

Book Policy Manual
Section 600 Finances
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Last Reviewed June 20, 2016

13.1

Purpose

The Board recognizes that the maintenance of a fund balance is essential to the preservation of the financial integrity of the school district and is fiscally advantageous for both the district and the taxpayer. This policy establishes goals and provides guidance concerning the desired level of year-end fund balance to be maintained by the district.

Definitions

Fund balance is a measurement of available financial resources. Fund balance is the difference between total assets and total liabilities in each fund.

GASB Statement 54 distinguishes fund balance between amounts that are considered nonspendable, such as fund balance associated with inventories, and other amounts that are classified based on the relative strength of the constraints that control the purposes for which specific amounts can be spent. Beginning with the most binding constraints, fund balance amounts shall be reported in the following classifications:

Restricted - amounts limited by external parties, or legislation (e.g., debt covenants and grants).

Committed - amounts limited by Board policy or Board action (e.g., future anticipated costs). Action must be taken by the Board to commit fund balance for the designated purpose prior to the end of the fiscal year.

Assigned - amounts that are intended for a particular purpose. Generally balances in special revenue funds or capital project funds will be designated as assigned.

Unassigned - amounts available for consumption or not restricted in any manner.

Authority

An official Board motion and/or resolution shall be required to establish, modify or rescind a commitment of fund balance.

Guidelines

The school district will strive to maintain an unassigned general fund balance to preserve the financial integrity of the school district. The goal shall be to use any excess fund balance for nonrecurring expenditures; not for normal operating costs.

Delegation of Responsibility

The Superintendent or designee may assign fund balance for items deemed appropriate at any time prior to the issuance of the audited financial statements for a given year.

The Superintendent or designee shall be responsible for the enforcement of this policy.

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Book	Policy Manual
Section	600 Finances
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Last Reviewed	June 20, 2016

Authority

The Board shall ensure federal funds received by the district are administered in accordance with federal requirements, including but not limited to the federal Uniform Grant Guidance.[1]

The Board shall review and approve all applications for federal funds submitted by the district.

Delegation of Responsibility

The Board designates the

- { } Superintendent
- { } Federal Programs Coordinator
- ~~{ } building principal~~ (delete)
- { } Business Manager

as the district contact for all federal programs and funding.

The Superintendent or designee, in collaboration with the Federal Programs Coordinator and Business Manager, shall establish and maintain a sound financial management system to include internal controls and federal grant management standards covering the receipt of both direct and state-administered federal grants, and to track costs and expenditures of funds associated with grant awards.[1]

The Superintendent, to assist in the proper administration of federal funds and implementation of this policy, may approve additional procedures as attachments to this policy.

Guidelines

The district's financial management system shall be designed with strong internal controls, a high level of transparency and accountability, and documented procedures to ensure that all financial management system requirements are met.

Financial management standards and procedures shall assure that the following responsibilities are fulfilled:

1. Identification – the district must identify, in its accounts, all federal awards received and expended, and the federal programs under which they were received.
2. Financial Reporting – Accurate, current, and complete disclosure of the financial results of each federal award or program must be made in accordance with the financial reporting requirements of the Education Department General Administrative Regulations (EDGAR).

3. Accounting Records – the district must maintain records which adequately identify the source and application of funds provided for federally-assisted activities.
4. Internal Controls – Effective control and accountability must be maintained for all funds, real and personal property and other assets. The district must adequately safeguard all such property and must assure that it is used solely for authorized purposes.
5. Budget Control – Actual expenditures or outlays must be compared with budgeted amounts for each federal award. Procedures shall be developed to establish determination for allowability of costs for federal funds.
6. Cash Management – The district shall maintain written procedures to implement the cash management requirements found in EDGAR.
7. Allowability of Costs – The district shall ensure that allowability of all costs charged to each federal award is accurately determined and documented.

Standards of Conduct

The district shall maintain standards of conduct covering conflicts of interest and the actions of employees and school officials engaged in the selection, award and administration of contracts.[2]

All employees shall be informed of conduct that is required for federal fiscal compliance and the disciplinary actions that may be applied for violation of Board policies, administrative regulations, rules and procedures.[3]

Employees - Time and Effort Reporting

All district employees paid with federal funds shall document the time they expend in work performed in support of each federal program, in accordance with law. Time and effort reporting requirements do not apply to contracted individuals.[4]

District employees shall be reimbursed for travel costs incurred in the course of performing services related to official business as a federal grant recipient.[5]

The district shall establish and maintain employee policies on hiring, benefits and leave and outside activities, as approved by the Board.[6][7][8][9][10][11]

Record Keeping

The district shall develop and maintain a Records Management Plan and related Board policy and administrative regulations for the retention, retrieval and disposition of manual and electronic records, including emails.[12][13]

The district shall ensure the proper maintenance of federal fiscal records documenting:[13][14][15]

1. Amount of federal funds.
2. How funds are used.
3. Total cost of each project.
4. Share of total cost of each project provided from other sources.
5. Other records to facilitate an effective audit.
6. Other records to show compliance with federal program requirements.
7. Significant project experiences and results.

All records must be retrievable and available for programmatic or financial audit.

The district shall provide the federal awarding agency, Inspectors General, the Comptroller General of the United States, and the pass-through entity, or any of their authorized representatives, the right of access to any documents, papers, or other district records which are pertinent to the federal award. The district shall also permit timely and reasonable access to the district's personnel for the purpose of interview and discussion related to such documents.[16]

Records shall be retained for a minimum of five (5) years from the date on which the final Financial Status Report is submitted, or as otherwise specified in the requirements of the federal award, unless a written extension is provided by the awarding agency, cognizant agency for audit, oversight agency for audit or cognizant agency for indirect costs.[17]

If any litigation, claim or audit is started before the expiration of the standard record retention period, the records shall be retained until all litigation, claims or audits have been resolved and final action taken.[17]

As part of the Records Management Plan, the district shall develop and maintain a records retention schedule, which shall delineate the record retention format, retention period and method of disposal.[13]

The Records Management Plan shall include identification of staff authorized to access records, appropriate training, and preservation measures to protect the integrity of records and data.[13]

The district shall ensure that all personally identifiable data protected by law or regulations is handled in accordance with the requirements of applicable law, regulations, Board policy and administrative regulations.[18][19][20]

Subrecipient Monitoring

In the event that the district awards subgrants, the district shall establish procedures to:[21]

1. Assess the risk of noncompliance.
2. Monitor grant subrecipients to ensure compliance with federal, state, and local laws and Board policy and procedures.
3. Ensure the district's record retention schedule addresses document retention on assessment and monitoring.[13]

Compliance Violations

Employees and contractors involved in federally funded programs and subrecipients shall be made aware that failure to comply with federal law, regulations or terms and conditions of a federal award may result in the federal awarding agency or pass-through entity imposing additional conditions or terminating the award in whole or in part. [22][23]

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626-Attach-Conflict of Interest.docx (15 KB)

626-Attach-AllowabilityofCosts.doc (97 KB)

626-Attach-Travel Reimbursement.docx (16 KB)

626-Attach-Procurement.doc (93 KB)

626-Attach-CashManagement.docx (17 KB)

Last Modified by Michele Bloch on July 11, 2016

Highlands School District – Conflict of Interest Policy for District Operations and Federal Programs

In addition to this policy that primarily addresses federal programs and UGG procedures, the District shall also comply with all other school District policies, PA school code and applicable laws that may or may not be stricter than this policy.

Standards of Conduct

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

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

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

District employees shall also comply with the PA Ethics Act and School Code regarding conflicts of interest.

THEORY OF THE EARTH

The theory of the earth is a branch of geology which deals with the origin and development of the earth and its various parts. It is a science which seeks to explain the processes which have shaped the earth and its features.

THE EARTH'S CRUST

The earth's crust is the outermost layer of the earth. It is composed of various rocks and minerals. The crust is divided into two main parts: the continental crust and the oceanic crust.

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Highlands School District – Allowability of Costs Policy for District Operations and Federal Programs

In addition to this policy that primarily addresses federal programs and UGG procedures, the District shall also comply with all other school District policies, PA school code and applicable laws that may or may not be stricter than this policy.

Expenditures must be aligned with approved budgeted items. Any changes or variations from the state-approved budget and grant application need prior approval from the state. When determining how the District will spend its grant funds, the Superintendent and/or Federal Programs Coordinator designated will review the proposed cost to determine whether it is an allowable use of federal grant funds *before* obligating and spending those funds on the proposed good or service. All costs supported by federal education funds must meet the standards outlined in EDGAR, 2 C.F.R. Part 3474 and 2 C.F.R. Part 200, Subpart E, which are provided in the bulleted list below. The Superintendent or designate and the Federal Programs Coordinator must consider these factors when making an allowability determination.

- **Be Necessary and Reasonable for the performance of the federal award.** District staff must consider these elements when determining the reasonableness of a cost. A cost is “reasonable” if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision to incur the cost was made. For example, reasonable means that sound business practices were followed, and purchases were comparable to market prices.
 - Whether the cost is a type generally recognized as ordinary and necessary for the operation of the District or the proper and efficient performance of the federal award.
 - The restraints or requirements imposed by factors, such as: sound business practices; arm’s-length bargaining; federal, state and other laws and regulations; and terms and conditions of the federal award.
 - Market prices for comparable goods or services for the geographic area.
 - Whether the individuals concerned acted with prudence in the circumstances considering their responsibilities to the District, its employees, its students, the public at large, and the federal government.
 - Whether the district significantly deviates from its established practices and policies regarding the incurrence of costs, which may unjustifiably increase the federal award’s cost. 2 C.F.R. § 200.404

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

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

- Whether the cost is needed for the proper and efficient performance of the grant program.
 - Whether the cost is identified in the approved budget or application.
 - Whether there is an educational benefit associated with the cost.
 - Whether the cost aligns with identified needs based on results and findings from a needs assessment.
 - Whether the cost addresses program goals and objectives and is based on program data.
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- **Allocable to the federal award.** A cost is allocable to the federal award if the goods or services involved are chargeable or assignable to the federal award in accordance with the relative benefit received. This means that the federal grant program derived a benefit in proportion to the funds charged to the program. 2 C.F.R. § 200.405. For example, if 50% of a teacher's salary is paid with grant funds, then that teacher must spend at least 50% of his or her time on the grant program.
 - **Consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the school entity.**
 - **Conform to any limitations or exclusions set forth as cost principles in Part 200 or in the terms and conditions of the federal award.**
 - **Consistent treatment.** A cost cannot be assigned to a federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been assigned as an indirect cost under another award.
 - **Adequately documented.** All expenditures must be properly documented.
 - **Be determined in accordance with general accepted accounting principles (GAAP), unless provided otherwise in Part 200.**
 - **Not included as a match or cost-share, unless the specific federal program authorizes federal costs to be treated as such.** Some federal program statutes require the non-federal entity to contribute a certain amount of non-federal resources to be eligible for the federal program.
 - **Be the net of all applicable credits.** The term "applicable credits" refers to those receipts or reduction of expenditures that operate to offset or reduce expense items allocable to the federal award. Typical examples of such transactions are: purchase discounts; rebates or allowances; recoveries or indemnities on losses; and adjustments of overpayments or erroneous charges. To the extent that such credits accruing to or received by the state relate to the federal award, they shall be credited to the federal award, either as a cost reduction or a cash refund, as appropriate. 2 C.F.R. § 200.406.

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

Selected Items of Cost

Subpart E of Part 200 sets forth principles to be applied in establishing the allowability of fifty-five (55) specific cost items (commonly referred to as Selected Items of Cost), at 2 C.F.R. § 200.420-200.475. These specific cost items are listed in the chart below along with the citation to the section of Subpart E addressing the allowability of that item. These principles are in addition to the other general allowability standards, and apply whether or not a particular item of cost is properly treated as direct cost or indirect (F&A) cost. Meeting the specific criteria for a listed item does not by itself mean the cost is allowable, as it may be unallowable under other standards or for other reasons, such as restrictions contained in the terms and conditions of a particular grant or restrictions established by the state or in Board policy. If an item is unallowable for any of these reasons, federal funds cannot be used to purchase it.

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

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

Item of Cost	Citation of Allowability Rule
Advertising and public relations costs	2 CFR § 200.421
Advisory councils	2 CFR § 200.422
Alcoholic beverages	2 CFR § 200.423
Alumni/ae activities	2 CFR § 200.424
Audit services	2 CFR § 200.425
Bad debts	2 CFR § 200.426
Bonding costs	2 CFR § 200.427
Collection of improper payments	2 CFR § 200.428
Commencement and convocation costs	2 CFR § 200.429

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

Organization costs	2 CFR § 200.455
Participant support costs	2 CFR § 200.456
Plant and security costs	2 CFR § 200.457
Pre-award costs	2 CFR § 200.458
Professional services costs	2 CFR § 200.459
Proposal costs	2 CFR § 200.460
Publication and printing costs	2 CFR § 200.461
Rearrangement and reconversion costs	2 CFR § 200.462
Recruiting costs	2 CFR § 200.463
Relocation costs of employees	2 CFR § 200.464
Rental costs of real property and equipment	2 CFR § 200.465
Scholarships and student aid costs	2 CFR § 200.466
Selling and marketing costs	2 CFR § 200.467
Specialized service facilities	2 CFR § 200.468
Student activity costs	2 CFR § 200.469
Taxes (including Value Added Tax)	2 CFR § 200.470
Termination costs	2 CFR § 200.471
Training and education costs	2 CFR § 200.472
Transportation costs	2 CFR § 200.473
Travel costs	2 CFR § 200.474
Trustees	2 CFR § 200.475

Helpful Questions for Determining Whether Costs are Allowable

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

- Is the proposed cost allowable under the relevant program?
- Is the proposed cost consistent with an approved program plan and budget?
- Is the proposed cost consistent with program specific fiscal rules? For example, the District may be required to use federal funds only to supplement the amount of funds available from non-federal (and possibly other federal) sources, or only as a match for funds from non-federal sources.
- Is the proposed cost consistent with EDGAR?
- Is the proposed cost consistent with specific conditions imposed on the grant (if applicable)?
- Is the proposed cost consistent with the underlying needs of the program? For example, program funds must benefit the appropriate population of students for which they are allocated. This means that, for instance, funds allocated under Title III of the Elementary and Secondary Education Act (ESEA) governing language instruction programs for Limited English Proficient (LEP) students must only be spent on LEP students and cannot be used to benefit non-LEP students.
- Will the cost be targeted at addressing specific areas of weakness that are the focus of the program, as indicated by available data?

Also, funds should be targeted to address areas of weakness, as necessary. To make this determination, the Superintendent or designated Federal Programs Coordinator should review data when making purchases to ensure that federal funds meet these areas of concern.

Any questions related to specific costs should be forwarded to the Superintendent and/or designated Federal Programs Coordinator who shall consult with the school solicitor for clarification as appropriate.

Highlands School District – Travel Reimbursement Policy for District Operations and Federal Programs

In addition to this policy that primarily addresses federal programs and UGG procedures, the District shall also comply with all other school District policies, PA school code and applicable laws that may or may not be stricter than this policy.

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

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

Costs will be allowed in accordance with the District's travel policy.

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Note: Districts may continue to comply with the procurement standards in previous federal guidance for two (2) additional fiscal years following the implementation of the new Uniform Grant Guidance (effective December 26, 2014). If the district chooses to use the previous procurement standards, the district must document this decision in their internal procurement policies and procedures. Procurement standards for Food Service programs shall follow the requirements set forth by the USDA and PDE's Division of Food and Nutrition.

Highlands School District – Procurement Policy for District Operations and Federal Programs

In addition to this policy that primarily addresses federal programs and UGG procedures, the District shall also comply with all other school District policies, PA school code and applicable laws that may or may not be stricter than this policy.

This document is intended to integrate standard district purchasing procedures with additional requirements applicable to procurements that are subject to the federal Uniform Grant Guidance regulations and/or U.S. Department of Agriculture (USDA) regulations governing school food service programs. The district maintains the following purchasing procedures, in accordance with federal and state laws, regulations and Board policy. (2 C.F.R. 200.318-200.325; 7 C.F.R. 210.16, 210.19, 210.21, 215.14a, 220.16; 24 P.S. 120, 24 P.S. 504, 24 P.S. 508, 24 P.S. 521, 24 P.S. 607, 24 P.S. 609, 24 P.S. 751, 24 P.S. 807.1; 62 Pa. C.S.A. 4601 et seq; Pol. 610, 611, 612, 613, 808)

Responsibility for Purchasing

The Board has outlined standard district purchasing responsibility, methods of purchasing, price quotations and bid requirements in the following Board policies and their accompanying administrative regulations or procedures:

- Policy 610. Purchases Subject to Bid/Quotation
- Policy 611. Purchases Budgeted
- Policy 612. Purchases Not Budgeted
- Policy 613. Cooperative Purchasing

The purchasing agent is the Superintendent.

Purchase Methods

Refer to District policies which outline procedures required for purchasing and in accord with Pennsylvania School Code:

- Policy 610. Purchases Subject to Bid/Quotation
- Policy 611. Purchases Budgeted
- Policy 612. Purchases Not Budgeted
- Policy 613. Cooperative Purchasing

Standard Procurement Documents and Purchase Request Process

The district shall use purchase orders and requisitions for purchase requests in accordance with the applicable purchase method.

The district shall use paper and electronic purchasing records, which are pre-numbered and are accessible to designated purchasing staff in the district office, the Business Office and the Purchasing agent's office.

Purchase requests by an employee must be submitted to the building administrator or immediate supervisor. Purchase of all budgeted items or items approved by an administrator or supervisor must be initiated by use of a purchase order or requisition submitted to the Superintendent and Purchasing Agent.

Purchase orders and requisitions shall contain information including, but not limited to:

1. Description of the services to be performed or goods to be delivered.
2. Location of where services will be performed or goods will be delivered.
3. Appropriate dates of service or delivery.
4. As per instruction.

Documentation on purchase orders and requisitions shall be maintained in accordance with the district's Records Management Policy and records retention schedule. (Pol. 800)

Contracts shall be reviewed by the Board Secretary, Business Manager, Superintendent and School Solicitor prior to submission to the Board for approval.

Contracts to which the Uniform Grant Guidance apply shall contain the clauses specified in Appendix II to 2 C.F.R. Part 200 (Contract Provisions for Non-Federal Entity Contracts Under Federal Awards), when applicable.

[See Food Service Program Notes below for specific clauses required by USDA regulations to be included in cost reimbursable procurement contracts.]

Micro-Purchases Not Requiring Quotes or Bidding (up to \$3,500)

District shall comply with the following policies in accord with Pennsylvania School Code:

- Policy 610. Purchases Subject to Bid/Quotation
- Policy 611. Purchases Budgeted
- Policy 612. Purchases Not Budgeted
- Policy 613. Cooperative Purchasing

For purposes of this procedure, **micro-purchase** means a purchase of equipment, supplies or services for use in federally funded programs using simplified acquisition procedures, the aggregate amount of which does not exceed a base amount of \$3,500. The micro-purchase dollar threshold is adjusted periodically by the federal government, and the threshold most recently established and published in the Federal Register shall apply if other than \$3,500. (48 C.F.R. Subpart 2.1)

Note: The micro-purchase maximum for federal purposes is lower than the amount below which the School Code allows purchase for nonfederal purposes to be made without obtaining at least three (3) written or telephonic quotes or using formal competitive bidding.

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. Procurement by micro-purchase is the acquisition of equipment, supplies or services, the aggregate dollar amount of which does not exceed the micro-purchase threshold.

To the extent practicable, the district distributes micro-purchases equitably among qualified suppliers when the same or materially interchangeable products are identified and such suppliers offer effectively equivalent rates, prices and other terms. The Superintendent, Business Manager, Purchasing Agent and Board Secretary will be responsible to determine the equitable distribution of micro-purchases.

Micro-purchases may be awarded without soliciting competitive quotations if the district considers the price to be reasonable. The district will maintain evidence of this reasonableness in the records of all micro-purchases. **Reasonable** means that sound business practices were followed and the purchase is comparable to market prices for the geographic area. Such determinations of reasonableness may include comparison of the price to previous purchases of the same item or comparison of the price of items similar to the item being purchased.

Even if the cost of a purchase qualifies it as a micro-purchase, bidding or small purchase procedures may be used optionally when those procedures may result in cost savings.

Small Purchase Procedures (between \$3,500 and \$19,400)

District shall comply with the following policies in accord with Pennsylvania School Code:

- Policy 610. Purchases Subject to Bid/Quotation
- Policy 611. Purchases Budgeted
- Policy 612. Purchases Not Budgeted
- Policy 613. Cooperative Purchasing

For purposes of this procedure, **small purchase procedures** are those relatively simple and informal procurement methods for securing equipment, services, or supplies that cost more than the amount qualifying as a micro-purchase and do not cost \$19,400 or more. Small purchase procedures cannot be used for purchases of equipment or supplies or for construction, repair or

maintenance services costing \$19,400 or more because the School Code requires formal competitive bidding at that level of cost.

The base amount at which bidding is required under state law is adjusted for inflation annually, and the amount most recently established and published in the Pennsylvania Bulletin shall apply if other than \$19,400. (24 P.S. § 120)

Because state law does not require bidding for the purchase of services other than construction, maintenance or repairs on school facilities regardless of total cost, small purchase procedures, including a request for proposal (RFP) procedure, may be used for procurement of such other services except when the estimated total cost will be at or over the federal threshold at which formal competitive bidding is required (\$150,000).

[See Food Service Program Notes below for exemption from bidding for purchases of perishable food items costing less than \$150,000.]

If small purchase procedures are used, written or telephonic price or rate quotations are obtained from at least three (3) qualified sources and records of quotes are maintained as provided in Policy 610. (Pol. 610)

Formal Competitive Bidding (\$19,400 or more)

District shall comply with the following policies in accord with Pennsylvania School Code:

- Policy 610. Purchases Subject to Bid/Quotation
- Policy 611. Purchases Budgeted
- Policy 612. Purchases Not Budgeted
- Policy 613. Cooperative Purchasing

Publicly Solicited Sealed Competitive Bids:

For purchases of equipment or supplies, or of services for construction, maintenance or repairs of school facilities, sealed competitive bids are publicly solicited and awarded to the lowest responsive and responsible bidder as provided in Policy 610 when the total cost is estimated to be \$19,400 or more. (Pol. 610)

Note: The amount at which formal competitive bidding is required by federal regulations is much higher than the base amount at which the School Code requires competitive bidding. Therefore, the lower base amount specified by the School Code, as annually adjusted, is used to determine when bidding will be used for purchases of equipment or supplies, or for obtaining services for construction, maintenance or repairs on school facilities. (24 P.S. § 120)

State law does not require bidding for the purchase of services other than construction, maintenance or repairs on school facilities regardless of total cost. For procurement of such other services for federally funded purposes to which the Uniform Grant Guidance applies, formal

competitive bidding will be used when the estimated total cost will be at or over the federal threshold of \$150,000.

The federal competitive bidding dollar threshold is adjusted periodically by the federal government, and the threshold most recently established and published in the Federal Register shall apply if other than \$150,000. (48 C.F.R. Subpart 2.1)

Where specified in bidding documents, factors such as discounts, transportation cost, and life cycle costs must be considered in determining which bid is lowest. Payment discounts will only be used to determine the low bid when prior experience indicates that such discounts are usually taken advantage of. Any or all bids may be rejected if there is a sound documented reason.

[See Food Service Program Notes below for reference to state requirements regarding contracts with food service management companies and contractors of pre-plated meals.]

Competitive Proposals

State law does not require public school entities to solicit competitive bids for services other than construction, repairs or maintenance of school facilities, for which competitive bidding is required if the cost will be a base amount of \$19,400 or more. State law allows competitive proposals relating to work on facilities in lieu of bidding only in the context of guaranteed energy savings contracts.

Federal regulations allow the use of competitive proposals as an alternative when formal bidding would otherwise be required only to procure architectural and engineering services. Other types of services for federally funded purposes to which the Uniform Grant Guidance applies, professional or otherwise, must be procured using competitive bidding when the cost would meet or exceed the federal threshold for competitive bidding (\$150,000).

In the case of services other than for construction, repairs or maintenance of school facilities costing less than that threshold, the district may use small purchase procedures or micro-purchase procedures as applicable based on total cost. A request for proposal (RFP) process can also meet or exceed the small purchase competition requirements under state law and Policy 610 for the acquisition of services other than for construction, repairs or maintenance of school facilities, and can be used if the total cost will be less than \$150,000.

When permitted, the technique of competitive proposals is normally conducted with more than one (1) source submitting an offer, and either a fixed price or cost-reimbursement type contract is awarded. Competitors' qualifications are evaluated and the most qualified competitor is selected, subject to negotiation of fair and reasonable compensation. The district shall comply with other applicable state and federal law and regulations, Board policy and administrative regulations regarding purchasing; the district may consult with the school solicitor or other qualified counsel in determining the required process for purchasing through competitive proposals when necessary.

If this method is used, the following requirements apply:

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

Competitive proposals shall be evaluated by the Superintendent, Business Manager and Federal Programs Coordinator based on factors including but not limited to:

- Cost
- Experience of contractor
- Availability
- Personnel qualifications
- Financial stability
- Minority business, women's business enterprise, or labor surplus area firm status
- Project management expertise
- Understanding of district needs
- Bid specs and purchasing requirements

Evaluations shall be completed in a timely manner, documented and shall be reviewed by the Board, Superintendent, Business Manager, Federal Programs Coordinator and School Solicitor.

Contract/Price Analysis:

The district performs a cost or price analysis in connection with every procurement action in excess of \$150,000, including contract modifications. (2 C.F.R. § 200.323(a)).

A **cost analysis** generally means evaluating the separate cost elements that make up the total price, while a **price analysis** means evaluating the total price, without looking at the individual cost elements.

The method and degree of analysis is dependent on the facts surrounding the particular procurement situation; however, the Superintendent or designee must come to an independent estimate prior to receiving bids or proposals. (2 C.F.R. § 200.323(a)). As part of the analysis, the District Administration will enact established business practices which may include evaluation of similar prior procurements and a review process.

When performing a cost analysis, the Superintendent or designee negotiates profit as a separate element of the price. To establish a fair and reasonable profit, consideration is given to the complexity of the work to be performed, the risk borne by the contractor, the contractor's investment, the amount of subcontracting, the quality of its record of past performance, and

industry profit rates in the surrounding geographical area for similar work.
(2 C.F.R. § 200.323(b)).

Noncompetitive Proposals (Sole Sourcing)

Procurement by noncompetitive proposals means procurement through solicitation of a proposal from only one (1) source and may be used only when one or more of the following circumstances apply:

1. The item is available only from a single source.
2. The public exigency or emergency for the requirement will not permit a delay resulting from competitive solicitation. An **emergency** exists whenever the time required for the Board to act in accordance with regular procedures would endanger life or property or threaten continuance of existing school classes.
3. The federal awarding agency or pass-through entity expressly authorizes noncompetitive proposals in response to a written request from the district.
4. After solicitation of a number of sources, the district determines the competition is inadequate.

In addition to standard procurement policy and procedures, the district will document the grounds for using the noncompetitive method in lieu of an otherwise required competitive method of procurement, which may include written confirmation from the contractor as the sole source of the item. Documentation must be submitted to and maintained by the Business Office.

All noncompetitive proposals will ultimately be approved by the Board. The district may utilize legal advice from the solicitor regarding noncompetitive proposals.

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

Purchase Cards

The District shall comply with Policy 624 regarding a card purchase.

Full and Open Competition

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

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

EDGAR further requires the following to ensure adequate competition.

Minority Businesses, Women's Business Enterprises, Labor Surplus Area Firms

The district must take necessary affirmative steps to assure that minority businesses, women's business enterprises, and labor surplus area firms are used when possible. Affirmative steps must include: (2 C.F.R. § 200.321)

1. Placing qualified small and minority business and women's business enterprises on solicitation lists.
2. Assuring that small and minority businesses, and women's business enterprises are solicited whenever they are potential sources.
3. Dividing total purchasing requirements, when economically feasible, into smaller tasks or quantities to permit maximum participation by small and minority business and women's business enterprises.
4. Establishing delivery schedules, where the requirement permits, which encourage participation by small and minority businesses and women's business enterprises.
5. Using the services and assistance, as appropriate, of such organizations as the Small Business Administration and the Minority Business Development Agency of the Department of Commerce.
6. Requiring the prime contractor, if subcontracts are let, to take the affirmative steps listed above.

Geographical Preferences Prohibited

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

[See Food Service Program Notes below for permissibility of geographic preferences and "Buy American" practices in purchasing certain food products]

Prequalified Lists

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

[See Food Service Program Notes below for reference to state requirements regarding contracts with food service management companies and contractors of pre-plated meals.]

Solicitation Language

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

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

Avoiding Acquisition of Unnecessary or Duplicative Items

The district must avoid the acquisition of unnecessary or duplicative items. Additionally, consideration must be given to consolidating or breaking out procurements to obtain a more economical purchase; and, where appropriate, an analysis must be made of leases versus purchase alternatives, and any other appropriate analysis to determine the most economical approach.

These considerations are given as part of the process to determine the allowability of each purchase made with federal funds. Such considerations are accessible in the procedure attached to Policy 626: Allowability of Costs – Federal Programs.

Use of Intergovernmental Agreements and Cooperative Purchasing

To foster greater economy and efficiency, the district enters into state and local intergovernmental agreements where appropriate for cooperative purchasing or use of common or shared goods and services, as permitted by the Intergovernmental Cooperation Act and the Commonwealth Procurement Code. (Pol. 613; 53 Pa. C.S. Ch. 23; 62 Pa. C.S. Ch. 19)

When procuring supplies or services for federally funded purposes to which the Uniform Grant Guidance applies, the district shall verify that the organization conducting the procurement pursuant to such agreements complies with the applicable requirements and standards of the Uniform Grant Guidance as outlined in this procedure.

Use of Federal Excess and Surplus Property

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.

Debarment and Suspension

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

[See Food Service Program Notes below for reference to state requirements regarding contracts with food service management companies and contractors of pre-plated meals.]

The district may not subcontract with or award subgrants to any person or company who is debarred or suspended. For all contracts over \$25,000 the district verifies that the contractor with whom the district intends to do business is not excluded or disqualified. (2 C.F.R. Part 200, Appendix II, and 2 C.F.R. § 180.220 and 180.300).

All successful contractors must provide written certification that they have not been suspended or debarred from federal projects. The Business Manager and Federal Programs Coordinator will be responsible for verification. Such verification may include accessing the online federal System for Award Management (SAM) to determine whether any relevant party is subject to any suspension or debarment restrictions.

Maintenance of Procurement Records

The district must maintain records sufficient to detail the history of all procurements. These records will include, but are not necessarily limited to the following: rationale for the method of

procurement, selection of contract type, contractor selection or rejection, the basis for the contract price (including a cost or price analysis), and verification that the contractor is not suspended or debarred.

Maintenance of records of procurement will be governed by Board policy 800 Records Management and established administrative regulations. (Pol. 800)

Time and Materials Contracts

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

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

Settlements of Issues Arising Out of Procurements

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

Protest Procedures to Resolve Dispute

The District shall comply with Policy 621 regarding any disputes.

Food Service Program Notes:

Exemption from Bidding for Perishable Food Items -

The School Code exempts purchases of perishable food items from bidding requirements. Bidding for perishable food items is required only if the cost would be at or over the federal threshold at which formal competitive bidding is required (\$150,000). Small purchase procedures may be used for purchases below \$150,000, or micro-purchase procedures for purchases below \$3,500. Use of bidding should be considered as an option if it is feasible and likely to result in cost savings. (24 P.S. § 504(d))

Geographic Preferences -

The district is permitted to apply a geographic preference when procuring unprocessed locally grown or locally raised agricultural products. When a geographic preference is applied, the district has discretion to determine the local area to which the geographic preference option will be applied.

Unprocessed locally grown or locally raised agricultural products means only those agricultural products that retain their inherent character. The effects of the following food handling and preservation techniques shall not be considered as changing an agricultural product into a product of a different kind or character: cooling; refrigerating; freezing; size adjustment made by peeling, slicing, dicing, cutting, chopping, shucking, and grinding; forming ground products into patties without any additives or fillers; drying/dehydration; washing; packaging (such as placing eggs in cartons), vacuum packing and bagging (such as placing vegetables in bags or combining two (2) or more types of vegetables or fruits in a single package); the addition of ascorbic acid or other preservatives to prevent oxidation of produce; butchering livestock and poultry; cleaning fish; and the pasteurization of milk. (7 C.F.R. § 210.21, 215.14a, 220.16)

Buy American -

The district shall purchase, to the maximum extent practicable, domestic commodities or products for food service purposes. The term **domestic commodity or product** means: (7 C.F.R. § 210.21, 220.16)

1. An agricultural commodity that is produced in the United States; and
2. A food product that is processed in the United States substantially using agricultural commodities that are produced in the United States.

Mandatory Contract Clauses -

The following provisions shall be included in all cost reimbursable contracts for food services purchases, including contracts with cost reimbursable provisions, and in solicitation documents prepared to obtain offers for such contracts: (7 C.F.R. § 210.21, 215.14a, 220.16)

1. Allowable costs will be paid from the nonprofit school food service account to the contractor net of all discounts, rebates and other applicable credits accruing to or received by the contractor or any assignee under the contract, to the extent those credits are allocable to the allowable portion of the costs billed to the school food authority;
2. (a) The contractor must separately identify for each cost submitted for payment to the school food authority the amount of that cost that is allowable (can be paid from the nonprofit school food service account) and the amount that is unallowable (cannot be paid from the nonprofit school food service account); or

2. (b) The contractor must exclude all unallowable costs from its billing documents and certify that only allowable costs are submitted for payment and records have been established that maintain the visibility of unallowable costs, including directly associated costs in a manner suitable for contract cost determination and verification;
3. The contractor's determination of its allowable costs must be made in compliance with the applicable departmental and program regulations and Office of Management and Budget cost circulars;
4. The contractor must identify the amount of each discount, rebate and other applicable credit on bills and invoices presented to the school food authority for payment and individually identify the amount as a discount, rebate, or in the case of other applicable credits, the nature of the credit. If approved by the state agency, the school food authority may permit the contractor to report this information on a less frequent basis than monthly, but no less frequently than annually;
5. The contractor must identify the method by which it will report discounts, rebates and other applicable credits allocable to the contract that are not reported prior to conclusion of the contract: and
6. The contractor must maintain documentation of costs and discounts, rebates and other applicable credits, and must furnish such documentation upon request to the school food authority, the state agency, or the department.

Contracts with Food Service Management Companies -

Procedures for selecting and contracting with a food service management company (FSMC) shall comply with guidance provided by the Pennsylvania Department of Education, Division of Food and Nutrition, including standard forms, procedures and timelines for solicitation, selection and approval of proposals and contracts. (7 C.F.R. § 210.16, 210.19, 210.21, 215.14a, 220.16)

Pre-Plated Meals -

Procedures for selecting and contracting with contractors of pre-plated meals shall comply with guidance provided by the Pennsylvania Department of Education, Division of Food and Nutrition, including standard forms, procedures and timelines for solicitation, selection and approval of proposals and contracts. (7 C.F.R. § 210.16, 210.19, 210.21, 220.16)

The first part of the paper is devoted to the study of the properties of the function $f(x)$ defined by the equation $f(x) = \sum_{n=0}^{\infty} \frac{f(n)}{n!} x^n$. It is shown that $f(x)$ is a solution of the differential equation $f'(x) = f(x)$ and that $f(0) = 1$. The second part of the paper is devoted to the study of the properties of the function $g(x)$ defined by the equation $g(x) = \sum_{n=0}^{\infty} \frac{g(n)}{n!} x^n$. It is shown that $g(x)$ is a solution of the differential equation $g'(x) = g(x)$ and that $g(0) = 1$.

The third part of the paper is devoted to the study of the properties of the function $h(x)$ defined by the equation $h(x) = \sum_{n=0}^{\infty} \frac{h(n)}{n!} x^n$. It is shown that $h(x)$ is a solution of the differential equation $h'(x) = h(x)$ and that $h(0) = 1$.

The fourth part of the paper is devoted to the study of the properties of the function $i(x)$ defined by the equation $i(x) = \sum_{n=0}^{\infty} \frac{i(n)}{n!} x^n$. It is shown that $i(x)$ is a solution of the differential equation $i'(x) = i(x)$ and that $i(0) = 1$.

The fifth part of the paper is devoted to the study of the properties of the function $j(x)$ defined by the equation $j(x) = \sum_{n=0}^{\infty} \frac{j(n)}{n!} x^n$. It is shown that $j(x)$ is a solution of the differential equation $j'(x) = j(x)$ and that $j(0) = 1$.

The sixth part of the paper is devoted to the study of the properties of the function $k(x)$ defined by the equation $k(x) = \sum_{n=0}^{\infty} \frac{k(n)}{n!} x^n$. It is shown that $k(x)$ is a solution of the differential equation $k'(x) = k(x)$ and that $k(0) = 1$.

The seventh part of the paper is devoted to the study of the properties of the function $l(x)$ defined by the equation $l(x) = \sum_{n=0}^{\infty} \frac{l(n)}{n!} x^n$. It is shown that $l(x)$ is a solution of the differential equation $l'(x) = l(x)$ and that $l(0) = 1$.

The eighth part of the paper is devoted to the study of the properties of the function $m(x)$ defined by the equation $m(x) = \sum_{n=0}^{\infty} \frac{m(n)}{n!} x^n$. It is shown that $m(x)$ is a solution of the differential equation $m'(x) = m(x)$ and that $m(0) = 1$.

The ninth part of the paper is devoted to the study of the properties of the function $n(x)$ defined by the equation $n(x) = \sum_{n=0}^{\infty} \frac{n(n)}{n!} x^n$. It is shown that $n(x)$ is a solution of the differential equation $n'(x) = n(x)$ and that $n(0) = 1$.

The tenth part of the paper is devoted to the study of the properties of the function $o(x)$ defined by the equation $o(x) = \sum_{n=0}^{\infty} \frac{o(n)}{n!} x^n$. It is shown that $o(x)$ is a solution of the differential equation $o'(x) = o(x)$ and that $o(0) = 1$.

Highlands School District – Cash Management Policy for District Operations and Federal Programs

In addition to this policy that primarily addresses federal programs and UGG procedures, the District shall also comply with all other school District policies, PA school code and applicable laws that may or may not be stricter than this policy.

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

According to guidance from the U.S. Department of Education (ED), when calculating the interest earned on ED grant funds, regardless of the date of obligation, interest is calculated from the date that the federal funds are drawn down from the G5 system until the date on which those funds are disbursed by the LEA.

Interest would not accrue if the LEA uses nonfederal funds to pay the vendor and/or employees prior to the funds being drawn down from the G% system, commonly known as a reimbursement.

Payment Methods

Reimbursements: The District will initially charge federal grant expenditures to nonfederal funds.

The District designated Grant or Federal Programs Coordinator and Business Manager will request reimbursement for actual expenditures incurred under the federal grants using proper forms and procedures. All reimbursements are based on actual disbursements, not on obligations. The Department of Education will process reimbursement requests.

Consistent with state and federal requirements, the District will maintain source documentation supporting the federal expenditures (invoices, time sheets, payroll stubs, etc.) and will make such documentation available for the Department of Education to review upon request.

Reimbursements of actual expenditures do not require interest calculations.

Advances: To the extent the District receives advance payments of federal grant funds, the District will strive to expend the federal funds on allowable expenditures as expeditiously as possible. Specifically, the District attempts to expend all drawn downs of federal funds within 72 hours of receipt or within reasonable time due to circumstances.

The District will hold federal advance payments in interest-bearing accounts, unless an allowable exception applies. The District will begin to calculate interest earned on cash balances once funds are deposited into the District's account.

Interest will be calculated on a pro-rated share of federal grant cash balances per grant and applying the District's actual interest rate. The District will remit interest earned on grant funds annually to the U.S. Department of Health and Human Services Payment Management System (regardless of the federal awarding agency for the grant) through an electronic medium using either Automated Clearing House (ACH) network or a Fedwire Funds Service payment 2 C.F.R. § 200.305(b)(9).

District shall also comply with policy #617 regarding Petty Cash. The District may retain up to \$500 of interest earned per year.

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