteran-Owned Businesses

When possible, should consider small businesses, minority businesses, women's businesses, veteran-owned businesses, and labor surplus area firms. Consideration means:

- Including these businesses on solicitation lists
- Soliciting whenever deemed eligible as potential sources
- Dividing separate procurements and establishing delivery schedules to permit maximum participation
- Use orgs like the Small Business Administration and the Minority Business Development Agency of the Department of Commerce
- Requiring contractors under a federal award to apply these conditions to subcontracts

The District is committed to promoting equitable access to contracting opportunities for small businesses and those owned by minorities, women, and veterans. To achieve this, the following procedures are implemented throughout the procurement lifecycle:

1. **Outreach and Engagement**
    - Maintain an updated directory of certified small, minority-, women-, and veteran-owned businesses.
    - Partner with local chambers of commerce and advocacy groups and organizations to identify and engage qualified vendors.

2. **Inclusive Solicitation Practices**
    - Ensure bid opportunities are advertised widely, including on platforms that target diverse business communities.
    - Include language in solicitations encouraging participation from certified diverse businesses.
    - Break large contracts into smaller components when feasible to allow small businesses to compete.

3. **Certification and Verification**
    - Accept certifications from recognized agencies such as the SBA, NMSDC, WBENC, and state-level veteran business programs.
    - Require vendors to submit proof of certification during the proposal or registration process.

Copyright © 2021

4. **Evaluation and Scoring Criteria**
    - Incorporate supplier diversity as a weighted criterion in proposal evaluations where appropriate.

5. **Continuous Improvement**
    - Conduct annual reviews of procurement practices to identify barriers and improve access for underrepresented vendors.

Prequalified Lists

The District ensures that all prequalified lists of persons, firms, or products which are used in acquiring goods and services are current and include enough qualified sources to ensure maximum open and free competition. 2 CFR § 200.319(e). The District accomplishes this by conducting internet searches, including using vendor searches available through the Texas Comptroller of Public Accounts, and by using other less technologically-advanced tools to locate and identify potential contractors. The District uses Bid/RFP software to access a wide database of vendors, grouped by commodity. All vendors registered are notified of a solicitation released that aligns with their related commodity. Also, the District will not preclude potential bidders from qualifying during the solicitation period. The Purchasing Manager is responsible for reviewing prequalified lists and determining if they include an adequate number of qualified sources.

Solicitation Language

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

When it is impractical or uneconomical to make a clear and accurate description of the technical requirements, a "brand name or equivalent" description of features may be used to provide procurement requirements. The specific features of the named brand will be clearly stated and will identify all requirements which the offerors must fulfill and all other factors to be used in evaluating bids or proposals. 2 CFR § 200.319(d)(1)-(2).

The District uses a standard format for providing the description of technical requirements, drafted in conjunction with the IT Department. The Purchasing Manager is responsible for reviewing the solicitation documents to ensure they meet these requirements.

Copyright © 2021

B. Federal Procurement System Standards

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

Avoiding Acquisition of Unnecessary or Duplicative Items

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

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

Procedures to Prevent Unnecessary or Duplicative Purchases and Evaluate Procurement Strategies

To ensure responsible stewardship of public funds, the District follows a structured process to avoid unnecessary or duplicative purchases, optimize procurement strategies, and evaluate lease-versus-purchase options. These procedures are designed to promote efficiency, cost-effectiveness, and compliance with federal and state procurement regulations.

Needs Assessment and Internal Review

- **Initiating Department** must complete a **Justification Form** that includes:
    - A description of the requested item or service
    - An explanation of its necessity
    - Confirmation that the item is not already available within the District

- The **Program Manager** reviews the request to:

    - Verify that the item is not already in inventory or under an existing contract

    The Purchasing Manager ensures that justification for consolidation or separation is documented in the procurement record, including:

        - Market analysis if applicable
        - Cost comparison when required

Copyright © 2021

Use of Intergovernmental Agreements

When appropriate for the procurement or use of common or shared goods and services, the District is encouraged to enter into state and local intergovernmental agreements for procurement transactions. These or similar procurement arrangements using strategic sourcing may foster a greater economy. Documented procurement actions of this type (using strategic sourcing, shared services, and other similar procurement arrangements) will meet the competition requirements of the UGG. Cooperative purchasing is described in section 1.3.1.2 of *Module 1* (FAR).

Step-by-Step Process (for purchases that exceed the small purchase threshold)

1. Needs Assessment

- Purpose: Identify the goods/services required and assess whether internal resources can meet the need.
- Responsible Positions:
    - Department Heads (e.g., Facilities, IT, Transportation)
    - Purchasing Manager

2. Market Research & Cost Analysis

- Purpose: Compare costs of traditional procurement vs. cooperative purchasing or SSAs.
- Activities:
    - Review vendor pricing under existing contracts.
    - Analyze cooperative purchasing agreements (e.g., Sourcewell, TIPS, OMNIA).
    - Evaluate administrative and operational costs of SSAs.

3. Legal & Compliance Review

- Purpose: Ensure the agreement complies with state and federal procurement laws and district policies.
- Activities:
    - Review statutory requirements.
    - Consult legal counsel if needed.

4. Stakeholder Consultation

- Purpose: Gather input from departments affected by the agreement.
- Activities:

Copyright © 2021

    - Discuss service levels, timelines, and performance expectations.
- Responsible Positions:
    - Department Heads
    - Purchasing Manager

5. Cost-Benefit Evaluation

- Purpose: Quantify savings, efficiencies, and risks.
- Activities:
    - Create a comparative matrix of costs, benefits, and risks.
    - Consider long-term implications and scalability.
- Responsible Position(s):
    - Purchasing Manager

6. Make a determination and present to school board for approval.

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

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

Pre-Disposal Equipment Evaluation Process

Step: Internal Reallocation Check

- Purpose: Before disposing of any excess, obsolete, or surplus equipment, the district inquires whether the item can be repurposed or reassigned within other federal programs/campuses.

- Activities:
    - Notify department heads of available equipment.
    - Maintain an internal inventory of surplus items.
    - Allow a window for requests or claims from other sites.
- Responsible Position(s):
    - Purchasing Manager (coordinates the process)
    - Facilities Manager or Warehouse Supervisor (manages physical inventory)
    - Department Heads (evaluate need and usability)

If No Internal Use Is Found

Copyright © 2021

- The disposal process is then initiated through the Texas Education Agency, Department of Grant Compliance and Administration through the Inventory Disposition Request form
- If approved, the item may then proceed to:
    - Public auction
    - Recycling or disposal, depending on condition and value

Procurement of Recovered Materials: In addition, the District complies with section 6002 of the Solid Waste Disposal Act, as amended by the Resource Conservation and Recovery Act. 2 CFR § 200.323. The requirements of section 6002 include procuring only items designated in guidelines of the Environmental Protection Agency (EPA) at 40 CFR Part 247 that contain the highest percentage of recovered materials practicable, consistent with maintaining a satisfactory level of competition. The requirements apply to state and local governments, including school districts, and include the purchase of everyday items such as paper products, non-paper office products, office furniture, floor mats, and awards and plaques, as well as many other items, where the purchase price of the item exceeds $10,000 or the value of the quantity acquired by the preceding fiscal year exceeded $10,000. Requirements also include

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

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

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

Procurement of Recovered Materials is listed under the District's EDGAR Certification form as a self-certifying item in all solicitations issued. If the procurement was done as a small acquisition procedure, the Purchasing department will verify the vendor acknowledged the item through either a Purchase Cooperative or Interlocal agreement. These solicitations are issued by the Purchasing Manager.

Awarding Contracts to Responsible Contractors

Copyright © 2021

The District must award contracts only to responsible contractors that possess the ability to perform successfully under the terms and conditions of a proposed contract.

The District considers:

- Contractor integrity
- Public policy compliance
- Proper classification of employees (see FLSA)
- Past performance record
- Financial and technical resources

The District may develop written procedures for procurement transactions that incorporate a scoring mechanism that rewards bidders that commit to specific numbers and types of U.S. jobs, minimum compensation, benefits, on-the-job-training for employees making work or products providing services on a contract, and other worker protections. Any scoring mechanism must be consistent with the U.S. Constitution, applicable Federal statutes and regulations, and the terms and conditions of the Federal award.

The District will check references where possible and engage in practical activities such as checking with the local Better Business Bureau and the Texas Attorney General's office to ensure there are no outstanding complaints against the contractor.

The District will award a contract to a contractor who has the appropriate experience, expertise, qualifications, and any required certifications, necessary to perform the work. Contractors should also have the financial resources to sustain the project while the initial work is being completed and during each service period until he or she submits invoices for payment to the District as work is completed (for example, at the end of each month). Contractors should have the proper equipment or the capability to subcontract for the proper equipment necessary to complete the contracted work. For example, if the contractor is to develop curriculum guidelines on a computer, the contractor should already have his or her own computer with the appropriate software.

Debarment and Suspension: The District will not subcontract with or award subgrants to any person or company who is debarred or suspended from receiving federal funds. The District is required to ensure all contracts over $25,000 are not made to suspended or debarred vendors. 2 CFR § 200.214; 2 CFR Part 180; 2 CFR Part 3485. Accordingly, for all contracts over $25,000 D Purchasing Manager will ensure this is met by either:

a. Checking SAM at http://www.sam.gov/.; or

b. Collecting a certification from that person; or

c. Adding a clause or condition to the covered transaction with that person. 2 CFR § 3485.310; 2 CFR § 180.300.

Procedures for Awarding Contracts to Responsible Contractors

Copyright © 2021

To ensure that all contracts are awarded to responsible contractors who are capable, ethical, and compliant with applicable laws and regulations, the District follows a structured vetting and approval process. This process is applied consistently across all procurement activities and is documented for each transaction.

1. Pre-Solicitation Planning

- The Purchasing Manager begins by defining the scope of work and establishing minimum qualifications for contractors.
- These qualifications include financial stability, relevant experience, licensing, insurance, and a history of regulatory compliance.

2. Solicitation and Proposal Review

- During the solicitation phase, contractors are required to submit documentation demonstrating their qualifications, including:
    - References from previous clients
    - Financial statements or bonding capacity
    - Certifications and licenses
- The Evaluation Committee, led by the Purchasing Manager, reviews all proposals using a standardized scoring rubric that includes responsibility criteria.

3. Responsibility Determination

- The Purchasing Manager conducts a review for the apparent awardee, which includes:
    - Verification of legal standing and good business reputation
    - Review of past performance on District or public contracts
    - Confirmation of compliance with labor, safety, and environmental regulations

4. Timing of Review

- The responsibility determination is conducted immediately following proposal evaluations and prior to contract award, typically within 5 business days of identifying the top-ranked vendor.
- If additional documentation is required from the vendor, they must submit it within 72 hours of request to avoid delays.

5. Documentation and Approval

Copyright © 2021

- All findings from the review are documented in the Contract Award File, including:
  - Completed Responsibility Checklist
  - Supporting documentation from the vendor
  - Evaluation scores and committee notes
  - Final approval from the Purchasing Manager

- The Purchasing Manager ensures that all documentation is retained in accordance with the District's records retention policy and is available for audit or public review.

State Rules for Selecting Vendors

In addition to federal standards for making awards only to responsible contractors, TEC § 44.031 establishes nine criteria that school districts must use in determining contract awards to vendors, whether using state, local, or federal funds. All nine criteria must be considered *unless federal law prohibits it or is more restrictive as noted below.* These criteria are as follows:

(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 district's needs
(5) the vendor's past relationship with the district
(6) the impact on the ability of the district to comply with laws and rules relating to historically underutilized businesses
(7) the total long-term cost to the district 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
    (**Note**: Federal requirements prohibit geographic preference when purchasing with federal funds. Therefore, *this requirement cannot be used to select a contractor when the purchase is made with federal funds*.)
(9) any other relevant factor specifically listed in the request for bids or proposals. Factors that a school district may consider under this criteria would include vendor response time and compatibility of goods/products purchased with those already in use in the district.

Contract Provisions

Copyright © 2021

In all federally-funded contracts, the District includes the applicable provisions described in Appendix II to 2 CFR Part 200 – Contract Provisions for non-Federal Entity Contracts under Federal Awards. 2 CFR § 200.327. Provisions include the following:

1. All contracts paid from state or federal grants administered by TEA must retain copyright for the Texas Education Agency (TEA) and for the federal government (if a federally funded contract) unless otherwise negotiated in writing with TEA. Pursuant to the provisions in 2 CFR § 200.315, title to intangible property vests in the District as long as such property is used for authorized purposes. However, TEA and the federal awarding agency reserve a royalty-free, nonexclusive and irrevocable right to reproduce, publish, or otherwise use the work for federal purposes, and to authorize others to do so.
2. All contracts greater than $250,000 must address administrative, contractual, or legal remedies.
3. All contracts greater than $10,000 must address termination for cause and for convenience.
4. All construction contracts must include the Equal Employment Opportunity clause.
5. All prime construction contracts in excess of $2,000 must include a provision for compliance with the Davis-Bacon Act and its implementing regulations.
6. All contracts in excess of $100,000 that involve the employment of mechanics or laborers must include a provision for compliance with the Contract Work Hours and Safety Standards Act and its implementing regulations.
7. All contracts that meet the definition of "funding agreement" and where the District wishes to enter into a contract with a small business firm or nonprofit organization must include a provision for compliance with the Rights to Inventions Made by Nonprofit Organizations and Small Business Firms Under Government Grants, Contracts, and Cooperative Agreements.
8. All contracts and subgrants greater than $150,000 must contain a provision for compliance with the Clean Air Act and the Federal Water Pollution Control Act and their implementing regulations.
9. All contracts must include compliance with the Energy Policy and Conservation Act pertaining to mandatory standards and policies relating to energy efficiency contained in the state energy conservation plan.
10. A contract or subcontract must not be made to any party that is debarred or suspended from receiving federal funds.
11. Lobbying Certification and Disclosure of Lobbying (Byrd Anti-Lobbying Amendment) – All contractors that apply or bid for an award of $100,000 or more must file the required Lobbying Certification that it has not and will not use any federal funds to lobby.
    If *non*-federal funds are used to lobby, the contractor must complete the Disclosure of Lobbying and forward the disclosure to the next tier, who must forward it through each tier to the federal awarding agency.

Copyright © 2021

12. All contracts greater than $10,000 must include compliance with section 6002 of the Solid Waste Disposal Act and its implementing regulations. 2 CFR § 200.322

The District also adheres to the best practices recommended by TEA as it pertains to professional services contracts paid from federal grants. See *III. Procurement System, G. Contract Administration*.

Maintenance of Procurement Records

Per *Module 5* of FASRG,

> "accurate record-keeping and documentation should be a fundamental element of the procurement process. Precise and systematic record-keeping and records management withstands the constant scrutiny of various interest groups including vendors, the general public, and outside agencies as well as internal groups which are the users or customers of the purchasing system. This records management function should support the school district's overall information management plan described in the Data Collection and Reporting module and generally provide for:
>
> - Both the *flow and retention of forms* including requisitions, purchase orders, petty cash and cash reimbursement receipts.
>
> - *Full documentation of all competitive procurements* with comprehensive competitive procurement files containing specifications, competitive procurement advertisement, pre-competitive procurement conference minutes (as appropriate), competitive procurements submitted, competitive procurement tabulation, board minutes indicating competitive procurement awards (or a similar award notice) and related records.
>
> - *Full documentation of procurement procedures* utilized to obtain goods and services through competitive sealed proposals, design/build contracts and other procurement options.
>
> - *Documentation of price quotations* obtained when purchasing with federal funds.
>
> The records management function may rely on electronic formats including automated systems, diskettes, CD-ROM, imaging and microfiche. Alternatively, it may use hard copy or a combination of methods."

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

Copyright © 2021

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

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

Please see section *VII. Record Keeping* for more information on the District's records management policies. All vendor records are kept in Payment
Works data base, Skyward Finance System and through the district's bid software, and hard copies on file in the Business Services-Purchasing. All sites and records are maintained by the Purchasing Manager.

Time-and-Materials Contracts

Time-and-materials contracts are a hybrid of fixed-price and cost-reimbursement contracts. They present the highest risk to the government and the lowest risk to the contractor. Therefore, they are the *least* desirable for the federal or state government and are rarely awarded. 2 CFR § 200.318(j)

Time-and-materials type contract means a contract whose cost to the District is the sum of: the actual costs of materials, and direct labor hours charged at fixed hourly rates that reflect wages, general and administrative expenses, and profit.

Since this formula generates an open-ended contract price, a time-and-materials contract provides no positive profit incentive to the contractor for cost control or labor efficiency. In other words, the contractor is saying it will work until the task is completed, but it has no idea how long it will take, nor how much money it will cost. This obviously can be very cost prohibitive and can encourage fraudulent behavior by some unscrupulous contractors. Therefore, federal regulations permit the use of a time-and-materials contract only after a determination is made that no other contract is suitable and only if the contract includes a ceiling price that the contractor exceeds at its own risk. Further, the District must assert a high degree of oversight in order to obtain reasonable assurance that the contractor is using efficient methods and effective cost controls.

Copyright © 2021

The District may use a time-and-materials type contract paid with federal funds in accordance with the above and *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.

The District will not choose this option unless there is no other viable alternative for the purchase.

Pre-Procurement Documents

In accordance with 2 C.F.R. § 200.325, the District will make available upon request from [pass-through entity or federal awarding agency] all procurement documents for pre-procurement review, such as requests for proposals or invitations for bids, or independent cost estimates. Districts must submit the technical specifications of proposed procurements when requested by the Federal agency or pass-through entity.

Settlements of Issues Arising Out of Procurements

The District alone is responsible, in accordance with good administrative practice and sound business judgment, for the settlement of all contractual and administrative issues arising out of procurements made with federal funds. 2 CFR § 200.318(k). These issues include, but are not limited to, source evaluation (i.e., analyzing information *sources* in order to assess their credibility), protests, disputes, and claims. These standards do not relieve the District of any contractual responsibilities under its contracts. Violations of law will be reported to the local, state, or federal authority having proper jurisdiction. The Purchasing Manager in the District is the primary official responsible for handling and coordinating the settlement of any contractual and administrative issues arising out of procurements.

Protest Procedures to Resolve Disputes

The District maintains protest procedures to handle and resolve disputes relating to procurements made with federal funds and, in all instances, discloses information regarding the protest to TEA or other awarding agency. 2 CFR § 200.318(k). The protestor must exhaust all administrative remedies with the District before pursuing a protest with a federal agency. The Purchasing Manager in the District is the primary official responsible for handling and coordinating any disputes relating to procurements.

Protest procedures may be found in the District's Standard Terms and Conditions, located on the website under Business Services, Purchasing. All protests must be submitted to the Purchasing Manager and will be reviewed by the Chief Financial Officer. The Superintendent will be notified of protests of contract matters involving Federal Funds.

Copyright © 2021

D. Responsibility for Purchasing

The Purchasing Manager is responsible for overseeing all procurements of the District. This includes development and revision of the policies and procedures related to the purchasing function, training staff in how to use and implement the policies and procedures, and monitoring for employee compliance with policies and procedures. It also includes reporting any potential or realized conflicts of interest to TEA and implementing the appropriate sanctions or disciplinary actions for employees who fail to comply with the policies and procedures.

Campus or Department Administrators have the authority to initiate and approve purchase requisitions within their authorized budget, however final approval of purchases and issuance of District purchase orders must be made by the Finance Coordinator, with additional approvals from Program Managers and review by the Purchasing Manager for procurement compliance.

Business Services oversees the workflow approval process in the District's ERP system, Skyward.

The Grants Managers, along with the Finance Coordinator determines if a purchase is allowable with Federal funds and determines compliance with the program statutes, regulations, and terms and conditions of the award.

E. Purchase Methods When Using Federal Funds

State Requirement Related to Purchasing Methods

In some situations, the federal requirements pertaining to purchasing methods are more restrictive than state of Texas requirements. In other situations, the state requirements are more restrictive than the federal requirements. Therefore, when determining the method that must be used in a particular purchasing situation, the more restrictive method or requirement must be used in each case. TEA has developed a **Side-by-Side Comparison of EDGAR and State Requirements for Procurements** to support in identifying the most restrictive method.

Micro-Purchases (Purchases up to $49,999)

Federal methods provide for procurement by *micro-purchase. Micro-purchase* is defined in 2 CFR § 200.320(a)(1) as the aggregate amount of the procurement transaction the micro-purchase threshold defined in 2 CFR 200.1, currently set at $49,999. The micro-purchase method is used in order to expedite the completion of its lowest-dollar small purchase transactions and minimize the associated administrative burden and cost.

In accordance with federal requirements, micro-purchases may be awarded without soliciting competitive price or rate quotations *if the District considers the price to be reasonable* based on

Copyright © 2021

research, experience, purchase history or other information and documents it files accordingly. Purchase cards can be used for micro-purchases if procedures are documented and approved by the non-federal entity. Also, when using federal funds, to the maximum extent practicable, the District should distribute micro-purchases equitably among qualified suppliers. The District intends to utilize the micro-purchase procurement method as authorized under applicable federal and state regulations. To ensure equitable distribution of micro-purchases among qualified suppliers, the District will implement a rotating vendor selection process. This process will involve maintaining a list of qualified suppliers and making purchases from these vendors on a rotating basis, provided the price is reasonable and the vendor meets the required qualifications.

The responsibility for determining equitable distribution and managing the vendor rotation list resides with the Purchasing Manager. This office will document all micro-purchases and monitor vendor usage to ensure fair and consistent distribution of opportunities.

The District maintains evidence of this reasonableness in the records of all micro-purchases.

Written Procedures for Determining Price Reasonableness (Micro-Purchases)

To ensure compliance with federal procurement standards, the District will use the following procedures to determine whether a micro-purchase price is reasonable:

1. **Market Research**
    - Compare prices with publicly available sources (e.g., vendor websites, catalogs, online marketplaces).
    - Document the source and date of the comparison.

2. **Historical Pricing**
    - Review previous purchases of similar items/services.
    - Note any price changes and justify differences (e.g., inflation, quantity changes).

3. **Experience-Based Judgment**
    - Use professional judgment based on prior procurement experience.
    - Document rationale and any relevant context (e.g., urgency, availability).

4. **Quotes (Optional)**
    - Although not required, informal quotes may be obtained to support reasonableness.
    - Record vendor names, quoted prices, and date.

Copyright © 2021

5. **Cooperative Purchasing Agreements**
    - If purchasing through a cooperative, verify that pricing aligns with contract terms.

6. **Documentation**
    - Each micro-purchase must include:
        - Item/service description
        - Vendor name
        - Price paid
        - Justification for price reasonableness
        - Method used (e.g., market research, history)

Under 2 CFR § 200.320(a)(1)(iv), the District may increase its micro-purchase threshold up to $99,999.99 through yearly self-certification. Self-certification from the District includes justification and identification of the increased threshold and supporting documentation of any of the following:

1. The District is a low-risk auditee for the most recent audit in accordance with 2 CFR § 200.520
2. The District receives an annual internal institutional risk assessment that identifies, mitigates, and manages financial risks; or
3. The increased threshold is consistent with state law.

The District micro-purchase threshold is $49,999, based on the Federal Acquisition Regulation (FAR) inflation adjustment process, which occurs every five years under 41 U.S.C. § 1908. .As of October 1, 2025, the federal micro-purchase threshold is currently **$15,000**.

Under 2 CFR § 200.320(a)(1)(v), the District may increase its micro-purchase threshold up to $50,000 with approval from the cognizant agency for indirect costs after submitting documentation that demonstrates that the District is a low-risk auditee or that it receives an annual internal institutional risk assessment.

Simplified Acquisition Procedures (Purchases between $50,000 and $349,999 in the Aggregate)

The *federal* threshold for *simplified acquisitions* is $350,000. 2 CFR § 200.320(a)(2). However, as required by statute and policy, all district contracts for the purchase of goods and services valued at $100,000 or more in the aggregate for each 12-month period should be made by one of the procurement methods outlined in the TEC, §44.031, that provides the best value for a district. This requirement does not include contracts for the purchase of produce, vehicle fuel, or depository contracts. The procurement methods identified by statute are:

Copyright © 2021

• competitive bidding for services other than construction services

• competitive sealed proposals for services other than construction services

• a request for proposals for services other than construction services

• an interlocal contract

• a method provided by the Texas Government Code, Chapter 2269, for construction services

• the reverse auction procedure as defined by the Texas Government Code, §2155.062(d)

• the formation of a political subdivision corporation under the Texas Local Government Code, §304.001

Therefore, the more restrictive *state* threshold of less than $100,000 must be followed.

For purchases funded from *state or local funds*, to obtain the most competitive price, a district may, at its option, obtain price quotes for items costing less than $100,000. Per FASRG *Module 5*, the district's purchasing procedures should clearly define the lower figure for which quotes are required and obtain and retain written verification of the prices quoted. Unlike the mandatory competitive procurement described for purchases over $99,999, if an item to be paid from *state or local funds* costs less than $100,000, a district may utilize price quotations to stimulate competition and to attempt to receive the most favorable pricing.

If self-certified at a higher micro-purchase threshold and using *federal funds* to purchase goods or services in the aggregate cost between $14,999 and up to $49,999 (depending on the threshold of self-certification), the district can follow the micro-purchase procedures or identify additional procedures.

Cedar Hill ISD has self-certified for the Simplified Acquisition Threshold for Federal Funds purchases. The determination to do so is based on the following factors:

- is a low-risk auditee for their most recent federal audit; or
- conducts an annual internal risk assessment to identify, mitigate, and manage financial risk.

Cedar Hill ISD will **evaluate the quality of the quotes for a simplified acquisition** by implementing the following **2 check points**:

1. The quotes are recent (not older than the last 12 months).
2. The quote for the service/product is comparable and could provide documentation to indicate their comparability upon request.

Copyright © 2021

Competitive Procurement ($100,000 or more)

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

Texas Education Code § 44.031 (a) states that all school district contracts for the purchase of goods and services valued at **$100,000 or more** in the aggregate, for each 12-month period are to be made by the method that provides the best value to the district. This does not apply to contracts for the purchase of produce or vehicle fuel.

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

(1) competitive bidding 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; (RFP)
(4) an interlocal contract;
(5) a method provided by Chapter 2269, Government Code, for construction services; (RFQ)
(6) the reverse auction procedure as defined by Section 2155.062(d), Government Code; or
(7) the formation of a political subdivision corporation under Section 304.001, Local Government Code.

Professional and Consulting Services

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

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

Professional services are further defined in the Budgeting Costs Guidance Handbook as "Professional, consulting, and contracted services are those services delivered by an independent contractor (individual entity or firm) who is not on your organization's payroll and who offers its

Copyright © 2021

services to the public. Such services are paid on a fee basis for specialized services that are usually considered to be temporary or short-term in nature, normally in areas that supplement the expertise of your organization." Finally, professional services as described in Attorney General Opinion DM-418, are further defined in the Budgeting Costs Guidance Handbook.

Certain *professional services*, specifically those covered under Chapter 2254, Subchapter A of the Texas Government Code, (i.e., architects, CPAs, registered engineers, optometrists, physicians, surgeons, land surveyors, landscape architects, registered nurses and state certified or state licensed real estate appraisers) are not selected based on competitive bidding. Rather, they must be selected based on demonstrated competence and qualifications obtained through a *Request for Qualifications* or similar document. After the District makes its selection based on demonstrated competence and qualifications, a fair and reasonable price for the services is then negotiated and agreed upon.

Consulting services: According to TEA Budgeting Cost Guidance, consulting services

> *"Consulting services (6291) refers to the practice of helping districts to improve performance through analysis of existing problems and development of future plans. Consulting may involve the identification and integration of best practices, analytical techniques, change management and coaching skills, technology implementations, strategy development, or operational improvement.*
> *Consultants often rely on their outsider's perspective to provide unbiased recommendations. They generally bring formal frameworks or methodologies to identify problems or suggest more effective or efficient ways of performing tasks. Consulting services cover all functional areas such as instruction, curriculum, and administration. Consultants must be selected based upon demonstrated competence, qualifications, experience, and reasonableness of proposed fees. Consultant fees, travel costs, and costs for materials provided by the consultant are to be budgeted in 6200 and must be reasonable and necessary.*
> *Consulting services does not include a routine service/activity that is necessary to the functioning of a school district's programs, such as hiring additional people on contract to supplement present staff. It does not apply to services provided to conduct organized activities such as training, professional development, or other similar educational activities. It also does not include contracted services provided by an ESC.*
> *The District shall use a consultant only if the services of the consultant are necessary to accomplish the objectives of the particular program/project, the fees are reasonable in cost, and the District cannot meet the needs by using an employee. 34 CFR 75.515. For example, an employee may have the knowledge, skills, and capability to provide the consulting services, but the employee may not have the time in an already-busy schedule to provide the consulting services in the time required."*

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

Copyright © 2021

Allowable Professional Service Costs

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

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

Noncompetitive Procurement

There are specific circumstances in which noncompetitive procurement can be used. All circumstances must be documented. When using federal funds, noncompetitive procurement can only awarded if one or more of the following circumstances apply:

- The procurement is for a micro-purchase
- The procurement transaction can only be fulfilled by a single source
- The public exigency or emergency for the requirement will not permit a delay resulting from providing public notice of a competitive solicitation.The recipient or subrecipient requests in writing to use a noncompetitive procurement method, and the federal agency or TEA provides written approval. After solicitation of several sources, competition is determined inadequate.

Additionally*, state* requirements related to sole source purchasing are, in some ways, more restrictive. In addition to the federal requirements above, sole source purchases must meet established criteria:

Copyright © 2021

- 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.

According to state requirements, sole source does not apply to mainframe data-processing equipment and peripheral attachments with a single item purchase price in excess of $15,000.

In all cases, the District will obtain and retain documentation from the vendor which clearly delineates the reasons which qualify the purchase to be made on a sole source basis.

Use of Noncompetitive Proposal Method (Sole Source Procurement)

The District may utilize the noncompetitive proposal method—commonly referred to as sole source procurement—only under specific circumstances permitted by federal regulations (2 C.F.R. § 200.320(f)). These include:

1. The item is available only from a single source.
2. Public exigency or emergency will not permit a delay resulting from competitive solicitation.
3. Express authorization from the federal awarding agency or pass-through entity.
4. After solicitation of a number of sources, competition is determined inadequate.

Definition of Public Exigency or Emergency

- Emergency: A threat to life, public health or safety, or improved property that requires immediate action to alleviate the threat.
- Exigency: A situation requiring urgent action to prevent or alleviate serious harm or injury, financial or otherwise, where competitive procurement would unreasonably delay the response. [fema.gov], [govstar.org]

Approval and Documentation Requirements

- Sole source procurements must be justified in writing and include:
    - A description of the product or service.
    - An explanation of why competitive procurement is not feasible.
    - The duration of the sole source arrangement.
    - Evidence that no other vendors can provide the same goods or services.
    - A cost or price analysis to ensure reasonableness.

Copyright © 2021

- Disclosure of any potential conflicts of interest.

The Purchasing Manager is responsible for reviewing and approving sole source justifications before submitting to TEA for final approval. The District will use the **EDGAR Forms WorkApp System** to request prior approval from TEA. Per TEA, a letter from the vendor saying it is sole source does not qualify as acceptable documentation as a sole source purchase.

Cost/Price Analysis for Federal Procurements in Excess of $250,000

In accordance with the requirements in 2 CFR § 200.324(a), the District will make independent estimates of the goods or services being procured *before* receiving bids or proposals to get an estimate of how much the goods and services are valued in the current market.

To accomplish this, *after* bids and proposals are received, but *before awarding a contract*, the District conducts either a *price analysis* or a *cost analysis,* depending on the type of contract, in connection with every procurement with federal funds in excess of $250,000. The method and degree of analysis is dependent on the facts surrounding the particular procurement situation; however, the District will come to an independent estimate prior to receiving bids or proposals. 2 CFR § 200.324(a). The *cost analysis* or *price analysis, as appropriate for the particular situation,* will be documented in the procurement files.

Accordingly, the District performs a *cost or price analysis* in connection with every *federal* procurement action in excess of $250,000, including contract modifications, as follows:

Cost Analysis - Non-competitive Contracts: A *cost* analysis involves a review of proposed costs by expense category, and the federal cost principles apply, which includes an analysis of whether the costs are allowable, allocable, reasonable, and necessary to carry out the contracted services. In general,

- A *cost* analysis must be used for all *non-competitive contracts*, including sole source contracts.
- The federal cost principles apply.
- All *non-competitive contracts* must also be awarded and paid on a *cost-reimbursement basis*, and not on a fixed-price basis.
- In a cost-reimbursement contract, the contractor is reimbursed for reasonable actual costs incurred to carry out the contract.
- Profit must be negotiated as a separate element of the price in all cases where there is no competition.

Copyright © 2021

Price Analysis - Competitive Contracts: A *price* analysis determines if the lump sum price is fair and reasonable based on current market value for comparable products or services. In general,

- A price analysis can only be used with *competitive* contracts and is usually used with fixed-price contracts. It cannot be used with non-competitive contracts.
- Compliance with the federal cost principles is not required for fixed-price contracts, but total costs must be reasonable in comparison to current market value for comparable products or services.
- A competitive contract may be awarded on a fixed-price basis or on a cost-reimbursement basis. If awarded on a cost-reimbursement basis, the federal cost principles apply and costs are approved by expense category, and not a lump sum.

Price and Cost Analysis Procedures

1. Determining the Type of Analysis

The Purchasing Manager or designated procurement staff will determine the appropriate analysis based on the contract type:

- Fixed-price contract: Conduct a Price Analysis.
- Cost-reimbursement contract: Conduct a Cost Analysis.

This determination considers:

- Nature of goods/services
- Historical procurement data
- Funding source requirements
- Applicability of federal cost principles

2. Price Analysis Procedure

Steps:

1. Review prior procurements for similar goods/services.
2. Compare vendor quotes received through competitive bidding.
3. Research market rates using catalogs, online pricing, or third-party pricing databases.
4. Evaluate price reasonableness based on quantity, delivery terms, and specifications.

Timing:

- Conducted before contract award during bid/proposal evaluation.

Responsible Position:

- Purchasing Manager

Copyright © 2021

Documentation:

- Price comparison matrix
- Market research summary
- Bid evaluation report

3. Cost Analysis Procedure

Used for cost-reimbursement contracts or when price analysis is insufficient.

Steps:

1. Review itemized cost breakdowns from the vendor.
2. Verify costs against federal cost principles (2 C.F.R. Part 200, Subpart E).
3. Assess reasonableness of each expense category (labor, materials, overhead).
4. Request supporting documentation (e.g., payroll records, invoices).

Timing:

- Conducted prior to contract award and during contract performance for reimbursement validation.

Responsible Position:
Purchasing Manager

Documentation:

- Cost analysis worksheet
- Vendor cost proposal
- Justification for cost allowability and reasonableness

4. Review and Approval Process

- All analyses are reviewed by the Purchasing Manager.
- Documentation is retained in the procurement file for audit and compliance purposes.

Costs or prices based on *estimated* costs for contracts are allowable only to the extent that costs incurred or cost estimates included in negotiated prices would be allowable costs under the federal cost principles.

F. Purchase Cards (District-Issued Credit Cards/Pro Cards)

The use of district-issued credit cards or procurement cards is carefully controlled and monitored to prevent fraud, waste, and abuse. Module 5 of the FASRG addresses the use of credit/pro cards. The District superintendent, business manager, human resources director, and procurement

Copyright © 2021

director work together to set and enforce policies and procedures. Misuse and abuse will not be tolerated.

In accordance with suggested procedures in *Module 5* of FASRG, the District:

- Holds reviewers of credit card purchases to the same standards as cardholders.
- Applies the same set of rules to all card users, although spending limits may vary.
- Restricts card usage by spending limits, unauthorized merchant category codes, and time of use to business hours.
- Issues cards to employees only after they have completed training on the purchasing card program.

Segregation of Duties

- Identifies certain employees to be cardholders and others within the same department to be reviewers of the cardholders' purchases.
- Does not allow the same employee to buy, receive, approve, and reconcile card purchases.
- Has different employees set up cardholders and reviewers in the P-card system and the banking system.

Cardholders

- Requires cardholders to turn in detailed receipts in accordance with policies and documenting the business reason. Restaurant receipts must include line-by-line detail of the order.
- Requires cardholders to complete training prior to receiving a card and acknowledge in writing receipt of the policy and procedure manual.

Reviewers

- Revokes a department's card privileges if a departmental reviewer does not review and approve transactions according to policy.
- Requires the reviewers to call the employee immediately upon noticing a questionable transaction rather than waiting for the due date of receipts.
- Requires the reviewers to complete training prior to reviewing transactions and acknowledging in writing receipt of the policy and procedure manual.
- Reviewers are responsible for 4 to 10 cardholders at most in order to be effective.

Monitoring and Oversight

- Is selective when issuing cards--focus on repetitive, small-dollar purchases.
- Keeps limits as low as possible to accommodate normal business needs. If there is a need to allow for emergency purchases, certain employees can have a higher limit.
- Card reviewers must follow the same high standards applied to cardholders.
- Reviews district-wide activity periodically to identify frequently used vendors or products to consider negotiating volume discounts in order to obtain best prices for the district.

Copyright © 2021

Each credit card transaction must be properly accounted for. Refer to *II. Financial Management System, E. Accounting Records, Documentation Associated with Using District Credit/Pro Cards,* for specific information related to the proper accounting of credit card purchases.

G. Contract Administration

The District maintains the following oversights to ensure that contractors perform in accordance with the terms, conditions, and specifications of their contracts or purchase orders. 2 CFR § 200.318(b).

Contractor Oversight Procedures

To ensure contractors perform in accordance with the terms, conditions, and specifications of their contracts or purchase orders, the District maintains a structured oversight process. Upon contract award, the Purchasing Manager or designated Project Lead is assigned to monitor contractor performance throughout the duration of the agreement.

Oversight procedures include:

- Kick-off meetings to clarify expectations, deliverables, and timelines.
- Regular progress reviews, including site visits or virtual check-ins, depending on the nature of the contract.
- Performance tracking using checklists or milestone schedules aligned with contract terms.
- Documentation of deliverables, timelines, and any deviations from contract specifications.
- Issue resolution protocols, including written notices and corrective action plans if performance issues arise.

All monitoring activities are documented and reviewed by the Purchasing Manager to ensure compliance and accountability. This oversight helps safeguard public funds and ensures that services and goods are delivered as agreed.

To ensure proper administration of contracts and any subgrants that may be awarded by the District, the District uses the following guidelines to determine whether each agreement it makes for the disbursement of federal funds is a *contract,* whereby funds are awarded to a *contractor*, or a *subaward,* whereby funds are awarded to a *subrecipient*.

Copyright © 2021

Subawards/Subgrants

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

- Has its performance measured in relation to whether the objectives of a federal program are met
- Has responsibility for programmatic decision-making
- Is responsible for adhering to applicable federal program requirements, and
- Implements a program for a public purpose specified in authorizing statute, as opposed to providing goods or services for the District.

Contracts

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

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

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

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

Copyright © 2021

accordance with the description in the contract. For ongoing services, payment may be made at the end of every month upon receipt of the invoice. Contractors will not be paid in advance.

c. The contract specifies that the invoice provided by the contractor will include the list of services provided, dates of services, and location(s) where services were provided during the billing period.

d. The District complies with the regulations pertaining to procurement in 2 CFR § 200.318 - .324.
e. The District complies with the provisions in 2 CFR § 200.459 pertaining to allowable professional service costs.
f. The contract identifies the funding source(s) that will be charged for the services provided, including the specific amount and/or percentage of the total contract amount to be charged to each funding source.
g. The contract identifies and lists only reasonable, necessary, and allocable services to be provided in accordance with the funding sources that will be charged.
h. The administrative costs charged to the grant in the contract must be reasonable and must comply with any statutory limitations for administrative costs specified in the federal program funding source.

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

Documentation for Contracts

The District maintains the following written documentation, at a minimum, for each contract paid with federal funds: The Purchasing Manager is responsible for obtaining, creating, and maintaining the documentation listed below.

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

Copyright © 2021

Payment Only After Services Are Performed

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

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

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

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

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

Verification of Receipt of Goods and Services Provided by Contractors

If the purpose of the contract or purchase order is to deliver goods, the Campus or Department Administrative Assistant will verify that the quantity and quality of goods were received as specified in the contract/purchase order. The receiving module in Skyward and procedures used in all other state/local purchases will be used for all federal purchases.

The District does not purchase property with Federal Funds at this time.

If the purpose of the contract is to purchase services, the Campus Principal or Department Administrator will verify that the quality and scope of services were received as specified in the contract. The service will then be received in the Skyward Receiving module and invoice attached by the Administrative Assistant for payment processing.

Prompt Payment to Vendors/Contractors

The District pays all vendors/contractors within 30 days of receipt of a proper invoice and the receipt of the goods or services in accordance with the *Texas Prompt Payment Act*. *Government*

Copyright © 2021

Code, Chapter 2251, Subchapter A, for all contractors, and Property Code, Chapter 28 for Construction Contractors.

H. Submission of Procurement System

In accordance with 2 CFR § 200.325(b), the District will make available upon request from TEA all procurement documents for pre-procurement review, such as requests for proposals or invitations for bids, or independent cost estimates.

In addition, the District may request (in accordance with the process established by TEA) that its procurement system be reviewed by TEA to determine whether the system meets federal standards in order for the system to be certified. The District may also self-certify its procurement system in accordance with the provisions in 2 CFR § 200.325(c), which does not preclude TEA's right to survey the system.

IV. Property Management Systems

A. Property Classification

Equipment means tangible personal property (including information technology systems) having a useful life of more than one year and a per-unit acquisition cost which equals or exceeds the lesser of the capitalization level established by the District for financial statement purposes, or. 2 CFR § 200.1. The District's capitalization level is $10,000.

Supplies means all tangible personal property other than equipment. A *computing device* is a supply if the acquisition cost is less than the lesser of the capitalization level established by the District for financial statement purposes or $10,000, regardless of the length of its useful life. 2 CFR § 200.1.

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 § 200.1.

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 a lease accounted for as a financed purchase under Government Accounting Standards

Copyright © 2021

Board (GASB) standards or a finance lease under Financial Accounting Standards Board (FASB) standards; 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 § 200.1.

B. Inventory Procedure

Receiving Location

- Technology inventory is received by the warehouse.
- Other inventory is received directly at each campus or department rather than a centralized warehouse.

Inspection and Verification

- Upon delivery, the designated staff member at the receiving location (typically a secretary, office manager, or department lead) performs the following checks:
    - Verifies that the items match the Purchase Order (PO) and vendor invoice.
    - Inspects the goods to ensure they are in good condition, undamaged, and meet the specifications ordered.

Receiving

- Once receiving is completed in the District's financial system (Skyward) the item(s) is entered into a shared spreadsheet accessible by multiple departments.
- The report includes:
    - PO number
    - Invoice number
    - Date of receipt
    - Description and quantity of items received
    - Condition of items
    - Name of the staff member who performed the inspection

Property Management System Logging

- For assets or inventory requiring tracking (e.g., technology, equipment), the department designee logs the item into the District's Federal Funds Inventory spreadsheet.
- This includes tagging the item if applicable and entering:
    - Serial number

Copyright © 2021

- Asset category
- Location
- Assigned user (if applicable)

Property Tagging and Equipment Setup Procedures

Tagged Property

All equipment purchased by the District must be tagged for inventory tracking. This includes, but is not limited to:

- Computing devices such as:
  - Laptops
  - Tablets
  - Smartphones
  - Desktops
  - Servers
- Instructional technology
- Audio/visual equipment
- Furniture and fixtures (if above capitalization threshold)
- Specialized tools or machinery

Tagging Responsibility

- The Maintenance/Warehouse Department is responsible for tagging all computing devices and mobile technology.
- The Maintenance Department or department making the purchase may assist with tagging non-technology equipment, depending upon the item type.
- Tags include:
  - Asset ID number
  - Barcode or QR code
  - District name
  - Location or department assignment

Equipment Configuration and Installation

- Technology Department Technicians are responsible for:
  - Configuring computing devices (e.g., installing software, setting up user profiles, applying security settings)
  - Connecting devices to the District network
  - Ensuring compliance with cybersecurity protocols

Copyright © 2021

- Vendors, or Maintenance Staff may install:
    - Furniture
    - Large equipment
    - Fixtures requiring assembly or placement

C. Inventory Records

For equipment and computing devices purchased with federal funds (in whole or in part), the following information is maintained by the responsible department, as referenced above.

All entries will include the following information:

- Serial number or other identification number
- Source of funding for the property
- Who holds title*
- Acquisition date and cost of the property
- Percentage of federal contribution towards the original purchase
- Location, use, and condition of the property, and
- Any ultimate disposition data including the date of disposal and sale price of the property.

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

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

The District is responsible for maintaining and *updating* property records when there is a change in the status of the property. The Capital Assets spreadsheet will be updated upon the sale or disposal of any equipment or devices by the department making and maintaining the entry. Lost or stolen and disposed of property must also be recorded and reported to TEA.

D. Physical Inventory

Copyright © 2021

A physical inventory of the property is taken and the results reconciled with the property records every year. The Program Manager or designee performs the physical inventory, then updates the Capital Asset list spreadsheet, investigating any discrepancies.

E. Equipment Insurance and Maintenance of Equipment

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

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

Property Maintenance and Repair Procedures

Use Restrictions

To ensure District property remains in good condition:

- Equipment and computing devices are to be used only for official educational or administrative purposes.
- Devices must not be altered, loaned, or relocated without prior approval from the Technology Department or Department of possession, depending on the item.
- Staff and students must follow all acceptable use policies and security protocols.

Reporting Issues

If an item appears to be damaged, malfunctioning, or not working properly, the following steps are taken:

1. The issue is reported to the appropriate department:
    - Technology Department for computing devices and electronics.
    - Maintenance Department for furniture, fixtures, and non-tech equipment.
2. The report must be submitted via:
    - Help desk ticketing system

Assessment and Repair

- The responsible department assesses the item to determine:
    - The nature and severity of the issue

Copyright © 2021

    - Whether the item can be repaired in-house or requires external service
    - If the item is under warranty or service contract
- Technology Technicians or Maintenance Staff perform or coordinate repairs.

- If external repair is needed, the Purchasing Manager may assist with vendor selection and procurement.

Repair Documentation

- A maintenance log is updated to include:
    - Date of issue report
    - Description of the problem
    - Actions taken
    - Repair costs (if applicable)
    - Resolution date

F. Lost or Stolen Items

The District maintains a control system that ensures adequate safeguards are in place to prevent property loss, damage, or theft of the property. Any loss, damage, or theft is investigated in accordance with the following procedures. The District must notify the Federal agency or pass-through entity of any loss, damage, or theft of equipment that will have an impact on the program. 2 CFR § 200.313(d)(3)

Property Safeguarding and Loss Procedures

Safeguards in Place

To ensure District property is protected from loss, theft, or misuse, the following safeguards are implemented:

- All equipment and computing devices are tagged and marked as property of CHISD.
- Devices are stored in secure, access-controlled areas when not in use.
- Staff are trained on proper handling and storage procedures.

Off-Site Use of Property

- Property may be taken off-site only with prior approval from the department supervisor.
- A sign-in/sign-out procedure is required for all computing devices taken off-site.

Copyright © 2021

- This includes logging the asset tag, user name, date of checkout, and expected return date.
- Checkout is maintained by the campus or department making the purchase.

Lost or Stolen Equipment Procedures

1. Immediate Reporting:
   - Any suspected loss or theft must be reported immediately to the Campus Administrator and the Technology Department.
2. Investigation:
   - The Technology Department, in coordination with Campus Administration and CHISD Police, conducts an internal investigation.
   - Any stolen equipment must be reported to the police.
   - Interviews may be conducted with staff or students involved.
   - If theft is suspected, a police report is filed with the Cedar Hill Police Department.
3. Documentation:
   - A completed incident report is submitted to the Purchasing Manager and the Chief Financial Officer.
   - The report includes:
     - Description of the item
     - Asset tag and serial number
     - Circumstances of loss/theft
     - Investigation findings
     - Police report number (if applicable)

Inventory and Replacement Policy

- Lost or stolen property remains listed in the inventory for one fiscal year or until formally written off following investigation and documentation.
- Replacement of equipment is subject to:
  - Approval by the Program Manager
  - Availability of funds
  - Justification of continued need

G. Use of Equipment

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

Copyright © 2021

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. Should the occasion arise, the equipment in question will be discussed with other program managers. A plan for transfer will be made if it is determined that another Federal program is able to use the equipment.

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, provided such use will not interfere with the purpose for which it was originally acquired. However, the original purchase of any equipment to be used in other programs will be properly allocated (i.e., prorated) among the applicable funding sources.

H. Disposal of Equipment and Supplies

Equipment

In accordance with 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 Finance Coordinator will contact the TEA Chief Grants Administrator or other awarding agency for disposition instructions.

Generally, disposition of equipment is dependent on its fair market value (FMV) at the time of disposition.

- An item that has a current FMV of **$10,000 or less**, may be retained, sold, or otherwise disposed of with no further obligation to TEA or the federal awarding agency. However, TEA must still approve disposition in accordance with specified procedures.
- If an item has a current FMV of **more than $10,000**, TEA or the federal awarding agency is entitled to the federal share of the current market value or sales proceeds. Pursuant to the provisions in 2 CFR § 200.313(d)(5), the District uses procedures to ensure the highest possible return. TEA must approve the disposition. The District may retain $1,000 to cover expenses associated with the selling and handling of the equipment.

Copyright © 2021

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

Disposition of equipment will be properly recorded in the fixed asset inventory. [Refer to B,C,D *regarding Inventory Records*.]

Additionally, TEA's *General Provisions and Assurances* for all grants (state and federal) administered by TEA contain the following provision:

> **V. Capital Outlay:** If the Contractor purchases capital outlay (furniture and/or equipment) to accomplish the objective(s) of the project, title will remain with the Contractor for the period of the Contract. The Agency reserves the right to transfer capital outlay items for Contract noncompliance during the Contract period or as needed after the ending date of the Contract. This provision applies to any and all furniture and/or equipment regardless of unit price and how the item is classified in the Contractor's accounting record.

Determining When Equipment Will Be Disposed

- Equipment is considered for disposal when it is:
    - No longer functional or cost-effective to repair
    - Obsolete or incompatible with current systems
    - Surplus to the District's operational needs
- The Purchasing Manager, in coordination with the Technology Department and/ Innovation Finance Coordinator reviews inventory reports and maintenance records to identify items eligible for disposal.

Sales Procedures for Unneeded Equipment

- Cedar Hill ISD uses a third-party auction company to sell surplus or unneeded equipment.
- The **Operations Department and Purchasing Manager coordinate** the sale process, ensuring:
    - Items are grouped and described accurately
    - Photos and specifications are provided to the auction company
    - Auction timelines are communicated to relevant departments
- To ensure the **highest possible return**, the auction company must:

Copyright © 2021

    - Solicit **multiple offers** or bids per item (minimum of three competitive offers when applicable)
    - Conduct sales in a transparent and publicly accessible manner
- Proceeds from the sale are returned to the District and documented by the Director of Finance, returning proceeds to the appropriate Federal Program.

Recordkeeping

- All disposal and sale documentation—including auction results, and updated asset records—is saved to a shared file and shared with Business Services for audit purposes.

Supplies

Supplies are an allowable direct charge (2 C.F.R. § 200.453). Title to supplies acquired under the Federal award will vest upon acquisition in the recipient or subrecipient. If there is a residual inventory of **unused** supplies at the end of the period of performance exceeding $10,000 in total aggregate value, and the supplies are not needed for any other Federal award, the District may retain or sell the supplies. 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. The District may retain $1,000 to cover expenses associated with the selling and handling of the equipment.

- Unused supplies means supplies that are in new condition, not having been used or opened before.
- The aggregate value of unused supplies consists of all supply types, not just like-item supplies.

The Finance coordinator will contact the TEA Chief Grants Administrator or other awarding agency for disposition instructions of supplies. 2 CFR § 200.314.

V. Written Compensation Policies

Allowable Compensation

Compensation for employees paid from federal funds will be in accordance with the established written policy for compensation for all employees, and the written policy will be consistently applied among all employees, whether paid from state, local, or federal funds. Compensation

Copyright © 2021

includes all remuneration, paid currently or accrued, for services of employees rendered during the period of performance under the federal award, including but not necessarily limited to wages and salaries. Compensation for personal services may also include fringe benefits.

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

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

Reasonable Compensation

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

Professional Activities Outside the District

Unless an arrangement is specifically authorized by TEA or other awarding agency, the District must follow its written policies and practices concerning the permissible extent District employees may provide professional services outside the District for non-District compensation. If a policy does not exist or does not adequately define the permissible extent of consulting or other non-District activities undertaken by an employee for extra outside pay, the federal government may require that the effort of professional staff working on federal awards be allocated between:

1. District activities and
2. Non-district professional activities.

If TEA or other awarding agency considers the extent of non-District professional effort excessive or inconsistent with the conflicts-of-interest terms and conditions of the federal award, appropriate arrangements governing compensation will be negotiated on a case-by-case basis.

Therefore, the District's policy which governs employees obtaining payment for performing professional services outside the District is incorporated into the District's written employee

Copyright © 2021

compensation policy. Any employee wishing to perform professional services outside the District and receive payment for such services by another entity must complete, sign and submit the *Conflict of Interest* form prior to agreeing to perform professional services outside the District. The purpose of the *Conflict of Interest* form is to disclose the nature of the professional services to be performed outside the district to ensure a conflict of interest does not exist for the District. The completed, signed form will be submitted to the Superintendent's cabinet for review and determination of whether a potential conflict of interest exists.

> During working hours, employees are expected to devote their full time and attention to the business and the affairs of the District.
>
> If an employee wishes to engage in employment or business activity outside his/her employment with the District, the employee must first disclose to the District the nature and extent of the proposed employment or business activity and obtain the District's written approval. Approval will only be withheld if the District reasonably determines that the employee's proposed outside employment or business activity could conflict or compete with the interests of the District or could negatively affect the employee's job performance or attendance.
>
> By signing this policy, I acknowledge understanding of the above policy and acceptance of the policy guidelines and constraints.
>
> _____ _____
>
> Employee Signature and Date]
>
> Failure by an employee to comply with this requirement is subject to disciplinary action up to and including termination.

The District complies with other requirements pertaining to allowable and unallowable costs as specified in 2 CFR § 200.430(d), (e), and (f), including:

1. Compensation for certain employees of cost-reimbursement contracts covered under 10 USC 2324(e)(1)(P); 41 USC 1127; and 41 USC 4304(a)(16);
2. Changes in compensation resulting in a substantial increase in the District's employees' level of compensation; and
3. Incentive compensation based on cost reduction, efficient performance, suggestion awards, safety awards, etc.

The District also adheres to the guidance for areas of employee compensation that could require internal control procedures. TEA's *Module 1* – FASRG and TEA's Internal Controls Handbook

Copyright © 2021

Job Descriptions

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

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

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

A. Documentation of Personnel Expenses

Standards for Documentation of Personnel Expenses

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

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

[Note: Pursuant to the provisions in 2 CFR § 200.430(g)(8), where the records do not meet the standards described in this section, the USDE or TEA may require personnel activity reports

Copyright © 2021

(PARs), including prescribed certifications, or equivalent documentation that support payroll charges to federal grants.]

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

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

Time and Effort Procedures

All employees who are paid in full or in part with federal funds must sign semi-annual certifications. These certifications are signed at the middle of the year and end of the year. Employees who are paid in part also complete a spreadsheet to log their time spent completing various roles and responsibilities. These certifications are reviewed by the Curriculum and Instruction Department when submitted twice per year.

Reconciliation and Closeout Procedures

It is critical for payroll charges to match the actual distribution of time recorded on the monthly certification documents. Grantees may **initially** charge payroll costs based on budget estimates. 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.

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

The District ensures ongoing oversight of federally-funded programs by reconciling actual costs to budgeted costs monthly. A reconciliation template is maintained by the Finance Coordinator for each federal grant. It includes original budgeted amounts, actual costs incurred to date, and variances. If variances exceed a predetermined threshold up to 10% variance between budgeted and actual costs, a budget revision is made.

Copyright © 2021

If using budget estimates, the District will reconcile payroll charges to the actual time and effort reflected in the employees' time-and-effort records.

All the time and effort certifications are received by the Curriculum Department and reviewed for accuracy and appropriate signatures and dates by the Program Manager.

Employee Exits

The Curriculum and Instruction Department is responsible for obtaining final certification and/or time and effort documentation before the employee leaves.

VI. Human Resources Policies

All employees, including those paid with federal funds and those not, will adhere to the District's written leave policy. Human Resource policies and procedures are accessible in the Cedar Hill ISD Board Policy Manual and Employee Handbook.

If the District institutes any mass or abnormal severance pay, the District will request prior written approval from TEA in accordance with 2 CFR § 200.431(g)(2)(ii).

Employee Health and Welfare Costs

Group health insurance coverage is available. The district's contribution to employee insurance premiums is determined annually by the board of trustees and it is intended to offset the increasing costs of health insurance.

Employees are provided with employer-paid benefits that include Basic Life and AD&D insurance, Telehealth, and an Employee Assistance Program. These employer-paid benefits are intended to attract/retain personnel and offer employee support.

VII.Record Keeping

A. Record Retention

Copyright © 2021

In general, records document the use of funds, compliance with program and fiscal requirements, and the performance of the grant. In accordance with 34 CFR § 76.730-.731 and § 75.730-.731, the District maintains all records that fully show (1) the amount of funds under the grant or subgrant; (2) how the District uses those funds; (3) the total cost of each project; (4) the share of the total cost of each project provided from other sources; (5) other records to facilitate an effective audit; and (6) other records to show compliance with federal program requirements. The District also maintains records of significant grant project experiences and results. 34 CFR § 75.732. These records and accounts must be retained and made available for programmatic or financial audit.

Pursuant to the provisions in 34 CFR § 81.31(c), the USDE is authorized to recover any federal funds misspent within 5 years before the receipt of a program determination letter. Consequently, in accordance with TEA's General Provisions and Assurances and the statute of limitations, the District retains records for a minimum of five (5) years from the date on which the final expenditure report is submitted or the ending date of the grant, whichever is later, unless otherwise notified in writing to extend the retention period by TEA or other awarding agency. However, if any litigation, claim, or audit is started before the expiration of the record retention period, the records will be retained until all litigation, claims, or audit findings involving the records have been resolved and final action taken. 2 CFR § 200.334.

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

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

Destruction of Records

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

Copyright © 2021

or disposing of a record improperly or prematurely constitutes a Class A Misdemeanor under state law.

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

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

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

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

The District follows all requirements for record retention and disposal according to the Texas State Library and Archives Commission (https://www.tsl.texas.gov/slrm/localretention) Schedule D. Processes and procedures can be found in the Cedar Hill ISD Records Management Manual **(I:\Administration\SHARED\Administrators\Admin Summit - 2025 - 2026)**

B. Records That Must Be Maintained

A *record* is any recorded information that documents school business; it serves as evidence that an activity, event, decision, or transaction occurred. A record must be retrievable at a later date (i.e., for 5 years after the ending date of the grant or after submittal of the final expenditure report, whichever is later).

Not every piece of paper or every piece of data is an *official record*. Materials used for *reference* are just that – reference materials; they are not records. District personnel must use some judgment in determining whether a record constitutes an "official business record" by looking at

Copyright © 2021

the content of the record to determine its value in serving as evidence. A good place to start is by consulting the District's *Records Management Officer* and *Records Management Policy*. The [*title of position*] serves as the District's *Records Management Officer*.

Records are created by the District to support a grant activity and they are retained as evidence of that activity. Records may come in a variety of different forms and may be *created* by the District or be *received* by the District in any medium, including hard copy paper or electronic, audio, or video. Whether the District *creates* it, or *receives* it from someone outside the District, if it documents school operations, it's a record and must be retained according to the records retention schedule.

Most e-mails are records; telephone messages can be records. The record can be on a computer's hard drive, on a USB, on a DVD, in a filing cabinet, or on someone's desk. Even if the record contains confidential information and may be exempt from release under a Public Information Request (PIR), it is still a record and must be retained using proper security procedures to safeguard the confidential data.

Records generally include but are not limited to

- General correspondence, including letters and e-mail
- Handwritten notes and electronic notes
- Completed forms and reports and the data used to complete the reports
- Personnel documentation
- Websites created by the District
- Audio tapes and video tapes
- Final, complete, and signed (if applicable) documents
- Plans, photographs, or drawings
- Data in spreadsheets and databases
- Financial records, including but not limited to budgets, accounting ledgers, all supporting documentation for expenditures, copies of checks, bank statements, etc.

Records generally do NOT include

- Convenience copies (extra identical copies created only for convenience of reference or research)
- Drafts of documents
- Copies of documents furnished to the public to fulfill a PIR
- Blank forms/stocks of publications (keep at least one copy for archives to demonstrate compliance or proof of program activities)
- Library or museum materials

Copyright © 2021

- Dispute resolution working files (the *final* written finding or report is a record)
- Personal or junk e-mail
- CCs of emails (or letters) or convenience copies of emails (or letters) (the recipient in the "To" line is the keeper of the official record)

C. Collection and Transmission of Records

When practicable, the District must collect, transmit, and store Federal award information in an open file, non-licensed, and machine-readable formats. The District may substitute electronic versions of original paper records through duplication or other forms of electronic conversion, provided that the procedures are subject to quality control reviews. Quality control reviews must ensure that electronic conversion procedures provide reasonable safeguards against alteration of records and assurance that records remain in a format readable by a computer system.

It is becoming more common to store records electronically to conserve storage space. Storing records electronically is acceptable and is encouraged. However, TEA or other awarding agency must always provide or accept paper versions of grant-related information to and from the District upon request.

The retention period is the same whether the record is paper or electronic. However, a few precautions are in place.

It is permissible to scan hard copies of records and then store them electronically. The District must comply with *Electronic Records Standards and Procedures* (Local Government Bulletin B on TSLAC's website) when scanning records. The District's designated *Records Management Officer* is aware of these standards. The Chief Financial Officer is responsible for performing or overseeing the scanning of all records to ensure the following procedures are properly carried out.

Prior to scanning, the employee must ensure that the original document has not been altered in any way. It is permissible to have *additional* hand-written notes on an original record, but the hand-written notes cannot obscure the contents of the original document in any way.

When scanning records, the employee must conduct *visual quality control* on each page of each document to ensure the scan is high quality and that it is *entirely* legible. Even one illegible line, word, or number on a scanned document can render the scanned document as unacceptable by auditors, monitors, TEA, and other oversight agencies.

Once the original has been scanned and the employee has conducted a thorough visual quality control **on each page of each document**, the scanned version becomes the official record and

Copyright © 2021

the originals can be destroyed. However, *before destroying any documents*, the employee must check with the District's designated *Records Management Official.* He or she may wish to confer with legal counsel or the auditor. There may be legal reasons for not destroying the originals. Also before destroying the originals, the employee will want to consider if there is any historical value to retaining the original, and if so, perhaps retain the original for historical purposes.

The employee must also ensure that each scanned document is properly indexed (labeled) so that a specific document can be easily searched and retrieved at a moment's notice. Failure to properly index a scanned document can result in the inability to retrieve it in a timely manner for audit or monitoring purposes, which could ultimately result in an audit or monitoring finding and the repayment of grant dollars.

The District must also ensure that scanned versions can be preserved over the long term as technology becomes obsolete. The District considers archival quality microfilm for some records.

Records that are available only in electronic format are backed up on a regular schedule in another physical location. If the original electronic records are destroyed or lost due to any reason, the backup location will have a duplicate copy of the records.

(Refer to Transaction Documentation and Storage Procedures for records procedures, page 23)

In accordance with 2 CFR § 200.335, the District will transmit records electronically to TEA, awarding agencies, auditors or monitors.

D. Access to Records

All grant records are government records and are the property of the District; they are not the personal property of an individual. Records should be easily accessible by all personnel in the District who may need to refer to the documentation for program management, accounting, compliance, audit, or monitoring purposes. With the exception of confidential personnel hiring records, proprietary information of contractors, and confidential student information, all grant information is public information.

Pursuant to the provisions in 2 CFR § 200.337, the District provides TEA or other awarding agency, Inspectors General, the Comptroller General of the United States, the Texas State Auditor's Office, the Texas Attorney General's Office, and the US Department of Education staff or their contracted monitors or any of their authorized representatives, the right of access to any documents, papers, or other records of the District which are pertinent to the federal award to perform audits, execute visits, examinations, excerpts, other official use, and transcripts. The

Copyright © 2021

right also includes timely and reasonable access to the District's personnel for the purpose of interview and discussion related to such documents or the federal award in general.

Protecting the True Names of Victims of a Crime

Only under extraordinary and rare circumstances would such access include review of the true name of victims of a crime. Routine monitoring would not necessitate access to this information, as it is not considered extraordinary and rare circumstances. When access to the true name of victims of a crime is necessary, appropriate steps to protect this sensitive information must be taken by both the District and the awarding agency. Any such access, other than under a court order or subpoena pursuant to a bona fide confidential investigation, must be approved by the head of the awarding agency or delegate.

The rights of access in this section are not limited to the required retention period but last as long as the records are retained. 2 CFR § 200.337(c)

E. Privacy

Board Policy GBA (Legal) addresses the Public Information Act requirements. Section I addresses Rights of Access to Public Information. Section II addresses confidential information under the Public Information Act or Other Law. Section III addresses Information Expected from Disclosure Under Subchapter C of the Public Information Act.

Board Policy FL (Legal) specifically addresses requests for student information. This policy defines educational and non-educational information requests. These requests require verification of the parent or family member as legally allowed to have the student's information.

Training on the Family Educational Rights and Privacy Act (FERPA) is conducted and verified annually.

VIII. Monitoring

A. Self-Monitoring

The District is responsible for oversight of the operations of the federal award-supported activities. The District is responsible for monitoring its activities under federal awards to assure compliance with applicable federal requirements and to ensure performance expectations are being achieved. This process is known as self-monitoring. Monitoring by the District must cover

Copyright © 2021

each program, function, or activity. 2 CFR § 200.329. Additionally, the District must directly administer or supervise the administration of each project. 34 CFR § 76.701

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

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

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

The district shall ensure that all grant funds are consistently monitored throughout the grant period. The monitoring shall include, but not be limited to:

- Compliance with federal requirements such as cost principles, audit, reporting requirements, etc.
- Monitoring of grant expenditures are properly documented and meet all allowable costs
- Monitor grant performance such as internal controls, audit findings, over/under expenditures, etc.
- Implement strategies to deter, mitigate and eliminate waste and fraud in the expenditure of grant funds

B. TEA Monitoring

Risk Assessment

Pursuant to the provisions in 2 CFR § 200.332(c), TEA, as a pass-through agency, is required to evaluate each subrecipient's risk of noncompliance with federal statutes, regulations, and the terms and conditions of the award for purposes of determining the appropriate subrecipient monitoring. Accordingly, the risk assessment may include:

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

Copyright © 2021

- The extent and results of USDE monitoring if the District also receives federal awards directly from the USDE.

Special Conditions

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

- Requiring payments as reimbursements rather than advance payments
- Withholding authority to proceed to the next phase until receipt of evidence of acceptable performance
- Requiring additional or more detailed financial reports
- Requiring the District to obtain technical or management assistance
- Establishing additional prior approvals. 2 CFR § 200.208(d)

TEA is required to notify the District as to:

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

TEA must promptly remove any additional requirements once the conditions that prompted them have been satisfied.

Identification as a High-Risk Grantee

In accordance with the provisions 2 CFR § 3474.10, TEA has the authority to identify the District as a high-risk grantee, based on an analysis of the following factors:

- Based on the results of the risk assessment;
- The District's history of compliance with the general or specific terms and conditions of a federal award;
- The District's ability to meet expected performance goals as described in the award;
- A responsibility determination of the District.

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

Monitoring

TEA must monitor the activities of the District as necessary to ensure that the award is used for authorized purposes, in compliance with the federal statutes, regulations, and the terms and

Copyright © 2021

conditions of the award; and that the award performance goals are achieved. 2 CFR § 200.332(e). Monitoring *must* include:

- Reviewing financial and programmatic reports.
- Ensuring that the District takes action on all significant developments that negatively affect the subaward. Significant developments include Single Audit findings related to the subaward, other audit findings, site visits, and written notifications from a subrecipient of adverse conditions which will impact their ability to meet the milestones or the objectives of a subaward. When significant developments negatively impact the subaward, a subrecipient must provide the pass-through entity with information on their plan for corrective action and any assistance needed to resolve the situation.
- Issuing a management decision for applicable audit findings pertaining only to the award.

TEA is responsible for resolving audit findings specifically related to the subaward and not responsible for resolving cross-cutting findings.

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

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

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

Remedies for Noncompliance

If the District fails to comply with the U.S. Constitution, federal statutes, regulations, or the terms and conditions of the award, the USDE (for direct grants) or TEA (for state-administered grants) may impose one or more of the conditions described in *Special Conditions* (above). In addition, TEA may take one or more of the following actions, as appropriate in the circumstances:

- Temporarily withhold payments until the District takes corrective action.
- Disallow costs for all or part of the activity associated with the noncompliance.
- Initiate suspension or debarment proceedings as authorized under 2 CFR Part 180 and USDE regulations (or in TEA's case, recommend such a proceeding be initiated by the USDE).
- Withhold further federal awards for the project or program.

Copyright © 2021

- Take other remedies that may be legally available.

2 CFR § 200.339

C. Subrecipient Monitoring

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

The District does not award subgrants as a regular course of action.

IX. Audits

A. Annual Independent Audit

Section 44.008 of TEC requires that each school district have its fiscal accounts audited annually *at district expense* by a certified or public accountant (independent of the district) holding a permit from the Texas State Board of Public Accountancy (CPA). No portion of the independent audit may be paid from state or federal grant funds. The cost to conduct the annual independent audit must be paid from state or local funds.

The audit must meet at least the minimum requirements and be in the format prescribed by the SBOE and the commissioner. Audits must be conducted in accordance with generally accepted auditing standards (GAAS) and Government Auditing Standards (GAS), also referred to as the *Yellow Book*. Audit requirements are also provided in TEA's FASRG, *Module 4 – Auditing*.

The itemized accounts and records of the district must be made available to audit. The independent audit must be completed following the close of each fiscal year and must be submitted to TEA within 150 calendar days of the close of the fiscal year.

During the annual independent audit, the auditor examines whether the district has complied with financial management and reporting requirements and with internal controls. The annual audit is organization-wide and includes an examination of all fund types and account groups.

Copyright © 2021

The audit reports are reviewed by TEA audit staff, and TEA notifies the local board of trustees of any objections, violations of sound accounting practices or law and regulation requirements, or of any recommendations concerning the audit report that the commissioner wants to make. If the audit report reflects that penal laws have been violated, the commissioner must notify the appropriate county or district attorney and the state's attorney general.

TEA must be permitted access to all accounting records, including vouchers, receipts, fiscal and financial records, and other school records TEA considers necessary and appropriate for the review, analysis, and passing on audit reports.

B. Single Audit

In addition to the state-mandated annual audit, federal regulations require that grantees obtain audits in accordance with 2 CFR Part 200, Subpart F – Audit Requirements. The audits must be made by an independent auditor in accordance with generally accepted government auditing standards (GAGAS). Awarding agencies, including TEA, are required to determine whether their grantees have met the audit requirements.

State agencies such as TEA are required to follow their own procedures to determine whether the District spent federal funds in accordance with applicable laws and regulations. This includes reviewing an audit to determine if the District had a single audit conducted in accordance with 2 CFR § 200.514, or through other means if there was no single audit.

TEA as a state agency must also:

- ensure that the District takes appropriate corrective action within six months after receiving a report with an instance of noncompliance with federal laws and regulations
- consider whether the audit necessitates an adjustment of TEA's own records

Who Is Required to Have a Single Audit?

School districts that **expend $1,000,000** or more total in federal awards (i.e., all of the expenditures added together for all of the federal grants) during the fiscal year are required to have a Single Audit conducted *in addition to and in conjunction with* the annual independent audit.

The Single Audit must be completed in accordance with 2 CFR Part 200, Subpart F and the *Audit Compliance Supplement* (see link below), normally updated around March of each year. The *Audit Compliance Supplement* outlines specific requirements and corresponding audit procedures for each major federal program.

Copyright © 2021

For federal programs *not* covered in the *Compliance Supplement*, the auditor is directed to use the *types* of compliance requirements contained in the *Supplement* as guidance for identifying compliance requirements to test, and to determine the requirements governing the federal program by reviewing the provisions of grant agreements and the laws and regulations applicable to those federal programs.

The cost to conduct the Single Audit can be prorated among the federal programs being audited in proportion to the total award amount of each program.

What Happens During a Single Audit?

During a Single Audit, the auditor examines

- the District's financial statements and schedule of expenditures of federal awards
- compliance with laws, regulations, and the provisions of contract or grant agreements that have a direct and material effect on each of the District's federal programs
- the effectiveness of internal control over federal programs in preventing or detecting noncompliance

Auditors are required to classify and select federal programs for audit using a risk-based approach. Where a District receives only one federal program, the auditor may conduct a *program-specific* audit rather than a Single Audit.

Auditors use the suggested audit procedures in the *Audit Compliance Supplement* to test general compliance requirements for each federal program selected for audit during the Single Audit or program-specific audit process. Program and fiscal managers should be aware of the requirements and what the auditor may look for so they can be properly prepared. Auditors may potentially interview program managers and fiscal managers to solicit evidence of compliance with certain requirements.

As the auditor is reviewing the compliance requirements, he or she identifies any significant deficiencies in internal control and any noncompliance with laws, regulations, or grant agreements. The auditor also identifies any known questioned costs which are greater than $25,000. Auditors must present the findings in a written report in sufficient detail for the District to prepare a corrective action plan and take corrective action, and for TEA or other awarding agency to arrive at a management decision.

Copyright © 2021

The auditor assembles the report in accordance with *2 CFR Part 200, Subpart F* and submits the audit package to the local board of directors for approval. A copy of the full audit report, including the required annual audit, and the Single Audit or program-specific audit, is submitted to TEA as the pass-through entity. The auditor must also complete a data collection form that includes certain prescribed information about the District and the results of the audit. The District must submit the data collection form and a copy of the complete audit package to the Federal Audit Clearinghouse operated on behalf of OMB.

TEA audit staff review the audit report and issue a management decision within six months of receiving the package. The management decision (written letter) must inform the District whether or not the finding by the auditor is sustained, the reasons for the decision, and the expected action to repay disallowed costs, make financial adjustments, or take other corrective action. The District is responsible for follow-up and must prepare a corrective action plan for all audit findings, along with the anticipated completion date for each action and who is responsible.

TEA is required to follow up to ensure the District resolved the corrective actions. The audit in the subsequent year will include a follow up to ensure the District implemented the corrective actions.

TEA also uses the results of the report as a monitoring tool and may use the results to identify the District as high-risk and impose special conditions on federal awards.

District Single-Audit Procedures

1. Preparing for the Audit

- **Procedures:**
    - The District's Business Services Department compiles and reviews all financial records
    - Prior to the auditor's fieldwork, the District ensures that all fiscal year transactions are reconciled.
    - The Director of Finance (or equivalent) coordinates a pre-audit meeting with the independent audit firm to review timelines, document requests, and areas of focus.
    - Department heads are notified of their responsibilities to provide supporting documentation as requested.

Director of Finance / Chief Financial Officer (CFO) is responsible for coordinating audit preparation.

2. Allowing the Audit to Be Conducted

- **Procedures:**

Copyright © 2021

  - The District provides auditors with workspace, secure access to financial systems (view-only), and all requested documents promptly.
  - Appropriate District staff respond to auditor inquiries, provide explanations of financial processes, and assist in gathering documentation.
  - The District ensures transparency and cooperation to allow auditors to perform testing and verification in compliance with applicable audit standards.
- **Responsible Positions:**
  - Director of Finance / Chief Financial Officer (CFO): Primary point of contact and coordinator.
  - Finance Coordinator: Provides detailed financial records and reconciliations.
  - Program Managers: Supply programmatic or grant-specific documentation as needed.

3. Preparing a Corrective Action Plan (CAP) for Findings

- **Procedures:**
  - Upon receipt of the draft audit report, the CFO reviews each finding and discusses the auditor's recommendations with the affected departments.
  - The District prepares a Corrective Action Plan (CAP) for each finding, outlining:
    - The nature of the finding
    - Steps to be taken to correct the issue
    - The responsible staff member or department
    - Expected completion dates
  - The CAP is submitted to the Board of Trustees for approval and to the appropriate oversight agencies.

Chief Financial Officer (or Director of Finance) leads CAP preparation, with input from department managers relevant to each finding.

4. Following Up on Corrective Actions

- **Procedures:**
  - The District monitors progress on corrective actions throughout the year.
  - Responsible departments provide updates to the **Business Services Department**, which documents completion or ongoing efforts.
  - The CFO reviews all corrective actions before the next audit cycle to ensure prior findings have been resolved.
  - Documentation of completed corrective actions is maintained for auditor review in subsequent audits.

Copyright © 2021

Chief Financial Officer oversees follow-up; Director of Finance and department heads ensure implementation and documentation of corrective measures.

C. Audits and Special Investigations Conducted by TEA or By Another Regulatory Agency

A review of the annual independent audit report and/or the Single Audit report may prompt TEA to schedule a subsequent desk audit or on-site audit or investigation. Additionally, TEA may schedule an audit or investigation on the basis of legitimate complaints received by TEA about the District's use of federal funds.

Federal regulations require that subgrantees, including school districts, also cooperate with the Secretary of Education and the Comptroller General of the United States or any of their duly authorized representatives in the conduct of audits authorized by federal law. This cooperation includes access without unreasonable restrictions to records and personnel of the District for the purpose of obtaining relevant information.

The Comptroller General of the United States is the Director of the U.S. Government Accountability Office (GAO). GAO is an independent, nonpartisan agency that works with Congress. GAO ensures fiscal and managerial responsibility of the federal government by investigating how the federal government spends taxpayer dollars.

In addition, the Office of Inspector General (OIG) at the USDE may conduct an audit, investigation, or other activities to promote the efficiency, effectiveness, and integrity of the Department's programs and operations. Anyone knowing of fraud, waste, or abuse of federal education funds is able to contact the OIG Hotline to make a confidential report.

TEA also has a procedure for reporting fraud, waste, or abuse of state and federal resources. In addition, TEA has a procedure for filing a complaint with regard to federal programs when it cannot be resolved at the local level following district policies and procedures.

District Procedures for Reporting Fraud, Waste, or Abuse

Refer to the District's specific procedures for reporting fraud, waste, or abuse of state or local resources located in the District's Employee Handbook (Section titled Fraud & Financial Impropriety).

Copyright © 2021

X. Programmatic Fiscal Requirements

A. Supplement, Not Supplant

Most federal education grants contain the *supplement, not supplant* provision. In most cases, the expenditure of grant funds for a particular cost or activity must supplement, and not supplant, state or local funds and sometimes other federal funds. Therefore, supplement, not supplant is a crucial factor in determining whether a particular cost is allowable, and it must be understood by program and fiscal managers.

What Does Supplement, Not Supplant Mean?

The intent behind supplement, not supplant, is that federal funds are not meant to substitute for state or local funds, but rather to provide for an additional layer of support for scholars who need extra academic assistance in order to succeed in school. Districts must demonstrate that federal funds are used to purchase additional academic and support services, staff, programs, or materials the state or district would not normally provide.

The supplement, not supplant provision means, in general, that

- Federal funds may not be used to replace activities normally funded from (other federal) state or local funds.
- State and local funds may not be diverted for other purposes due to the availability of federal funds.
- Federal funds may not be used to support activities that are required by state law, State Board of Education or Commissioner's rule, or local policy.
- All scholars must receive the same level and quality of services from State and local resources. In other words, State and local sources *cannot* be used to provide services to only *some* of the scholars, while Federal funds are used to provide services to the *remaining* scholars. (Schoolwide programs may be an exception.)
- Federal funds must be used to *supplement* activities already being provided by the District, meaning they must be used to *expand, enhance, or improve* existing services and activities or to create something *new*.

Rebutting the Presumption of Supplanting

Violations for supplanting with federal funds can be quite severe. If a grantee is determined to be supplanting the entire program, the penalty could be as great as repaying 100% of the funds

Copyright © 2021

expended. Federal regulations require that a grantee repay funds in proportion to the harm to the federal government.

Districts may be able to *rebut* the presumption of supplanting by an auditor or monitor. To determine compliance with the supplement, not supplant requirement, the District must determine what services *would have been provided* to scholars in the absence of federal funds. Generally, in a situation where the District used Title II funds, for example, to provide services that it provided with non-Federal funds in the prior year(s), an auditor or monitor will presume supplanting occurred.

While the presumptions of supplanting apply to other ESSA programs, the presumptions of supplanting no longer apply to Title I, Part A of ESSA. The USDE provides excellent guidance on supplement, not supplant with regard to Title I, Part A in their *Non-Regulatory Guidance on Supplement Not Supplant Under Title I, Part A of the Elementary and Secondary Education Act of 1965, as Amended by the Every Student Succeeds Act June 2019*. In addition, TEA's *Supplement, Not Supplant Handbook* (under *Handbooks*) discusses supplement, not supplant as it applies to ESEA programs and other programs, including IDEA-B and Perkins. Both documents contain excellent information and examples as it pertains to rebutting the presumption of supplanting.

Supplement, Not Supplant Under Title I, Part A of the ESEA

The fiscal requirements for supplement, not supplant under Title I changed with the reauthorization of the Elementary and Secondary Education Act of 1965 by the Every Students Succeeds Act (ESSA) in 2015. ESSA eliminated the cost-by-cost analysis previously required by NCLB and replaced it with a methodology test. ESEA section 1118(b)(3).

Under ESSA, to demonstrate compliance with the supplement not supplant requirement, a district must show that its methodology to allocate state and local funds to schools, results in each Title I school receiving all of the state and local funds it would otherwise receive were it not receiving Title I, Part A funds. ESEA section 1118(b)(2). This means that districts must use a "Title I-neutral" methodology. A Title I-neutral methodology is one that allocates state and local funds to schools without regard for a school's Title I status.

TEA also provides excellent guidance related to ESEA and other programs in a *Supplement, Not Supplant Handbook: A Guide for Grants Administered by the Texas Education Agency.*

Again, it is important that District personnel involved in federal programs understand supplement, not supplant. School districts are frequently cited for a supplant violation. On the surface, a particular cost may seem allowable in that it is reasonable, allowable under the federal cost principles, allocable, and appropriate under a federal program such as Title I, Part A.

Copyright © 2021

However, **if the cost is not supplemental, the cost is unallowable**. All costs associated with a supplant violation would be required to be repaid to TEA or the federal awarding agency.

How to Document Compliance for an Auditor

Any determination about supplanting is specific to the individual situation, and general guidelines cannot be provided to meet the particular details of any situation. Examples of the types of documentation auditors may request from the District to demonstrate that the expenditure is supplemental to other federal and/or non-federal programs include the following:

- Fiscal or programmatic documentation to confirm that, in the absence of federal funds, the District would have eliminated staff or other services in question
- Board minutes/agendas with discussion of elimination of staff due to lack of state funds
- State or local legislative actions
- Itemized budget histories from one year to the next and information
- Planning documents
- Actual reduction in state or local funds
- Decision to eliminate position or services was made without regard to the availability of federal funds, including the reason the decision was made
- Class-size data from previous years and upcoming year
- Specific policies and procedures related to supplement, not supplant requirements

Procedures for Complying with Supplement, Not Supplant

The district shall adhere to the normal approval path for purchase orders with non-grant funds. In addition, all purchase orders with grant funds shall be reviewed and approved by the appropriate Program Manager.

The Program Manager review shall consist of the following:

1) The expenditure is reasonable and necessary (as defined in federal grant guidelines). (NOTE: A test of whether an expense is necessary may include the verification that the expenditure is to perform a strategy or activity in the District or Campus Improvement Plans.)

2) The expenditure is not required by state law or local policy.

3) The expenditure has been approved in the grant application, if specific approval is required from the granting agency

4) The expenditure meets the allowable costs principles.

5) The expenditure is allowable and approved in the grant application and is consistent with the grant purpose

Copyright © 2021

6) The expenditure is supplemental and not supplanting a local expenditure (NOTE: Refer to compliance issues related to supplement and supplant for additional guidance)

7) The expenditure has been competitively procured as required by law, as appropriate.

8) The expenditure has been approved by the governing body, as appropriate [Note. School Board Policy CH Local has established the threshold of contract approval by the School Board at $50,000.]

B. Maintenance of Effort (MOE)

MOE is one of the fiscal requirements, similar to supplement, not supplant, that ensures that federal funds are used to provide services that are in addition to the regular services normally provided by a District. If MOE is a requirement, it will be included in the authorizing program statute.

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

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

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

Expenditures Included in the Determination of MOE

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

- administration
- instruction
- attendance services

Copyright © 2021

- health services
- pupil transportation services
- operation and maintenance of plant
- fixed charges
- net expenditures to cover deficits for food services
- net expenditures to cover deficits for student body activities
  34 CFR § 299.5*(d)(1)*

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

Category	**Function**
Instruction	11
Instructional Leadership (previously Administration)	21
Instructional Leadership (previously Administration)	12
Curriculum Development and Instructional Staff Development	13
School Leadership	23
Guidance and Counseling Services	31
Social Work Services	32
Health Services	33
Student (Pupil) Transportation	34
Deficits for Cocurricular/Extracurricular Student Body Activities	36
Deficits for Food Services	35
General Administration	41
Plant Maintenance and Operation	51
Data Processing Services	53

Expenditures Excluded from the Determination of MOE

The following expenditures are *excluded* from the determination of MOE:

- community services
- capital outlay
- debt service
- supplemental expenses made as a result of a Presidentially declared disaster
- any expenditures made from federal funds
  34 CFR § 299.5(d)(2)

"Preceding Fiscal Year" Defined

Copyright © 2021

For purposes of determining MOE, regulations specify that the "preceding fiscal year" is the federal fiscal year, or the 12-month fiscal period most commonly used in a State for official reporting purposes, prior to the beginning of the federal fiscal year in which funds are available. TEA calculates MOE using State and local expenditures for the **state** fiscal year, or September 1 through August 31. 34 CFR § 299.5(c)

Failure to Meet MOE

If the District fails to meet MOE for for any given fiscal year, the award amount is reduced in the exact proportion by which the District did not meet MOE. The Secretary of Education may waive the requirements for one year due to exceptional or uncontrollable circumstances, such as natural disaster, or a precipitous decline in the financial resources of the District.

Procedures for Complying with MOE

The District complies with guidance provided by TEA pertaining to MOE. The finance department shall compute the MOE using the TEA IDEA-B LEA MOE Calculation Tool during the budget adopted process and at the end of the fiscal year. Non-compliance with IDEA-B MOE will result in a reduction of IDEA-B funds in the exact proportion by which the district fails to meet the MOE requirement; therefore, the finance department shall plan for the reduction of grant funds at the local level. If the IDEA-B MOE falls below the required level, the Finance Coordinator and the Executive Director of Specialized Learning shall collaborate to develop a plan to bring the district into compliance with the MOE requirements.

XI. Programmatic Requirements

A. Private Nonprofit School Participation

If the authorizing federal program statute provides for private nonprofit school participation, the District must comply with certain requirements. Before completing and submitting the application, the District must contact the private nonprofit schools located within the District's boundaries, notifying them of the opportunity to participate in the program. The *Private Nonprofit School Participation* schedule in the applicable federal grant application must be completed and submitted with the application.

Generally, in accordance with the specific program statute, private nonprofit schools must be consulted in the planning and development of the project. Both children and teachers from private nonprofit schools must be assured equitable participation in all services, materials, equipment, and teacher training.

Copyright © 2021

Prior to completing any federal grant application, the District ensures that private nonprofit schools have been consulted in accordance with the provisions of the statute and in accordance with the guidelines specified in TEA's General and Fiscal Guidelines and Program Guidelines. The program manager/director assigned to the federal program is responsible for ensuring that all requirements with regard to the participation of private nonprofit schools are carried out.

B. Equitable Access and Participation

Provisions for equitable access and participation apply to all federally funded grants administered by the US Department of Education. As such, *Equitable Access and Participation* is a required schedule in the application for any federally funded grant. The application will not be approved in the absence of this schedule.

In accordance with the General Education Provisions Act (GEPA), Section 427, applicants must develop and describe the procedures they will use to ensure equitable access to and equitable participation in the grant program. The barriers to such participation should be identified for all participants and potential participants during the needs assessment phase of the program planning and development.

All applicants, including the District, must address the special needs of scholars, teachers, and other program beneficiaries to overcome barriers to equitable participation, including those based on gender, race, color, national origin, disability, and age.

The District complies with the requirements for completing the *Equitable Access and Participation* schedule in each federally funded grant application. The Program Manager is responsible for analyzing and determining any barriers to equitable participation by all scholars.

C. Civil Rights and Prohibition of Discrimination

Several federal civil rights laws prohibit discrimination in programs or activities that receive federal funds from the USDE. These laws prohibit discrimination on the basis of race, color, and national origin; sex; disability; and age. The civil rights laws extend to all state educational agencies, elementary and secondary school systems, colleges and universities, vocational schools, proprietary schools, state vocational rehabilitation agencies, libraries, and museums that receive USDE funds.

The four primary civil rights laws are as follows:

Copyright © 2021

Subject	Statute	Regulation
Discrimination on the basis of race, color, or national origin	Title VI of the Civil Rights Act of 1964 (45 USC §§ 2000d-2000d-4)	34 CFR Part 100
Discrimination on the basis of sex	Title IX of the Education Amendments of 1972 (20 USC §§ 1681-1683)	34 CFR Part 106
Discrimination on the basis of handicap	Section 504 of the Rehabilitation Act of 1973 (29 USC § 794)	34 CFR Part 104
Discrimination on the basis of age	The Age Discrimination Act (42 USC §§ 6101 et seq.)	34 CFR Part 110

The District must comply with the provisions pertaining to all four of these civil rights statutes and their implementing regulations to be eligible to receive any federal education funds. GEPA requires the Secretary of Education to reduce an allotment to a state for any Districts not in compliance with any of these four civil rights laws. *Title 20 USC, Chapter 31 – General Provisions Concerning Education, § 1231e.*

Other federal laws that prohibit discrimination include Title II of the Americans with Disabilities Act (ADA) of 1990, which prohibits discrimination on the basis of disability by public entities, whether or not they receive federal funding. The Boy Scouts of America Equal Access Act amends the Elementary and Secondary Education Act (ESEA) of 1965 in the No Child Left Behind Act (NCLB) of 2001, § 9525. This Act prevents public schools from discriminating against patriotic youth societies, including Boy Scouts of America, by insuring equal access to meet on school premises and in school facilities.

Each civil rights law is discussed in more detail below. These laws require that all recipients of federal funds ensure their educational programs are administered in a manner that prohibits discrimination in the participation of federal programs. The USDE Office for Civil Rights (OCR) enforces these laws and their implementing regulations.

Prohibition of Discrimination on the Basis of Race, Color, or National Origin

Title VI of the Civil Rights Act of 1964 prohibits discrimination in the participation of federal programs on the basis of *race, color, or national origin*. No person shall be excluded from participation in, be denied the benefits of, or be subjected to any form of discrimination in, any federal program on the basis of race, color, or national origin.

Specific discriminatory actions that are prohibited include

- denying an individual any service or other benefit provided under the program

Copyright © 2021

- providing any service or other benefit to an individual which is different, or is provided in a different manner, from that provided to others under the program
- subjecting an individual to segregation or separate treatment in any matter related to his or her receipt of any service or other benefit under the program
- restricting an individual in any way in the enjoyment of any advantage or privilege enjoyed by others receiving any service or other benefit under the program
- treating an individual differently from others in determining whether he or she satisfies any admission, enrollment, quota, eligibility, membership or other requirement or condition which individuals must meet in order to be provided any service or other benefit provided under the program
- denying an individual an opportunity to participate in the program through the provision of services or otherwise or afford him or her an opportunity to do so which is different from that afforded others under the program
- denying a person the opportunity to participate as a member of a planning or advisory body which is an integral part of the program

Every federal grant application includes an assurance that the District complies with these provisions. The assurance is included in the TEA General Provisions and Assurances.

The District may be required to submit to the USDE OCR records that demonstrate compliance with the provisions. The District must also permit on-site access to records by USDE OCR staff to verify compliance.

Any person who believes to have been the subject of discrimination may file a written complaint with the USDE OCR not later than 180 days following the alleged discrimination. OCR staff will promptly investigate the complaint and attempt to resolve it informally. If the complaint cannot be resolved informally, the USDE has the right to suspend or terminate federal funding for the program affected. The USDE must provide an opportunity for a hearing prior to suspension or termination of the program.

The regulations that implement Title VI of the Civil Rights Act for educational institutions are in *34 CFR Part 100*. *34 CFR §§ 75.500 and 76.500* and *Title VI of the Civil Rights Act of 1964*

The Chief of Secondary Schools is responsible for coordinating and ensuring compliance with this Act.

Copyright © 2021

Prohibition of Discrimination on the Basis of Sex

Title IX of the Education Amendments of 1972 prohibits discrimination on the basis of *sex* in any federal program. No person shall, on the basis of sex, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any academic, extracurricular, research, occupational training, or other education program or activity.

The regulations in 34 CFR Part 106 implement the provisions of Title IX. These regulations require that

- The District designates at least one employee to coordinate its efforts to comply with and carry out its responsibilities under Title IX, including investigating any complaint communicated to the District alleging its noncompliance with Title IX. The District must notify all its scholars and employees of the name, office address, and telephone number of the employee or employees appointed to carry out the requirements of Title IX.

- The District adopts and publishes grievance procedures providing for prompt and equitable resolution of student and employee complaints alleging any action which would be prohibited by Title IX.

- The District implements specific and continuing steps to notify scholars, parents and employees that it does not discriminate on the basis of sex in the educational programs or activities which it operates, and that it is required by Title IX and 34 CFR Part 106 not to discriminate in such a manner. The District must publish in any document used to recruit students or employees the policy that states that the District does not discriminate on the basis of sex.

There are certain exceptions, such as allowing boys and girls to be separated in physical contact activities, such as football, soccer, basketball, boxing, etc.

The District must not discriminate on the basis of a student's pregnancy. The District must also not discriminate on the basis of sex in the employment of personnel, compensation, fringe benefits, or work assignments under any federal programs.

Every federal application includes an assurance that the District complies with these provisions. The assurance is included in the TEA General Provisions and Assurances. *Title IX of the Education Amendments of 1972*; *34 CFR Part 106*; and *34 CFR §§ 75.500 and 76.500*

The Chief Of Secondary Schools is responsible for coordinating and ensuring compliance with this Act.

Copyright © 2021

Prohibition of Discrimination on the Basis of Age

The Age Discrimination Act of 1975 prohibits discrimination based on *age* in programs or activities that receive federal financial assistance. The regulations in 34 CFR Part 110 implement the *Age Discrimination Act* and describe conduct that violates the Act.

No person in the United States shall, on the basis of age, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving federal financial assistance. The District may not, in any program or activity receiving federal financial assistance, directly or through contractual, licensing, or other arrangements, use age distinctions or take any other actions that have the effect, on the basis of age, of

(1) excluding individuals from, denying them the benefits of, or subjecting them to discrimination under a program or activity receiving federal financial assistance

(2) denying or limiting individuals in their opportunity to participate in any program or activity receiving Federal financial assistance

These regulations do not apply to

(1) an age distinction contained in that part of a federal, state, or local statute or ordinance adopted by an elected, general purpose legislative body that

(i) provides any benefits or assistance to persons based on age

(ii) establishes criteria for participation in age-related terms

(iii) describes intended beneficiaries or target groups in age-related terms

(2) any employment practice of any employer, employment agency, labor organization, or any labor-management joint apprenticeship training program, except any program or activity receiving federal financial assistance for employment under the Job Training Partnership Act (29 U.S.C. 1501 *et seq.*).

The regulations do not apply where age is a factor in conducting normal operations of the District. For example, where the District is operating a program or activity that provides special benefits to children, the use of age distinctions is presumed to be necessary to the normal operation of the program or activity.

Age discrimination in *employment* is covered under the Age Discrimination in Employment Act. Complaints of employment discrimination based on age may be filed with the U.S. Equal Employment Opportunity Commission.

Copyright © 2021

The District must take steps to comply and maintain records demonstrating compliance. The District may be required to submit to the USDE OCR records that demonstrate compliance with the provisions and must also permit on-site access to records by USDE OCR staff to verify compliance. The District must

- Designate at least one employee to coordinate its efforts to comply with and carry out its responsibilities under the *Age Discrimination Act*, including investigating any complaint communicated to the recipient alleging its noncompliance with the Act. The District must notify all its students of the name, office address, and telephone number of the employee or employees appointed to carry out the requirements of the Act.

- Adopt and publish grievance procedures providing for prompt and equitable resolution of student complaints alleging any action which would be prohibited by the Age Discrimination Act.

The USDE may conduct compliance reviews, pre-award reviews, and other similar procedures to investigate and correct violations of the Act and of the regulations, even in the absence of a complaint against the District. The review may be as comprehensive as necessary to determine whether a violation of the regulations occurred.

If a compliance review or pre-award review indicates a violation of the Act or of the regulations, the USDE attempts to achieve voluntary compliance with the Act. If voluntary compliance cannot be achieved, the USDE arranges for enforcement.

Any person who believes to have been the subject of age discrimination may file a written complaint with the USDE OCR not later than 180 days following the alleged discrimination. OCR staff is required to promptly refer the complaint for mediation. If the complaint cannot be resolved through mediation, the USDE will conduct an investigation and attempt to achieve voluntary compliance by the District. If the District does not comply, the USDE has the right to suspend or terminate federal funding for the program affected. The USDE must provide an opportunity for a hearing prior to suspension or termination of the program.

The Act prohibits retaliation for filing a complaint with OCR or for advocating for a right protected by the Act.

An assurance that the District complies with these provisions is included in the TEA General Provisions and Assurances. *Age Discrimination Act of 1975*; *34 CFR Part 110*; and *34 CFR §§ 75.500 and 76.500*

The Executive Director of Human Resources is responsible for coordinating and ensuring compliance with this Act.

Copyright © 2021

Prohibition of Discrimination on the Basis of Disability

In addition to the Individuals with Disabilities in Education Act (IDEA), there are two other laws pertaining to non-discrimination on the basis of disability:

- Section 504 of the Rehabilitation Act of 1973, which prohibits discrimination on the basis of disability in programs or activities that receive federal financial assistance from the USDE

- Title II of the Americans with Disabilities Act (ADA) of 1990, which prohibits discrimination on the basis of disability by state and local governments, including school districts, regardless of whether they receive any federal financial assistance

Section 504 of the *Rehabilitation Act of 1973*, effective May 1977, is widely recognized as the first civil-rights statute for persons with disabilities. Because it was successfully implemented over the next several years, it helped to pave the way for the 1990 Americans with Disabilities Act. The *Americans with Disabilities Act Amendments Act of 2008* (Amendments Act), effective January 1, 2009, amended the *Americans with Disabilities Act of 1990* (ADA) and included a conforming amendment to the *Rehabilitation Act of 1973* (Rehabilitation Act) that affects the meaning of *disability* in Section 504.

Section 504 and Title II of ADA are both unfunded mandates with which all school districts [as well as ESCs and open-enrollment charter schools] must comply. **It is important to recognize that while a specific child enrolled in the District may not be eligible for services under IDEA, the child *may* be eligible for protection under Section 504**. Failure to comply with Section 504 could result in costly hearings and potential lawsuits.

Section 504

Section 504 states that no otherwise qualified individual with a disability in the United States shall, solely by reason of her or his disability, be excluded from the participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving federal financial assistance.

Section 504 defines *individuals with disabilities* as "persons with a *physical or mental impairment* which substantially limits one or more *major life activities*." However, a student protected under Section 504 may also have a *record* of such an impairment or be *regarded* as having such an impairment.

Copyright © 2021

Physical or mental impairment means, including but not limited to, functions of the immune system, normal cell growth, digestive, bowel, bladder, neurological, brain, respiratory, circulatory, endocrine, and reproductive functions. It includes any physiological disorder or condition, cosmetic disfigurement, or anatomical loss affecting one or more body systems, as well as any mental or psychological disorder.

Major life activities were expanded in the Amendments Act and now include

- caring for oneself
- performing manual tasks
- seeing
- hearing
- eating
- sleeping
- walking
- standing
- lifting
- bending
- speaking
- breathing
- learning
- reading
- concentrating
- thinking
- communicating
- working

The regulations implementing Section 504 in the context of educational institutions appear at 34 CFR Part 104. These regulations require a school district to provide a "free appropriate public education" (FAPE) to each qualified student with a disability who is in the school district's jurisdiction, regardless of the nature or severity of the disability. Under Section 504, FAPE consists of the provision of regular or special education and related aids and services designed to meet the student's individual educational needs as adequately as the needs of nondisabled scholars are met.

Determining whether a child is a *qualified disabled student* under Section 504 begins with the evaluation process. Section 504 requires the use of evaluation procedures that ensure that children are not misclassified, unnecessarily labeled as having a disability, or incorrectly placed, based on inappropriate selection, administration, or interpretation of evaluation materials.

School districts must establish standards and procedures for initial evaluations and periodic re-evaluations of scholars who need or are believed to need special education and/or related services because of disability. The Section 504 regulations require districts to individually evaluate a student before classifying the student as having a disability or providing the student with special education. In addition, evaluation and the provision of appropriate accommodations are required regardless of any methods the student might be using to mitigate the impairment.

Costs related to provisions under Section 504 must come from state or local funds. Such expenditure must not be paid from federal grant funds.

Copyright © 2021

Title II of ADA

Title II of the Americans with Disabilities Act of 1990 extends this prohibition against discrimination to the full range of state and local government (including public schools) services, programs, and activities *regardless of whether they receive any federal financial assistance*.

However, "for purposes of employment", *Qualified Individuals with Disabilities* must also meet "normal and essential eligibility requirements", such that:

"*Qualified Individuals with Disabilities* are persons who, with *Reasonable Accommodation*, can perform the essential functions of the job for which they have applied or have been hired to perform."

"*Reasonable Accommodation* means an employer is required to take reasonable steps to accommodate [one's] disability unless it would cause the employer undue hardship."

That is, *Qualified Individuals with Disabilities* must be able to perform the job duties (with reasonable accommodation) associated with the job for which they will be hired.

Enforcement of Section 504 and Title II of ADA

The USDE OCR enforces the provisions of *Section 504* and the provisions of *Title II of ADA* as it applies to LEAs. An assurance that the grantee complies with these provisions is included in the TEA General Provisions and Assurances.

Although the implementing regulations for *Title II of ADA* in *28 CFR Part 35* are enforced by the U. S. Department of Justice (DOJ), the USDE Office of Civil Rights is designated by DOJ to resolve complaints filed against SEAs and LEAs.

The Executive Director of Special Education coordinates and ensures compliance with the requirements under Section 504. The Executive Director of Specialized Learning coordinates and ensures compliance with the requirements of Title II of ADA.

Section 504 of the Rehabilitation Act of 1973; *34 CFR Part 104*; *34 CFR §§ 75.500 and 76.500; Title II of the Americans with Disabilities Act of 1990*; *Americans with Disabilities Act Amendments Act of 2008*; and *28 CFR Part 35*

Prohibition of Discrimination of Groups Affiliated with Boy Scouts of America

Under this Act, Districts that sponsor any group affiliated with Boy Scouts of America or any other patriotic youth society must not discriminate against such youth or deny equal access to, or fair opportunity to meet in, school facilities or on school premises. Patriotic youth societies

Copyright © 2021

include, among others, Big Brothers Big Sisters, Boys and Girls Clubs of America, Girl Scouts of the U.S.A., and Little League Baseball, Inc. This does not require that the District *sponsor* a group affiliated with Boy Scouts of America or similar patriotic youth society.

The U.S. Supreme Court has ruled that the Boy Scouts have the right to set their own standards for leadership. Schools must respect that right and not exclude the Boy Scouts because of its membership and leadership policies and oath of allegiance to God and country.

34 CFR Part 108 implements the provisions of the Act. The District shall not deny access or opportunity or discriminate for reasons including the membership or leadership criteria or oath of allegiance to God and country of the Boy Scouts or of a similar patriotic youth society.

Any group officially affiliated with the Boy Scouts or officially affiliated with any other patriotic youth society that requests to conduct a meeting in the District's facilities or on school grounds must be given equal access to school premises or facilities to conduct meetings. Such groups must also be given equal access to any other benefits and services provided to other groups that are allowed to meet on school premises or in school facilities. These benefits and services may include, but are not necessarily limited to, school-related means of communication, such as bulletin board notices and literature distribution, and recruitment.

Any decisions relevant to the provision of equal access must be made on a nondiscriminatory basis. Any determinations of which youth or community groups are *outside groups* must be made using objective, nondiscriminatory criteria, and these criteria must be used in a consistent, equal, and nondiscriminatory manner.

The USDE OCR enforces the requirements of the Act.

ESEA, as Amended by the No Child Left Behind Act of 2001, § 9525, Equal Access to Public School Facilities; Boy Scouts of America Equal Access Act; and *34 CFR Part 108*

School Prayer

A related provision applies to constitutionally protected prayer in public schools. As a condition of receiving ESEA funds, the District must certify in writing that no policy of the District prevents, or otherwise denied participation in, constitutionally protected prayer in public elementary and secondary schools. Per statute, the certification must be provided to TEA by October 1 of each year. However, TEA includes the certification in the Consolidated Application each year thus eliminating the need for LEAs to submit a separate certification.

Copyright © 2021

The provision also requires the Secretary to provide guidance to Districts and to publish the guidance on the Internet. A link to the guidance is provided below. *ESEA, as Amended by the No Child Left Behind Act of 2001, § 9524*

USDE Guidance on Constitutionally Protected Prayer in Public Schools

The Superintendent or designee coordinates and ensures compliance with the requirements of this Act.

D. Program Reporting

Federal regulations require that grantees cooperate in any evaluation of the program. 34 CFR § 76.591. States may require subgrantees to furnish reports that the state needs to carry out its evaluation and performance reporting duties. 34 CFR § 76.722. Evaluation reports must include

- the District's progress in achieving the objectives in its approved application
- the effectiveness of the project in meeting the purposes of the program
- the effect of the project on participants being served by the project

Federal regulations also require that grantees, in this case, TEA, submit, at a minimum, annual performance reports to the federal awarding agency. 2 CFR § 200.329. The federal awarding agency may also require quarterly or semi-annual reports. Performance reports must contain, for each grant, brief information on the following:

- a comparison of actual accomplishments to the objectives established for the project period
- the reasons why established objectives were not met, if applicable
- additional pertinent information including, when appropriate, analysis and explanation of cost overruns or high unit costs

Grantees must adhere to the same standards in prescribing performance reporting requirements for subgrantees.

In addition, events may occur between the scheduled performance reporting dates which have significant impact upon the grant activities. 2 CFR § 200.329(e). In such cases, the regulations require the District to inform TEA, and TEA to inform the USDE or other federal awarding agency, if appropriate, as soon as either of the following conditions become known:

Copyright © 2021

- problems, delays, or adverse conditions which will materially impair the ability to meet the objective of the award. This disclosure must include a statement of the action taken, or contemplated, and any assistance needed to resolve the situation.
- favorable developments which enable meeting time schedules and objectives sooner or at less cost than anticipated or producing more beneficial results than originally planned

The USDE or TEA may make site visits as warranted by program needs.

Program reporting requirements are specified in the *Program Guidelines* accompanying each RFA published by TEA. The program manager/director assigned to the program is responsible for ensuring mechanisms and systems are in place or collecting and analyzing any and all required data and/or information and for reporting such data and/or information in accordance with TEA's requirements.

XII. Emergency Policies and Procedures

The District has prepared a comprehensive set of protocols and procedures in the event of emergency in accordance with federal and state laws and regulations.

A copy of the emergency procedures manual can be obtained from the campus principal, department head, and/or Cedar Hill ISD Police Department.

XIII. 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)

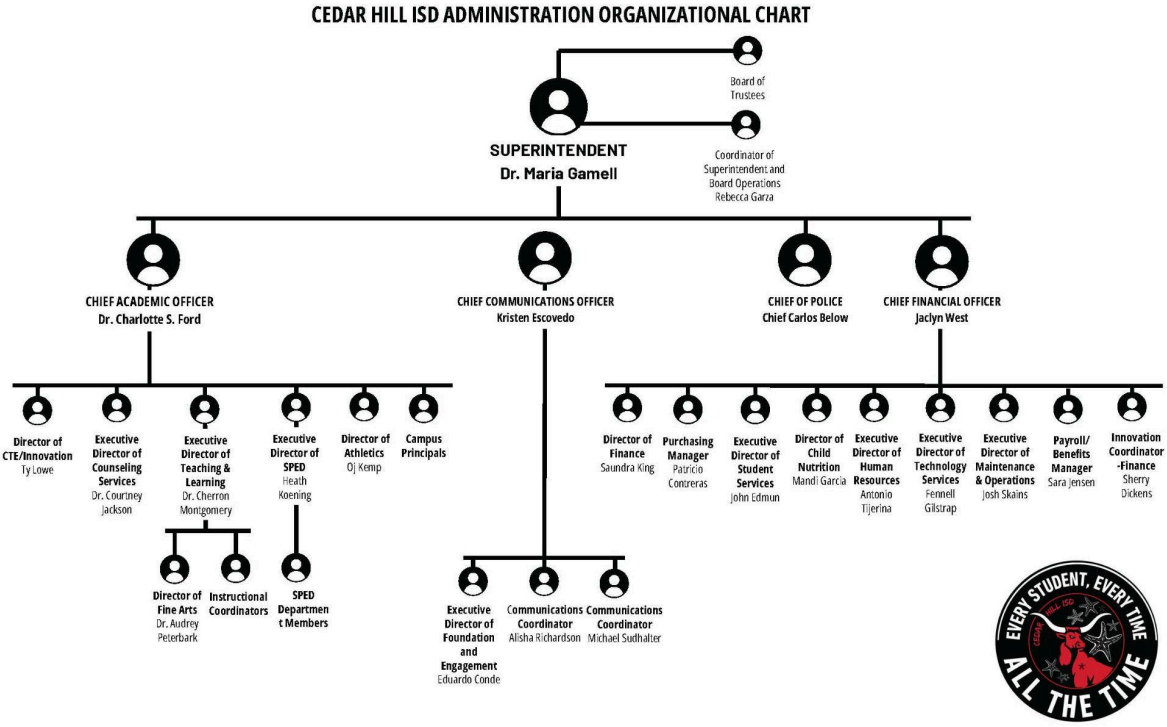
Copyright © 2021

- http://www.ecfr.gov/cgi-bin/text-idx?SID=ccccf77e01c9e6d4b3a377815f411704&tpl=/ecfrbrowse/Title02/2cfr3474_main_02.tpl

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

Copyright © 2021

Appendix 1



Copyright © 2021