



Orono Public Schools ISD No. 278

**BUSINESS SERVICES  
PROCEDURES MANUAL**

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## Procedures – Federal Awards Administration Overview

Purpose– This manual has been prepared to document the procedures for the administration of federal awards of Orono Public Schools ISD No. 278 (the “District”) and general business procedures. The Office of Management and Budget (OMB) Uniform Administrative Requirements, Cost Principles and Audit Requirements [34 CFR Part 80, 2 CFR Part 213 and Part 6 of the Office of Management and Budget (OMB) UGG - Uniform Grant Guidance Compliance Supplement] require all sub-recipients of federal funds to establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations and program compliance requirements. Written procedures are part of the necessary internal controls and are required as a precondition to receiving federal funds. These procedures are intended to be sufficiently comprehensive to adequately meet such requirements. However, in no case are these procedures intended to supersede or limit federal or state laws or regulations, or the provisions of individual grant agreements.

Hierarchy of Authority– In the event that conflicting guidance on the administration of Federal awards is available, the District has deemed Federal guidance to be most authoritative, followed by guidance from MDE, and finally other State or local agencies.

Revisions – Guidance provided by the Federal government through the OMB UGG - Uniform Grant Guidance Compliance Supplement and guidance provided by MDE are expected to be updated each year. Such updates are considered by the District as they become available and procedures will be revised accordingly.

The Superintendent, Director of Business Services and Designees are authorized and required to establish and document operating procedures to ensure compliance with the provisions of federal and state regulations and the provisions of grant agreements. Such procedures are documented herein, and will be reviewed and updated as necessary, but not less than once every three years.

Training – District accounting and finance personnel, and program administrators of Federal awards will be provided the necessary training through various mechanisms, such as: (1) reviewing monthly State Aid Financial Status Report Updates, accompanying State aid payments (2) consulting with the District’s auditors as needed for clarification, (3) participating in various training opportunities, such as those offered by appropriate professional organizations, (4) reviewing daily legislative updates from multiple sources, (5) membership and participation in meetings of the Minnesota Association of School Business Officials (MASBO), (6) certification of respective positions by the MASBO i.e.: Director of Business Services, (7) coordination and collaboration with individuals performing similar job functions at local Districts within the District and at similar Intermediate School Districts.

Compliance Failures – Compliance failures, whether noted internally by management or through the external audit process, will be addressed immediately by reviewing the reason for the failure with responsible personnel and devising an improved process to encourage compliance in the future.

## General Accounting and Financial Management

It is the policy of the District to comply with all statutory, regulatory, and contractual requirements in the conduct of and accounting for its financial operations. The official books of record for the District will be maintained subject to the following provisions:

**Board Policies:** All Board policies have been separately reviewed and approved by the Board of Education and must be complied with.

**Additional Procedures:** The following procedures will also be applied, to the extent that they do not conflict with or contradict the Board policies listed above:

1. The District will account for its operations in accordance with the Generally Accepted Accounting Principles (GAAP) applicable to local units of government.
2. The District will comply with all applicable circulars issued by the Office of Management and Budget (OMB),

including, but not limited to:

- a. OMB Circular A-87 – Cost Principles for States, Local and Indian Tribal Governments.
  - b. OMB UGG - Uniform Grant Guidance – Audits of States, Local Governments, and Non-Profit Organizations (the Single Audit Act).
3. The District will comply with all contractual requirements detailed in its duly executed grant agreements with awarding agencies.
  4. The Board of Education will contract annually with an independent CPA firm for the purposes of conducting the District’s external financial audit. To the extent that the District has expended federal awards in excess of \$750,000, the District will have a single audit performed in accordance with OMB UGG - Uniform Grant Guidance.
  5. To ensure continuing compliance with all applicable accounting requirements, the Board of Education may, at its discretion, contract with a CPA firm to provide internal auditing and/or consulting services.
  6. The Controller shall be responsible for the maintenance of all accounting and financial records (including journals, timesheets, bank statements, audit reports, and similar documents). Such records shall be retained as required by contractual or regulatory requirements as described in the section of this manual titled “Records Retention”.
  7. A nominal and non-material gift is an item of value of less than \$25. The District and employees are required to comply with District conflict of interest and report any potential conflicts of interest to their managers. No employee, officer or agent must 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 violations may result in appropriate discipline. See also the District policies on conflict of interest.
  8. The District will request prior approval from federal agencies for program or budget changes.
  9. The District reserves the right to delay the implementation of new federal purchasing procedures by two years which follow: Acquisitions for micro-purchases (below \$3,500 or below \$2,000 for construction subject to the Davis Bacon Act) may be awarded without soliciting bids if the District considers the price to be reasonable. Procurements for Small Purchases (less than \$100,000 - Minn. Stat. § 471.345) then rate quotations must be obtained from an adequate number of sources. Procurements made by sealed bid should be made to the lowest responsible (not necessarily the lowest) bidder. Procurements made by competitive proposal must have standards to evaluate the selected recipient. Procurement made by non-competitive Proposals (to one vendor) may be used only if one of the following applies a) the item is available from a single source, b) an emergency exists c) the federal agency expressly authorizes non-competitive proposals or d) competition is seen as inadequate after solicitation to a number of vendors.
  10. Other procurement procedures include: Contractors who develop or draft specifications for bids are precluded from bidding on them. The District must maintain oversight so that contractors perform work as bid. Multiply provisions must be included in contracts (see Appendix II of grant procurement guidelines of super circular procedures). The District must verify to sam.gov if contract is \$25,000 or more to review if on the suspended and debarred list for federal grants.
  11. Procedures for inventory of federal capital purchases will be maintained by the Business Office and all items will be tracked annually.
  12. Administrators must have prior approval from the federal agency before budget changes are allowed.
  13. The Director of Business Services (with Controller as backup) or Superintendent or Director of Learning & Accountability or Director of Special Services is required to certify expenditures.

# Purchasing and Procurement

It is the policy of the District to ensure that all disbursements of District funds are properly reviewed and authorized, and consistent with sound fiscal management principles. In order to meet these objectives, all disbursements of District funds shall be subject to the following provisions:

**Procedures:** The following procedures will be applied, to the extent that they do not conflict with or contradict with any Board policies:

1. 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.
2. 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 leases versus purchase alternatives, and other appropriate analyses to determine the most economical approach.
3. To foster greater economy and efficiency, the District enters into state and local intergovernmental agreements where appropriate for procurement or use of common or shared goods and services. This includes cooperative purchasing agreements where practical and beneficial. Depending on the purchase requested, the district may purchase it from a cooperative or inter-local agreement if the price is competitive and the goods or service are needed in a timely manner. The Controller and the Director of Business Services will make this determination.
4. The District awards contracts only to responsible contractors possessing the ability to perform successfully under the terms and conditions of a proposed procurement. The District considers such matters as contractor integrity and business ethics, compliance with public policy, ability to complete the project on time and in accordance with specifications, record of past performance, and the contractor's financial and technical resources.
5. 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. Contractors should have the proper equipment or the capability to subcontract for the proper equipment necessary to complete the contracted work.
6. Debarment and Suspension: The District will not subcontract with or award sub grants to any person or company who is debarred or suspended from receiving federal funds. The Controller is required to check for excluded parties at the System for Award Management (SAM) website before any procurement transaction paid with federal funds. This list is located at: <http://www.sam.gov/>.
7. All procurement transactions paid with federal funds are conducted in a manner providing full and open competition. 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.
8. 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 for such 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;
  - requiring unnecessary experience and excessive bonding;
  - noncompetitive pricing practices between firms or between affiliated companies;
  - 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.
  - the District conducts federal procurements in a manner that prohibits the use of statutorily or administratively imposed state or local geographical preferences in the evaluation of bids or proposals, except in those cases where applicable federal statutes expressly mandate or encourage geographic preference.
9. 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 possible.
10. 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 \$175,000.
11. The District takes all necessary affirmative steps to assure that minority businesses and women’s business enterprises, and labor surplus area firms are used when possible. To accomplish this, the District uses the following required affirmative steps:
- Placing qualified small and minority businesses and women’s business enterprises on solicitation lists
  - Assuring that small and minority business, and women’s business enterprises are solicited whenever they are potential sources
  - Dividing total requirements, when economically feasible, into smaller tasks or quantities to permit maximum participation by small and minority businesses, and women’s business enterprises
  - Establishing delivery schedules, where the requirement permits, which encourage participation by small and minority businesses, and women’s business enterprises
  - Using the services and assistance, as appropriate, of such organizations as the Small Business Administration and the Minority Business Development Agency of the Department of Commerce, and
  - Requiring the prime contractor, if subcontracts are to be let, to take the affirmative steps listed above.
12. Federal methods provide for procurement by micro-purchase. Micro-purchase is a purchase of supplies or services using simplified acquisition procedures, the aggregate amount of which does not exceed \$3,000. 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.
13. Small purchase procedures may be used in those relatively simple and informal procurement methods for securing nonprofessional services, supplies, or other property that do not cost more than \$175,000.
14. Sealed bids (\$175,000, formal advertising, price is a major factor). Requirements for sealed bids:

- The invitation for bids will be publicly advertised and bids must be selected from an adequate number of known suppliers, providing them sufficient response time prior to the date set for opening the bids.
  - The invitation for bids, which will include any specifications and pertinent attachments, must define the items or services in order for the bidder to properly respond.
  - All bids will be publicly opened at the time and place prescribed in the invitation for bid.
  - A firm fixed price contract award will be made in writing to the lowest responsive and responsible bidder.
  - Any or all bids may be rejected if there is a sound documented reason.
  - Competitive proposal (> \$175,000, fixed price or cost reimbursement, request for proposal (RFP) with evaluation methods). Requirement for competitive proposal procedures:
  - Requests for proposals must be publicized requests and identify all evaluation factors and their relative importance.
  - Proposals must be solicited from an adequate number of qualified sources.
  - The organization must have a written method for conducting technical evaluations of the proposals received and for selecting recipients.
  - Contracts must be awarded to the responsible firm whose proposal is most advantageous to the program.
  - The organization may only use qualification-based methods, whereby competitors' qualifications are evaluated and the most qualified competitor is selected, in the procurement of architectural/engineering professional services.
15. Procurement by noncompetitive proposals is procurement through solicitation of a proposal from only one source and may be used when using federal funds only when one or more of the following circumstances apply:
- The item is available only from a single source. This must be documented.
  - The public exigency or emergency for the requirement will not permit a delay resulting from competitive solicitation.
  - MDE (or other federal awarding agency) expressly authorizes noncompetitive proposals in response to a written request from the District.
  - After solicitation of a number of sources, competition is determined inadequate.
  -
16. 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.
- 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.
17. 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. The District accomplishes this by conducting internet searches, including using vendor searches, and by using other less technologically-advanced tools to locate and identify potential contractors. Federal guidelines are followed regarding the number of bids required.
18. The District Requires that construction or facility improvement contracts, or subcontracts exceeding \$175,000, include a bid guarantee equivalent to 5% of the bid price from each bidder (such as bid bond or certified check), a performance bond on the part of the contractor for 100 percent of the contract price, and a payment bond on the part of the contractor for 100 percent of the contract price.

## Cash Receipts

In order to safeguard the funds of the District, cash receipts will be deposited promptly and in-tact according to the following policies:

**Board Policies:** The following policies have been separately reviewed and approved by the Board of Education, and are incorporated here by reference:

- There are no existing Board policies over cash receipts.

**Additional Procedures:** The following procedures will also be applied, to the extent that they do not conflict with or contradict the Board policies listed above:

1. Cash receipts will be recorded approximately 1-3 times per week based on the amount of collections.
2. Cash will be initially received by the Controller. The Controller enters the cash receipt information into the finance services software. If no check stub is available, a copy of the physical check is made and retained to support the receipt.
3. A copy of the daily receipts listing along with the physical checks, cash, and any supporting documentation will then be provided to the Controller who will review and approve the general ledger coding.
4. The Controller or designee will input the receipt information into the financial software and indicate first approval in the system.
5. The Controller will post the batch to the general ledger and approve the transaction in the bank reconciliation module of financial software.
6. Deposits will be prepared by the Controller.
7. Deposits slips will be filed internally along with the deposit receipt from the bank and any check stubs/supporting documentation. Receipts are added to the cash sheet and compared to the actual bank deposits and general ledger postings during the monthly account reconciliation process.
8. Receipts of currency are deposited by individual departments after verification by two members of that department and receipts are sent to the Business Office. Cash register receipts are reconciled daily by each department. Cashing of checks out of the cash register is prohibited. Cash register receipts are pre-numbered and issued in sequential order.
9. Wire transfers and ACH payments will be recorded through the financial services software application /receipts.

## Payroll and Timekeeping

The following provisions apply to the payment of employees and recording of time and effort (as required) in accordance with Federal Cost Principles.

**Board Policies:** The following policies have been separately reviewed and approved by the Board of Education, and are incorporated here by reference:

- There are no existing Board policies over payroll and timekeeping.

**Additional Procedures:** The following procedures will also be applied, to the extent that they do not conflict with or contradict the Board policies listed above:



1. Hourly employees clock in and out to an electronic timekeeping system each day, with the following information:
  - a. The total number of hours actually worked each day
  - b. The use of any holiday, personal, vacation, sick, or other approved time off with pay
  - c. The total number of hours to be paid
  - d. An allocation of those hours to each program or department for which work was performed, when necessary
  - e. The dated signature of the employee and his/her supervisor

The allocation of hours between programs or departments should be based exclusively on the actual hours worked, and not be based on available budgets, or predetermined allocation schedules.

In the event that an after-the-fact correction is necessary to an employee's timesheet due to errors in the allocation of time worked, such corrections must be submitted to the Payroll Manager, and approved in writing by both the employee and his/her supervisor.

2. Salaried employees charged to a Federal grant will document time and effort according to one of the following methods. The method used by an employee shall be pre-approved by the Superintendent or Executive Director of Teaching & Learning. If the employee's time is expensed based on budgetary data, an adjustment shall be made at least quarterly to agree the general ledger to the documentation.
  - a. The employee may document time and effort using a timesheet as described above. Timesheets must account for the total activity for which the employee is compensated, and be signed by the employee. It will not be acceptable for timesheets to include the hours worked on Federal grants only.
  - b. Or, the employee may complete personnel activity reports (PARs). Such reports will be prepared at least monthly to coincide with specific pay periods, reflect an after-the-fact distribution of the actual activity of the employee, account for the total activity for which the employee is compensated, and be signed by the employee.
  - c. Budgets, lesson plans, and calendars/daily planners will not be deemed allowable documentation to support personnel costs and therefore will not be accepted by the Business Office.
  - d. It is the responsibility of the employee being charged to a Federal award(s) to clarify documentation requirements with the Superintendent or designee (Executive Director of Teaching & Learning) and provide appropriate documentation to the Payroll Manager as it becomes available. The employee should retain a copy of the documentation for his/her personal records.
3. Salaried employees who work 100 percent of their time on a single Federal award or cost objective (regardless of the availability of Federal funding) shall have the option to complete semi-annual time certifications in lieu of timesheets or personnel activity reports (described above). The certifications will be prepared at-least semi-annually and signed by either the employee and/or a supervisory official having first-hand knowledge of the work performed by the employee.

Certifications should never be signed prior to the end date of the period being certified. Each certification should be provided to the Business Office when available. Employees should retain a copy of the certifications for his/her personal records.

## **Bank Reconciliations**

The following procedures will apply to the reconciliation of bank accounts:

**Board Policies:** The following policies have been separately reviewed and approved by the Board of Education, and are incorporated here by reference:

- *702 Accounting*

**Additional Procedures:** The following procedures will also be applied, to the extent that they do not conflict with or contradict the Board policies listed above:

1. Bank reconciliations will be performed monthly for each bank account. Bank reconciliations will be completed within 6 weeks of month-end.
2. Bank reconciliations for the demand deposit accounts will be completed by the Business Office (Controller).
3. Interbank transfers, ACH receipts, and EFT payments recorded through general journal entry will be verified as part of the bank reconciliation process.
4. Bank reconciliations will be subjected to review and approval by an independent administrator. The reviewer will sign and date the reconciliation as evidence of the control.

## **Journal Entries and Non-Routine Transactions**

The District will occasionally need to record a general journal entry or other non-routine transaction. Such transactions may relate to Federal awards. The following procedures apply to all general journal entries:

**Board Policies:** The following policies have been separately reviewed and approved by the Board of Education, and are incorporated here by reference:

- *702 Accounting*

**Additional Procedures:** The following procedures will also be applied, to the extent that they do not conflict with or contradict the Board policies listed above:

- General journal entries will be an allowable transaction type for recording: corrections and adjustments, accruals and reversing entries, inter-fund activity, interbank activity, EFT payments, ACH transfers, etc., to the extent that the entries can be reasonably supported.
- All general journal entries will be filed with adequate supporting documentation.
- Each general journal entry will be signed/initialed and dated by the preparer.
- The ability to post general journal entries in the accounting system will be limited to specific employees. Refer to the section of this manual titled "Information Technology: for additional information.

## **Investment Policies**

**Board Policies:** The following policies have been separately reviewed and approved by the Board of Education, and are incorporated here by reference:

- *705 Investments*

Additional Procedures:

1. Authorization for acquisition and disposition of investments is vested with the District Board of Education.
2. The Board of Education has formally adopted an investment policy #705 that limits the school District's

allowable investments and addresses the specific types of risk to which the school District may be exposed.

3. The Business Office (designee Director of Business Services) is charged with the responsibility of determining that investments are of the character and type permitted by legal requirements and that the income earned is dispersed for authorized purposes.
4. Director of Business Services approval is required before any money is deposited into any investment accounts.

Safekeeping:

- All persons having access to securities are authorized by the Board of Education.
- All securities are held in the name of the District.

Recordkeeping:

Detailed records are maintained including the following information:

- Date of acquisition, identification, purchase amount or cost
- Physical location of item
- Interest/dividend/income rates and accrual/receipt dates
- Ownership by fund
- Detail records are periodically reconciled to the general ledger control accounts and to safekeeping statements by the Controller.
- Investment income is recorded on a timely basis. Investment earnings are credited to the fund “owning” the investment. Any adjustments of investment accounts are approved by the Director of Business Services.
- Calculations of fair value and investment income are periodically reviewed for accuracy by the Director of Business Services.
- Access to computerized investment records is limited to those with a logical need for access.

## Capital Assets

The following provisions will govern the purchasing, accounting, and inventory of capital assets:

**Board Policies:** The following policies have been separately reviewed and approved by the Board of Education, and are incorporated here by reference:

- *704 Development and Maintenance of an Inventory of Fixed Assets and a Fixed Asset Accounting System*

**Additional Procedures:** The following procedures will also be applied, to the extent that they do not conflict with or contradict the Board policies listed above:

1. A *capital asset* is defined by the District as an individual item with a useful life in excess of 1 year and an individual cost of more than \$3,000 or as otherwise specified by Board policy (see referenced items above).
2. Procurement of capital assets will be governed by the Board of Education’s procurement and purchasing policies.
3. Donated capital assets will be recorded at estimated fair value at the date of donation.
4. Purchases of capital assets will be recorded as capital outlay expenditures in the governmental fund financial statements, and capitalized as noncurrent assets in the government-wide statements. Donated capital assets will be recorded as a government-wide adjustment only. All capital assets will be depreciated using the straight-line method over estimated useful lives.

5. Capital assets with useful lives (i.e., excluding land and construction in progress) will be depreciated using a consistent and systematic approach allowable under GAAP or as specified by Board policy.
6. Construction or other capital projects in progress at year-end will be reported as “construction in progress” until the related asset is placed into service. No depreciation expense will be incurred on such assets. Outstanding construction commitments at year-end will be disclosed in the District’s audited financial statements.
7. If the District determines that depreciation expense cannot be reasonably allocated by function, it will be deemed allowable to report all or a portion of depreciation expense as “Depreciation – unallocated” in the government-wide statement of activities, to the extent that this approach remains allowable under GAAP.
8. The District may outsource the maintenance of depreciation schedules to a third-party consultant or its external auditors. In those instances, additions (along with the estimated useful lives) and disposals will be identified by the Controller.
9. To the extent that capital assets are purchased with Federal funds, such items will be flagged as “Federally-funded” in the financial accounting records in order to ensure the appropriate use of proceeds on sale (if applicable) in accordance with Federal guidelines.
10. To the extent that the District has purchased capital assets with Federal funds, an inventory of these items and reconciliation to the accounting records will be performed no less than once every two years. If it is not feasible to inventory all the District’s capital assets this frequently, the Federally-funded assets may be inventoried only in order to meet the requirements of the OMB UGG - Uniform Grant Guidance Compliance Supplement.
11. Other procedures related to compliance with the provisions of the OMB UGG - Uniform Grant Guidance compliance supplement are included within this manual in the section titled “Equipment and Real Property Management.”

## Long-term Debt

The following provisions will govern the issuance of long-term debt (including, but not limited to: bonds and notes payable, capital assets, installment purchase agreements, State Aid Anticipation Notes, compensated absences, and severance agreements/early retirement incentives):

**Board Policies:** The following policies have been separately reviewed and approved by the Board of Education, and are incorporated here by reference:

- There are no existing Board policies over Long-term Debt.

**Additional Procedures:** The following procedures will also be applied, to the extent that they do not conflict with or contradict the Board policies listed above:

1. The issuance of long-term debt will be subject to approval by the Board of Education and the Minnesota Department of Education.
2. The issuance of long-term debt will be recorded as an “other financial source” in the governmental fund financial statements, along with any premium or discount thereon. Costs of issuance will be reported in the governmental fund financial statements as a component of debt service expenditures.
3. In the full-accrual government-wide statements, long-term debt and any related discounts, premiums, or deferred gain/loss on refunding, will be reported as a liability. Bond issuance costs will be expensed when incurred and reported as a component of interest expense in the government-wide statement of activities.
4. Short-term debt (such as State Aid Anticipation Certificates) with an initial maturity of less than one-year will be

recorded as a liability in the governmental fund financial statements, along with accrued interest payable thereon.

5. Compensated absences payable will be recorded in the government-wide statements for earned but unused sick and vacation time, as provided for in bargaining agreements and/or personnel policies. Such accruals will be limited to the maximum payout based on these policies.
6. Severance agreements/early retirement incentives will also be recorded liabilities in the government-wide statements. Multi-year agreements will be reported at the net present value using a discount rate equal to the rate management expects to earn on the assets used to liquidate such liabilities. A current portion will be recorded each year, based on the payment schedule in the severance agreement.

## Grant Administration

**Board Policies:** The following policies have been separately reviewed and approved by the Board of Education, and are incorporated here by reference:

- There are no existing Board policies over grant administration.

**Additional Procedures:** The following procedures will also be applied, to the extent that they do not conflict with or contradict the Board policies listed above:

### 1. Grant Development, Application, and Approval –

- a. Legislative Approval – The point at which legislative approval is required is determined by the requirements of the grant program. If the grant must be submitted by “an individual authorized by the *legislative body*”, then *Board of Education* approval is required prior to submitting the application. If such legislative approval is not specifically required by the written terms of the grant, then the Superintendent or designee may, at his or her discretion, approve grant applications.
- b. Matching Funds – Grants that require cash local matches must be coordinated through the Business Office. At a minimum, funds must be identified within the existing budget to provide the match, or a budget amendment will be required. Depending on the nature of the grant, there may also be some policy implications that will bear discussion. (For example, will the grant establish a level of service that cannot be sustained once the grant funds are depleted?)

In all cases involving matching funds, the grant applicant should contact the Business Office to determine the strategy for securing matching funds.

Refer to the section within this manual titled “Matching, Level of Effort, and Earmarking” for additional information on compliance with the provisions of the OMB UGG - Uniform Grant Guidance Compliance Supplement.

- c. Grant Budgets – Most grants require the submission of an expenditure budget. The Controller will review this portion of the grant request prior to submission. Frequently, a technical review will discover inconsistencies in the calculations, cost centers that might have been overlooked, or identify reimbursable expenses of which program staff may not be aware—particularly in the area of indirect costs.

### 2. Grant Program Implementation –

- a. Notification and Acceptance of an Award – Official notification of a grant award is typically sent by a funding agency to the program director and/or other official designated in the original grant proposal. However, the authorization to actually spend grant funds is derived from the Board of Education through the approval of a grant budget. Such notification should also be directed to the Business Office.

Adoption of the grant budget as a component of the District-wide operating budget is deemed to be sufficient approval.

- b. Establishment of Accounts – The department that obtained the grant will provide the Controller with information needed to establish revenue and expense accounts for the project. Ordinarily, this information will include a copy of a summary of the project and a copy of the full project budget.
- c. Purchasing Guidelines – All other District purchasing guidelines apply to the expenditure of grant funds. The use of grant funds does not exempt any purchase from normal purchasing requirements. All typical paperwork and bidding requirements apply. All normal staff approvals apply. When in doubt, the program director should contact the Director of Business Services for further assistance.

### 3. Financial and Budgetary Compliance –

- a. Monitoring Grant Funds – Departments may use some internal mechanism (such as a spreadsheet) to monitor grant revenues, expenditures and budgetary compliance, at the grant level. The Controller maintains all this information in financial software system as well; this is considered to be the District’s “official” accounting system by the granting agencies. Program Directors are strongly encouraged to use financial software reports provided by the Controller for their grant tracking.

If any “off-system” accounting records are maintained, it is the responsibility of the Program Director to ensure that the program’s internal records agree to the District’s accounting system.

- b. Fiscal Years – Occasionally, the fiscal year for the granting agency will not coincide with the District’s fiscal year. This may require adjustments to the District’s internal budget accounts and interim financial reports as well as special handling during fiscal year-end close. It is the responsibility of the Program Director to bring such discrepancies to the attention of the Controller at the time the grant accounts are established.

Grant Budgets – The terms of each specific grant will dictate whether any budget transfers between budgeted line items will be permitted. In no case will the program director be authorized to exceed the total budget authority provided by the grant.

If grant funds have not been totally expended by fiscal year-end, it is the responsibility of the program director to notify the Controller that budget funds need to be carried forward to the new fiscal year, and to confirm the amounts of such carry-forwards. Carry-forwards of grant funds will be subjected to maximum allowable amounts/percentages based on the grant award agreement and/or the OMB UGG - Uniform Grant Guidance Compliance Supplement.

Capital Assets – The District is responsible for maintaining an inventory of assets purchased with grant funds. The District is accountable for them and must make them physically available for inspection during any audit. The Director of Special Services must approve any sale of these assets. Customarily, the proceeds of the sale can only be used on the grant program that purchased them. (Refer to the specific regulations governing the original grant).

The Director of Special Services will coordinate this grant requirement. All transactions that involve the acquisition or disposal of grant funded fixed assets must be immediately brought to the attention of the Director of Business Services. Refer to the sections of this manual titled “Capital Assets” and “Equipment and Real Property Management” for additional information. [OMB Circular 2 CFR 200]

### 4. Record Keeping –

- a. Audit Work-papers – The District’s external auditors audit all grants at the end of each fiscal year. The Director of Business Services and Controller will prepare the required audit work- papers. Program Directors may be asked to assist in this process, if necessary.

- b. Record Keeping Requirements – Grant record keeping requirements may vary substantially from one granting agency to another. Consequently, a clear understanding of these grant requirements at the beginning of the grant process is vital. The Controller will maintain copies of all grant draw requests, and approved grant agreements (including budgets). The program director should maintain all other records.

Refer to this section of this manual titled “Records Retention” for additional information.

5. Other Guidelines – Specific information on procedures related to compliance with the provisions of the OMB UGG - Uniform Grant Guidance Compliance Supplement have been addressed later in this manual and should be considered along with the information in this section.

## Year-end Closing and Reporting

The following provisions will govern the year-end close-out process of the District for purposes of external financial reporting:

1. In accordance with the Minnesota Department of Education requirement, the District’s fiscal year end for external reporting purposes will be June 30.
2. Accruals will be recorded as needed to ensure that revenues and expenditures are reported in the appropriate accounting period:
  1. Accounts Payable Disbursements – Invoices for goods or services received during the previous fiscal year will be recorded as expense/accounts payable as of June 30. Such determinations will be made by the Controller and reviewed for accuracy and completeness by the Director of Business Services.
  2. Payroll-related Accruals – Costs of hourly personnel paid after June 30 for services performed during the previous year will be recorded as expenditures/salaries payable at June 30. The amount will be based on hours worked during the fiscal year multiplied by the employee’s hourly rate. Additional consideration will be made for FICA taxes, retirement benefits, health insurance, and related employee benefits.
    - a. Salaried teachers and other employees working during the academic year only may elect to receive their annual salary over the course of the academic year or over the course of the 12 months ended August 31 of each year. The difference between the total salary and the amount paid through June 30 will be recorded as expense/salaries payable at June 30 since the period of service is complete at that time. Additional consideration will be made for FICA taxes, retirement, health insurance, and related employee benefits.
    - b. Health insurance and other benefits for employees working on an academic year only will be accrued for the month of August and recorded as expenditures/benefits payable at June 30.
    - c. Payroll accruals will be prepared and documented by the Controller.
    - d. Prepaid payments – Payments made prior to year-end that cover goods or services to be received in a future period will be recorded as prepaid items as of June 30. The District may elect to not record prepaid items in governmental funds in accordance with GASB Codification 1600.127 *Other Expenditure Recognition Alternatives*.
    - e. Inventory – If deemed material, a physical inventory of school building supplies and vocational education program materials will be performed after the completion of the academic school year, but no later than June 30. Amounts will be valued at current cost and provided to the Business Office for review and adjustment in the general ledger. Certain inventories may be stored at third-party locations. In order to appropriately account for these items, the District may contact the third-party at year-end for verification of the quantity of product on hand.

- f. Receivables – General – Cash received after year-end for which a good or service was provided during the previous fiscal year will be recorded as revenue/accounts receivable. All such adjustments will be supported by appropriate documentation, such as remittance advices or dated sub- ledgers.
  - g. Receivables – Grant – After all year-end expense accruals have been recorded, an entry will be recorded for the difference between grant expenditures and related grant receipts as of June 30 as revenue/grants receivable. Grant receivables will only be recorded to the extent that sufficient amounts remain in the grant award. Expenditures that will not be reimbursed through grant awards due to lack of available funding will be transferred to a non-grant cost center.
  - h. Receivables – State Aid – State Aid is provided to Minnesota School Districts in installments. Therefore, since the July and August State Aid receipts are intended to finance the previous fiscal year, such amounts will be recorded as revenue/receivable at June 30.
3. The preparation of the year-end financial statements in accordance with GAAP will be outsourced to the independent external auditors, based on the District’s trial balance. The draft financial statements provided by the auditors will be reviewed in detail by the Director of Business Services along with any audit-proposed journal entries, to ensure that the audited financial statements agree to the District’s books and records.

Refer to the policy on “audits” within this manual for further information on audit requirements and related School policies.

4. To the extent that the District is required to have a single audit completed in accordance with OMB UGG - Uniform Grant Guidance, the District will accumulate the information necessary to prepare a schedule of expenditures of federal awards (SEFA or the “schedule”) in accordance with Federal and State requirements. This schedule will be characterized as follows:
- a. The schedule will include all federal financial assistance, including: grants, contracts, property, loans, loan guarantees, interest subsidies, cooperative agreements, insurance, or direct appropriations. Amounts will be reported whether received directly from the Federal government or through a pass-through agency (given that the District is determined to be a sub-recipient and not a vendor).
  - b. Non-cash assistance (such as food commodities) will be described as such in the schedule or in the notes to the schedule.
  - c. The schedule will be prepared on the same basis of accounting as the related financial statements.
  - d. Federal grants received through the Minnesota Department of Education will agree to, or reconcile with, the Grant Auditor Report, as applicable.
  - e. Federal awards will be grouped based on Federal awarding agency. Each Federal award with current expenditures will be listed along with its CFDA number, pass-through grantor name (if applicable) and award/pass-through grantor number (if applicable). Such information will agree to the award documentation.
  - f. If the CFDA number of a Federal award cannot be reasonably determined, it shall be reported in the schedule using the two-digit prefix for the related Federal agency, followed by “UNKNOWN”.
  - g. To the extent that amounts are passed-through to sub-recipients, a schedule of federal awards provided to sub-recipients, including all necessary information to meet the requirements of the Minnesota Department of Education, will be prepared.
  - h. In addition to current year expenditures, the schedule will list approved award/grant amount,



accrued/deferred revenue at the beginning of the year, current year cash received, current year actual expenditures, and accrued/deferred revenue at the end of the year. If expenditures were incurred relative to this award in the prior year(s), this amount should be disclosed as memorandum-only.

- i. Any adjustments to prior year awards, expenditures, and balances (including transfers between grants) will be disclosed in the footnotes to the schedule.
- j. Accrued/deferred revenue in the schedule shall agree to the amounts recorded as receivable/deferrals in the related financial statements.
- k. To the extent that a separate line item is included in the financial statements for Federal revenue, this amount shall agree to expenditures in the schedule. Any reconciling items will be disclosed in the footnotes to the schedule.

## Chart of Accounts

The District will maintain its chart of accounts in accordance with the requirements of the Minnesota Department of Education’s Uniform Financial Accounting Reporting Standards (UFARS) manual.

**Board Policies:** The following policies have been separately reviewed and approved by the Board of Education, and are incorporated here by reference:

- *702 Accounting*

**Additional Procedures:** The following procedures will also be applied, to the extent that they do not conflict with or contradict the Board policies listed above:

1. Each account will be assigned a 17-digit number as follows:

Fund	Organization	Program	Finance	Course	Object
XX	XXX	XXX	XXX	XXX	XXX

Numbers assigned to each category above will be based on the specific requirements of the UFARS.

2. As applicable, Federal awards revenue and expenditures will be assigned certain Finance codes.
3. A complete chart of accounts for GASB 34 adjustments will not be maintained formally within the District’s accounting system. Such adjustments are made once per year, for external financial reporting only, and therefore will be determined through use of separate spreadsheets, and integrated into the audit by the District’s independent auditors. The Director of Business Services will review all such adjustments for accuracy prior to the issuance of the audited financial statements.

## Annual Audit

Every Minnesota public school district must have a financial statement audit completed each year by a certified public accounting firm.

**Board Policies:** The following policies have been separately reviewed and approved by the Board of Education, and are incorporated here by reference:

- *703 Annual Audit*

**Additional Procedures:** The following procedures will also be applied, to the extent that they do not conflict with or contradict the Board policies listed above:

1. The District will have a financial statement audit completed annually as of its fiscal year ended June 30.
2. The audit will be completed in accordance with *Government Auditing Standards*.
3. An adequate written agreement (the “engagement letter”) will be signed by the District and its independent auditors. It will contain information on: period to be audited, support to be provided, reporting requirements, fees, time requirements, contractual information, and a statement that the engagement is intended to meet governmental oversight agencies’ requirements (OMB UGG - Uniform Grant Guidance, GAAS and GAS). A copy of the engagement letter will be provided each year to the Board of Education.
4. The Director of Business Services shall be responsible for overseeing the process of preparing for the annual audit. In order to minimize errors in this process, all audit schedules and work-papers should be reviewed by an individual other than the preparer.
5. To the extent that expenditures of federal awards equal or exceed \$500,000, the District will also have a single audit completed in accordance with OMB UGG - Uniform Grant Guidance. Refer to the section of this manual titled “Year-end Closing and Reporting” for information on the schedule of expenditures of federal awards.
6. The audit will be submitted electronically to the Minnesota Department of Education on or before November 30. The electronic submission will be performed by the District’s independent auditors.
7. If a single audit is conducted, the data collection form and reporting package will be submitted electronically to the Federal Audit Clearinghouse as a joint effort between the District and its independent auditors.
8. The Director of Business Services will submit written corrective action to any findings identified in the audit process as either part of the single audit report or as a separate letter to the Minnesota Department of Education.

## **Budgets and Budgetary Compliance**

The District uses budgets and budgetary accounting in order to fulfill its requirements from the Minnesota Department of Education and as an internal management tool for monitoring expenditures and identifying abnormalities. Procedures regarding the budgetary process are as follows:

**Board Policies:** The following policies have been separately reviewed and approved by the Board of Education, and are incorporated here by reference:

- *701 Establishment and Adoption of School District Budget*

**Additional Procedures:** The following procedures will also be applied, to the extent that they do not conflict with or contradict the Board policies listed above:

1. An operating budget will be prepared for the general fund and each special revenue fund consistent with GAAP and the uniform chart of accounts (see previous section titled “Chart of Accounts”).
2. The minimum level of legal control will be determined based on the specification of the UFARS Manual.
3. The budget will be formally adopted by the Board of Education prior to the commencement of the fiscal year.
4. The adopted budget will include:

- a. Revenue and expenditure data for the most recently completed fiscal year and estimated revenue and expenditures for the ensuing fiscal year.
  - b. The amount of surplus or deficit that has accumulated from prior fiscal year, along with an estimate of the amount of surplus or deficit expected in the current fiscal year.
  - c. An estimate of the amounts needed for deficiency, contingent, or emergency purposes.
  - d. Other data relating to fiscal conditions that the Superintendent deems to be useful.
5. The budget will be amended by the Board of Education, as necessary, throughout the fiscal year.
  6. In no instance will the total estimated expenditures, including an accrued deficit, exceed the total revenues, including available unappropriated surplus.
  7. The budgets, or any adopted amendments to the budget, will be posted to the District's website within 15 days of formal adoption.
  8. Expenditures in excess of budget at the legal level of compliance will be disclosed in the annual audit.
  9. The original budget, final amended budget, actual expenditures, and excess of expenditures over budget will be included for the general fund and each major special revenue fund in the annual audit.
  10. Each Federal grant will have an award budget, which will be incorporated into the District-wide operating budget.
  11. Management will review budget vs. actual reports on a periodic basis with the Board of Education in order to identify inconsistencies. Such reports will be prepared at the same time as the adopted budget and include both revenues and expenditures.

## **Additional Federal Awards Compliance Requirements**

A substantial amount of the Federal awards received by the District are passed-through the Minnesota Department of Education. In addition to the requirements of the OMB UGG - Uniform Grant Guidance compliance supplement, which are applicable to all Federal grants (refer to next section of this manual for specific on each compliance requirement); the Minnesota Department of Education has issued its own set of guidance on compliance with Federal awards. Management will consider both the OMB UGG - Uniform Grant Guidance Compliance Supplement and the UFARS Manual in identifying applicable compliance requirements.

**Board Policies.** The following policies have been separately reviewed and approved by the Board of Education, and are incorporated here by reference:

- There are no existing Board policies over additional federal awards compliance requirements.

## General Information

Source of Information – Each year the Federal government (Office of Management and Budget) issues a comprehensive document on the compliance requirements each grant recipient is obligated to follow in general terms, along with program-specific guidance on various grant awards. There are 12 compliance requirements identified, each of which is considered individually in this manual.

The following pages document the procedures of the District related to compliance with such procedures, as applicable. In each year that the District is subject to a single audit, applicable compliance requirements are expected to be tested in detail by the District's independent auditors.

Objectives – The objectives of most compliance requirements are generic in nature. While the criteria for each program may vary, the main objective of the compliance requirement is relatively consistent across all programs. As such, the procedures of the District have been based on the generic sense of the compliance requirement. For selected compliance requirements, this manual address the specific regulations applicable to individual grants. This is not intended to imply that a program is not subject to such policies if it is not specifically mentioned here. It is the intention of the District that all Federal awards are subject to the following procedures.

Controls over Compliance – In addition to creating procedures over compliance with provisions of Federal awards, the District has implemented internal controls over such compliance, generally in the form over administrative oversight and/or independent review and approval. In order to document these control activities, all independent reviews and signed/initialed and dated.

Documentation – The District will maintain adequate documentation to support both the compliance with applicable requirements as well as internal controls over such compliance. This documentation will be provided to the District's independent auditors and/or pass-through grantor agencies, as requested, during the single audit and program audits.

## Activities Allowed/Un-allowed and Allowable Costs/Cost Principles

Source of Governing Requirements – The requirements for activities allowed or un-allowed are contained in program legislation, Federal awarding agency regulations, and the terms and conditions of the award.

The requirements for allowable costs/cost principles are contained in the A-102 Common Rule (§ .22), OMB Circular 2 CFR 200, program legislation, Federal awarding agency regulations, and the terms and conditions of the award.

In order to ensure compliance with these requirements, the District has implemented the following procedures:

1. All grant expenditures will be in compliance with OMB Circular 2 CFR 200, Subpart E, State law, District policy, and the provisions of the grant award agreement will also be considered in determining allowability. Grant funds will only be used for expenditures that considered reasonable and necessary for the administration of the program.
2. Grant expenditures will be approved by department heads/program managers initially through the purchase order or purchase card procurement process, and again with the bill or invoice is received. This will be evidenced by signature or initials and date on the invoice. Accounts payable disbursements will not be processed for payment by the Business Office until necessary approval has been obtained.
3. Payroll costs will be documented in accordance with OMB Circular A-87 as described in the section of this manual titled "Payroll and Timekeeping".
4. An indirect cost rate will only be charged to the grant to the extent that it was specifically approved through the grant budget/agreement. When allowable, indirect costs will be charged based on the *Cost Allocation Plan* of the District and using the rate approved by the Minnesota Department of Education.

## Cash Management

Source of Governing Requirements – The requirements for cash management are contained in the A-102 Common Rule (§ .21), 2 CFR 200, program legislation, Federal awarding agency regulations, and the terms and conditions of the award.

In order to ensure compliance with these requirements, the District has implemented the following procedures:

1. Substantially all of the District’s grants are awarded on a reimbursement basis. As such, program costs will be expended and disbursed prior to requesting reimbursement from the grantor agency.
2. Cash draws will be initiated by the Controller who will determine the appropriate draw amount. Documentation of how this amount was determined will be retained and signed/dated.
3. The physical draw of cash will be processed through SWIFT (for Minnesota Department of Education grants) or through the means prescribed by the grant agreement for other awards by the Controller
4. Supporting documentation from SWIFT (for grant through the Minnesota Department of Education) or a copy of the cash draw paperwork will be filed along with the approved paperwork described above and retained for audit purposes.

## Eligibility

Source of Governing Requirements – The requirements for eligibility are contained in program legislation, Federal awarding agency regulations, and the terms and conditions of the award.

**Board Policies.** The following policies have been separately reviewed and approved by the Board of Education, and are incorporated here by reference:

- There are no existing Board policies over OMB UGG - Uniform Grant Guidance Compliance Supplement Eligibility.

**Additional Procedures.** The following procedures will also be applied, to the extent that they do not conflict with or contradict the Board policies listed above:

1. Federal grants will only benefit those individuals and/or groups of participants that are deemed to be eligible.

## Equipment and Real Property Management

Source of Governing Requirements – The requirements for equipment are contained in the A-102 Common Rule (§ .32), 2 CFR 200, program legislation, Federal awarding agency regulations, and the terms and conditions of the award.

In order to ensure compliance with these requirements, the District has implemented the following procedures:

**Board Policies.** The following policies have been separately reviewed and approved by the Board of Education, and are incorporated here by reference:

- *Model Policy 802 Disposition of Obsolete Equipment and Material*
- *902 Use of School District Facilities and Equipment*

**Additional Procedures.** The following procedures will also be applied, to the extent that they do not conflict with or contradict the Board policies listed above:

1. All equipment will be used in the program for which it was acquired or, when appropriate, other Federal programs.
2. When required, purchases of equipment will be pre-approved by the grantor or pass-through agency. The Superintendent or designee (Director of Special Services) will be responsible for ensuring that equipment purchases have been previously approved, if required, and will retain evidence of this approval.
3. Equipment records (inventory) will be maintained and an appropriate system shall be used to safeguard equipment, as described in the section of this manual titled "Capital Assets". Equipment should be assigned to a program and physical location on the inventory. If such equipment is moved, it will be noted on the inventory.
4. When equipment with a current per unit fair market value of \$5,000 or more is no longer needed for a Federal program, it may be retained or sold with the Federal agency having a right to a proportionate amount of the current fair market value. Proper sales procedures shall be used that provide for competition to the extent practicable and result in the highest possible return.
5. If the District no longer has a use for the equipment or it no longer has a residual value, the District may request, and follow, disposition instructions from the USED Secretary.
6. The purchase of equipment and materials for special education are for the sole purpose of meeting instructional and related service needs of eligible students as documented within their IEP's.
7. All equipment/supplies purchased with state and federal funds must comply with the regulations set forth in the Education Department General Administrative Regulations (EDGAR) IDEA 34 CFR 80.32 (d)(1) - (2), IDEA 34 CFR 80.20 (b)(3).

Equipment purchased will be identified, labeled, and inventoried. Equipment is defined as any item with a value of \$3,000 or more per unit. All sensitive items will also be included and inventoried and inspected on an annual basis. An equipment inventory shall be maintained that includes the following:

1. Description of the equipment
2. Serial number or other identification number
3. Funding source of the equipment
4. The name of the entity that holds the title
5. Acquisition date
6. Cost of the equipment
7. Percentage of federal/state participation in the cost of the equipment
8. Location of the equipment
9. Use and condition of the equipment
10. Equipment use
11. Disposition data including date and sale price of the equipment

A physical inventory of the property will be conducted every two years and the results reconciled with the property records. A control system will be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft will be investigated.

A control system is in place to ensure adequate safeguards to prevent loss, damage, or theft of the equipment. Any loss, damage or theft will be investigated.

Maintenance procedures are in place to keep the equipment in good condition.

#### Disposition

Procedures for Disposition of Equipment in excess of \$3,000:

1. A unique Course Code will be established for the purpose of tracking the receipt(s) and expenditures of the sale of a piece of equipment that was federally funded.
2. The district will notify the Division of School Finance in writing of the equipment sale. The notice shall

include a description of the equipment, the date of sale, the proceeds of the sale, and the unique Course Code established by the LEA that will designate the use of these funds.

3. The district will receipt the funds from the sale of the equipment with the appropriate UFARS Source Code and established Course Code.
4. The district may use a general journal entry to transfer \$500 or 10 percent of the proceeds, whichever is less, for selling and handling expenses.
5. The remaining funds from the sale of the equipment will be used for the purpose of the delivery of special education, and related services and will be accounted for using UFARS Program Code 400, Course Code as established with the appropriate expenditure UFARS Object Code. The LEA must expend the funds from the sale of the equipment in the same fiscal year as the sale.
6. The district will submit an "Activity Report" to the MDE Division of School Finance at the end of the fiscal year to document expenditures.

Procedures for Disposition of Equipment less than \$3,000:

1. If current per-unit fair market value is less than \$3,000, the district will keep, sell, or otherwise dispose of the equipment with no further obligation.
2. A record of the date, reason, and method of disposal or sale will be maintained with the equipment inventory.

## Matching, Level of Effort and Earmarking

Source of Governing Requirements – The requirements for matching are contained in the A-102 Common Rule (§ .24), 2 CFR 200 program legislation, Federal awarding agency regulations, and the terms and conditions of the award. The requirements for level of effort and earmarking are contained in program legislation, Federal awarding agency regulations, and the terms and conditions of the award.

**Board Policies.** The following policies have been separately reviewed and approved by the Board of Education, and are incorporated here by reference:

- There are no existing Board policies over matching, level of effort and earmarking.

**Additional Procedures.** The following procedures will also be applied, to the extent that they do not conflict with or contradict the Board policies listed above:

The District defines "matching", "level of effort", and "earmarking" consistent with the definitions of the OMB UGG - Uniform Grant Guidance Compliance Supplement:

Matching or cost sharing includes requirements to provide contributions (usually non-Federal) or a specified amount or percentage of match Federal awards. Matching may be in the form of allowable costs incurred or in-kind contributions (including third-party in-kind contributions).

Level of effort includes requirements for (a) a specified level of service to be provided from period to period, (b) a specified level of expenditures from non-Federal or Federal sources for specified activities to be maintained from period to period, and (c) Federal funds to supplement and not supplant non- Federal funding of services.

Earmarking includes requirements that specify the minimum and/or maximum amount of percentage of the program's funding that must/may be used for specified activities, including funds provided to sub- recipients. Earmarking may also be specified in relation to the types of participants covered.

In order to ensure compliance with these requirements, the District has implemented the following procedures:

1. Compliance with matching, level of effort, and earmarking requirements will be the responsibility of the Controller.
2. Adequate documentation will be maintained to support compliance with matching, level of effort, and earmarking requirements. Such information will be made available to school administration, auditors, and pass-

through or grantor agencies, as requested.

3. Maintenance of effort for grants through the Minnesota Department of Education will be determined at the State level.

## **Period of Performance**

Source of Governing Requirements – The requirements for period of performance of Federal funds are contained in the A-102 Common Rule (§ .23), 2 CFR 200, program legislation, Federal awarding agency regulations, and the terms and conditions of the award.

In order to ensure compliance with these requirements, the District has implemented the following procedures:

1. Costs will be charged to an award only if the obligation was incurred during the funding period (unless pre-approved by the Federal awarding agency or pass-through grantor agency).
2. All obligations will be liquidated not later than 90 days after the end of the funding period (or as specified by program legislation).
3. Compliance with period of performance requirements will initially be assigned to the individual approving the allowability of the expense/payment. This will be subject to review and approval in the central office as part of the payment processing.
4. No more than 15 percent of the District’s annual Title I allocation will be carried over to the subsequent year. In situations where the remaining unspent award exceeds this percentage, a waiver can be formally requested from the Minnesota Department of Education. A waiver can be granted once every three years unless waived by the U. S. Department of Education (USED).

## **Procurement, Suspension and Debarment**

Source of Governing Requirements – The requirements for procurement are contained in the A-102 Common Rule (§ .36); OMB Circular A-13 (2 CFR sections 215.40 through 215.48), program legislation, Federal awarding agency regulations, and the terms and conditions of the award.

The requirements for suspension and debarment are contained OMB guidance in 2 CFR part 180, which implements Executive Orders 12549 and 12689, Debarment and Suspension; Federal agency regulations in 2 CFR implementing the OMB guidance; the A-102 Common Rule (§.36); 2 CFR 200 program legislation; Federal awarding agency regulations; and the terms and conditions of the award.

In order to ensure compliance with these requirements, the District has implemented the following procedures:

1. Purchasing and procurement related to Federal grants will be subject to the general procedures of the District (described in the section of this manual titled “Purchasing and Procurement”).
2. Contract files will document the significant history of the procurement, including the rationale for the method of procurement, selection of the contract type, contractor selection or rejection, and the basis of contract price.
3. The Controller will be responsible for determining whether the District is entering into a transaction that may be subject to suspension or debarment procedures and executing appropriate oversight and control activities at that time.

## **Program Income**

Source of Governing Requirements – The requirements for program income are found in the A-102 Common Rule



(§.21 (payment) and §.25 (program income)); 2 CFR 200, program legislation, Federal awarding agency regulations, and the terms and conditions of the award.

In order to ensure compliance with these requirements, the District has implemented the following procedures:

1. Program income will include (but will not be limited to): income from fees for services performed, the use or rental of real or personal property acquired with grant funds, the sale of commodities or items fabricated under a grant agreement, and payments of principal and interest on loans made with grant funds. It will not include interest on grant funds unless otherwise provided in the Federal awarding agency regulations or terms and conditions of the award.
2. The District will allow program income to be used in one of three methods:
  - a. Deducted from outlays
  - b. Added to the project budget
  - c. Used to meet matching requirements

Absent specific guidance in the Federal awarding agency regulations or the terms and conditions of the award, program income shall be deducted from program outlays.

3. Program income, when applicable, will be accounted for as a revenue source in the same program code as the Federal grant. See additional information on the uniform chart of accounts in the section of this manual titled “Chart of Accounts”.

## **Sub-recipient Monitoring**

The District will (a) Ensure that every sub award is clearly identified to the sub recipient as a sub award and includes the following information at the time of the sub award and if any of these data elements change, include the changes in subsequent sub award modification. Required information includes:

1. Federal Award Identification.
  - a. Sub recipient name (which must match the name associated with its unique entity identifier);
  - b. Sub recipient’s unique entity identifier;
  - c. Federal Award Identification Number (FAIN);
  - d. Federal Award Date (see §200.39 Federal award date) of award to the recipient by the Federal agency;
  - e. Sub award Period of Performance Start and End Date;
  - f. Amount of Federal Funds Obligated by this action by the pass-through entity to the sub recipient;
  - g. Total Amount of Federal Funds Obligated to the sub recipient by the pass-through entity including the current obligation;
  - h. Total Amount of the Federal Award committed to the sub recipient by the pass-through entity;
  - i. Federal award project description, as required to be responsive to the Federal Funding Accountability and Transparency Act (FFATA);
  - j. Name of Federal awarding agency, pass-through entity, and contact information for awarding official of the Pass-through entity;
  - k. CFDA Number and Name; the pass-through entity must identify the dollar amount made available under each Federal award and the CFDA number at time of disbursement;
  - l. Identification of whether the award is R&D; and
  - m. Indirect cost rate for the Federal award (including if the de minimis rate is charged per §200.414 Indirect (F&A) costs).

## **Special Tests and Provisions**

In order to ensure compliance with these requirements, the District has implemented the following procedures:

1. The Director of Business Services will be assigned the responsibility for identifying financial-related compliance requirements for special tests and provisions, determining approved methods for compliance, and retaining any necessary documentation. Program-related compliance requirements will be the responsibility of the department administering the grant.
2. In any given fiscal year that the District's Title I award is more than \$500,000, an amount equal to at least 1 percent of the grant award will be set-aside for parent involvement activities. Of this amount, at least 95 percent will be distributed. The District will use separate general ledger account(s) to track the expenditure of such funds.
3. Teachers and instructional paraprofessionals will meet the definition of "highly qualified." Documentation to support highly qualified status will be retained in the employee's personnel file and made available to auditors or grantor agencies upon request. The Human Resources Staff and Curriculum Director will be responsible for ensuring that all teachers and instructional paraprofessionals in Title I classrooms meet this standard and have adequate documentation on file.

## Conflict of Interest

Transactions involved Federal awards are subject to all conflict of interest policies, as applicable:

**Board Policies.** The following policies have been separately reviewed and approved by the Board of Education, and are incorporated here by reference:

- *209 Conflict of Interest – School Board Members.*

**Additional Procedures.** The following procedures will also be applied, to the extent that they do not conflict with or contradict the Board policies listed above:

1. Board members and District employees will disclose any conflict of interest (whether in fact or in appearance). When a member of the Board determines that the possibility of a person interest conflict exists, he/she should, prior to the matter being considered, disclose his/her interest in a public meeting (which will be noted in the official meeting minutes). The individual shall abstain from discussing or voting on this matter.
2. Any related party transactions will be disclosed as part of the annual audit.
3. Board members and District employees (including contractual employees through the District's staffing company) will not accept money or gifts from current or potential vendors of the District if such items are valued in excess of the threshold published annually by the State of Minnesota.
4. District employees are prohibited from using District equipment, materials, and supplies for personal benefit.
5. Any potential or actual conflicts of interest must be disclosed, immediately and in writing, to the Director of the Federal Program. The Director of the Federal Program shall disclose in writing any potential or actual conflict of interest to the federal awarding agency in accordance with applicable Agency's policy.
6. Employees or officers who violate the provisions of the procedure may be subject to discipline, which may include reprimand, suspension, and/or termination.

## Records Retention

The District has developed various procedures regarding the retention of financial and other grant-related records. Transactions involved Federal awards are subject to all such policies, as applicable:

**Board Policies.** The following policies have been separately reviewed and approved by the Board of Education, and

are incorporated here by reference:

- There are no existing Board policies over records retention.

**Additional Procedures.** The following procedures will also be applied, to the extent that they do not conflict with or contradict the Board policies listed above:

1. Record retention policies will be designed to mirror those suggested by the State of Minnesota.

Periodically, the Business Office will review the most up-to-date information released by the State and determine if the District's practices continue to meet these standards.

## Information Technology

The District identifies the efficiencies and risks that come with the increased reliance on information technology. As such, policies have been adopted to govern the use of information technology:

**Board Policies.** The following policies have been separately reviewed and approved by the Board of Education, and are incorporated here by reference:

- *524 Internet Acceptable Use and Safety Policy*

**Additional Procedures.** The following procedures will also be applied, to the extent that they do not conflict with or contradict the Board policies listed above:

1. Staff passwords must be changed as needed, or as otherwise specified by Board policy.
2. Back-ups of the financial accounting system and the District's network will be taken daily and stored at an off-site location.

## Supplies

The District utilizes various supplies in its operations. The following procedures will govern the purchase, use, and recording of such items:

**Board Policies.** The following policies have been separately reviewed and approved by the Board of Education, and are incorporated here by reference:

- There are no existing Board policies over supplies.

**Additional Procedures.** The following procedures will also be applied, to the extent that they do not conflict with or contradict the Board policies listed above:

1. Purchase – The purchase of supplies will be subject to the same purchasing and procurement requirements as general District expenditures. Refer to the "Purchasing and Procurement" section of this manual.
2. Accounting – Supplies will be recorded as expenditures when purchased. Once per year, in conjunction with the annual audit, department heads will inventory unused supplies. Refer to the section of this manual titled "Year-end Closing and Reporting" for additional information.

Certain supplies on-hand at year-end (such as office supplies) will be deemed immaterial and not inventoried or recorded in the year-end financial statements.

3. Controls – It will be the responsibility of the building principals and department heads to determine the

appropriate access to supplies, based on cost v. benefit considerations.

## Copyrights

All employees, administrators, and students of the District are subject to the provisions of the Copyright Act of 1976. As such, the District's Board of Education has adopted the following guidelines. These policies are deemed to be applicable to printed materials, internet materials, computer software, audio visual materials, and sheet music.

**Board Policies.** The following policies have been separately reviewed and approved by the Board of Education, and are incorporated here by reference:

- There are no existing Board policies over copyrights.

**Additional Procedures.** The following procedures will also be applied, to the extent that they do not conflict with or contradict the Board policies listed above:

1. Unlawful copies of copyrighted materials will not be produced using District-owned equipment, nor will such materials be distributed.
2. Teachers and administrators are responsible for the determination of whether photocopies are legal. The District will not be responsible for any fees imposed on its employees or administrators for misuse of copyrighted materials, nor will legal representation be provided in the event of wrongdoing.
3. The Superintendent will be responsible for communicating copyright guidelines to District employees and students and monitoring compliance with these guidelines.

This policy is deemed applicable to all transactions, including those with Federal funds.

## District Credit Card (P-Card) Procedures

The Controller shall be responsible for the issuance, accounting, monitoring, retrieval, internal controls and generally overseeing the use of District P-Cards for employees.

**Board Policies.** The following policies have been separately reviewed and approved by the Board of Education, and are incorporated here by reference:

- *719 Purchasing*

Each request for use of a P-Card shall contain the following:

- Name of P-Card holder
- Date Needed
- Purpose
- Approval of the employee's Supervisor and the Director of Business Services
- Once a request is approved, the request shall be presented to the Controller who will issue the card to the person making the request.

P-Cards may be used only for the purchase of the following:

Subscriptions

- Approved conference registrations
- Authorized travel
- Classroom supplies

- Repairs and maintenance
- Field trip admissions
- General office supplies

Other expenses as deemed necessary and approved by the Director of Business Services or Controller.

P-Cards cards may not be used to circumvent the normal purchasing and/or requisitioning process.

The staff member to whom a credit card is issued shall be responsible for its use and shall not allow the card to be used by anyone else or for any unauthorized purchases. Any charges made on the card during the time that the card is in the possession of the employee are the responsibility of that employee. Unauthorized charges must be paid by the person to whom the card is assigned, and such unauthorized use shall subject the card holder to disciplinary action in accordance with law, District policy, and/or the terms of a negotiated agreement.

The person to whom a P-Card is issued is responsible for the protection and custody of the card. If a District card is lost or stolen, the person to whom the card was issued shall immediately notify the Director of Business Services or Controller. The P-Card holder and/or Controller will notify the issuing company to cancel the card if necessary.

The Business Office shall reconcile the credit card statements to the invoices relating to credit card transactions. Any charges appearing on statement that are missing invoices or other documentation will be investigated by the Business Office staff. The Business Office staff must notify the Director of Business Services or Controller and/or the credit card issuing company of any suspected fraudulent transactions appearing on the statement. Credit card balances must be paid within sixty (60) days of the initial statement date.

## Travel and Related Expenses

This regulation provides guidelines for District employees and School Board members traveling at district expense to conferences, seminars, workshops and other appropriate, work-related meetings or events not involving the supervision of students.

**Definitions** – Travel and related expenses include the cost of transportation (by public carrier, private automobile, district-owned vehicles), meals, lodging and necessary incidental expenses incurred by district employees or board members while in attendance at or traveling to and from conferences, seminars and workshops or while engaged in other travel in accordance with district policy.

1. **Mileage Reimbursement** – District employees and School Board members traveling in their personal vehicle on District business may request reimbursement based on the Internal Revenue Service (IRS) standard mileage rate. The completed form must be printed and signed by the employee, authorized by the appropriate administrator and submitted to Accounts Payable. The district will reimburse mileage in accordance with IRS Publication 463.
  - a. Travel is reimbursable from the employee’s regular job location to the employee’s temporary work location.
  - b. Travel is *not* reimbursable from the employee’s home to the employee’s regular place of work, *even if* travel occurs multiple times daily or outside of regular work hours.
  - c. Mileage reimbursement requests must be submitted within 60 days after the travel event for which reimbursement is sought. Except in extraordinary circumstances, reimbursement amounts for requests submitted after the 60-day period will be treated as taxable income, subject to income and employment taxes per IRS guidelines.
2. **Expense Reimbursement** – District employees and School Board members may request reimbursement for expenses incurred while in attendance at or traveling to and from conferences, seminars and workshops, or while engaged in other travel in accordance with district policy
  - a. Expense reimbursements must be submitted on an Employee Check Request Form and include original, itemized receipts. Credit card statements do not serve as sufficient documentation for reimbursement purposes as they do not provide the itemized details required for an effective review.

- b. Reimbursement requests for expenses must be submitted within 60 days after the expenses were paid or incurred. Except in extraordinary circumstances, reimbursement amounts for expenses submitted after the 60-day period will be treated as taxable income, subject to income and employment taxes per IRS guidelines.
3. **Regional and Out-of-State Travel** - Regional and state travel may be permitted, with supervisor approval, for district employees and School Board members under the following conditions:
- a. The purpose of the travel fits with district and/or school goals and/or curriculum;
  - b. There is a sufficient balance in the appropriate budget to cover the expenses to be incurred;
  - c. Consideration is given to the number of employees from that particular school and/or department and/or the district planning to attend the same event;
  - d. If the travel involves at least one overnight stay outside the district, the travel request is submitted in writing to the employee's supervisor

The administrator approving attendance and travel is responsible for determining the reasonableness and necessity of the expense claimed within district policy and has the authority to disallow unreasonable or unnecessary expenses.

**4. Airline Travel**

- a. Airline tickets should be booked online or by the least expensive method, preferably using a district procurement card (PCard). The district provides for travel on coach class or tourist class only.
- b. In accordance with state law, frequent flyer miles and other airline travel credit resulting from district-paid airfare will accrue to the district and may not be used for personal travel. If the airline will not honor a transfer or assignment of any credit or benefit, the employee must report receipt of the credit or benefit to the district within 90 days of receiving it.

**5. Accommodations**

- a. Individuals are expected to select accommodations, when they have an option, at the most reasonable rate. Lodging shall be selected on the basis of reasonable cost in conjunction with comfort, safety and convenience.
- b. When an individual is traveling with a non-employee, the district will reimburse expenses for the employee only.
- c. The district will reimburse expenses for overnight accommodations in the seven- county Twin Cities metropolitan area only if the employee or School Board member is working at the conference.
- d. Original, itemized receipts are required for all accommodation claims.

**6. Meals Reimbursement**

- a. The district will not use funds sourced from federal grants or awards for meal reimbursements.
- b. Reimbursement will be based upon actual expenditures; individuals must provide original, itemized receipts for meal expenditures.
- c. The maximum reimbursement for meals per person, including the tax and tip, is as follows: \$60 per day, or for partial days \$12 for breakfast, \$18 for lunch and
- d. \$30 for dinner.
- e. The district will not reimburse the cost of alcoholic beverages.
- f. The district will reimburse the cost of banquets or special functions related to an individual's responsibility or participated in by the general audience attending a particular conference, workshop or seminar. It is necessary to document these additional expenses.

**7. Other Costs**

- a. The district will reimburse registration fees relating to conference, workshop or seminar attendance.
- b. The district will not reimburse for entertainment or recreation costs that are either part of or separate from the conference, workshop or seminar.
- c. Printed and audio publications which contain the proceedings or are supplementary to attendance at a given conference, workshop or seminar, and which are relevant to the employee's or board member's attendance at the conference, may be purchased with the approval of the appropriate supervisor.

- d. The district will reimburse a reasonable cost of baggage handling when necessary.
  - e. Individuals are expected to select transportation at the conference, workshop or seminar, when they have an option, at the most reasonable rate. Transportation shall be selected on the basis of that which is as reasonable in cost as consistent with comfort, safety and convenience. Individuals are expected to use conference transportation (i.e., shuttle buses) whenever it is available.
  - f. Reimbursement for the use of rental cars by employees and board members is allowed only with prior approval by the superintendent or designee or, in the case of board members, by the board chairperson.
  - g. The district will not reimburse telephone calls for personal or family purposes. When reimbursement is requested for district-related calls, the party called must be noted on the receipt.
  - h. Exceptions to allowed travel expenses must be approved by the superintendent or designee for employees and by the board chairperson for board members.
8. **Travel and Related Expenses Involving Multiple District Staff** – When travel involves more than one district employee, each employee must separately account for their own individual expenses.
- a. Employee Check Requests – Employee Check Requests should not contain expenses for more than one employee. If reimbursement will be sought through this procedure, each employee must separately pay for their own individual expenses and submit their own Employee Check Request documenting such expenses.
  - b. PCards – PCards may be used only for the individual cardholder’s expenses and may not be used to pay for co-worker expenses (such as airline tickets, meals, etc.)

## Training and Sanctions

The District will provide training to all staff involved in these procedures through activities such as:

- Orientation of new staff
- Distribution of federal laws, regulations and guidance
- Distribution of District procedures
- Developing templates, checklists and other guidance documents as appropriate
- Internal training sessions
- Routine staff meetings
- Informal technical assistance.

The Business Office staff will meet with District staff as necessary to ensure that these procedures are followed. These meetings may occur either on an individual basis or in a group setting.

Board Policies:

- There are no existing Board policies over training and sanctions.

See other grant procedures as these procedures do not constitute the full procedures of the District.

Employee Accountability and Sanctions:

Failure to follow the provisions of the appropriate procedures will subject the individuals responsible for the violation(s) to administrative and/or disciplinary actions in accordance with District disciplinary procedures and the judgment of management.