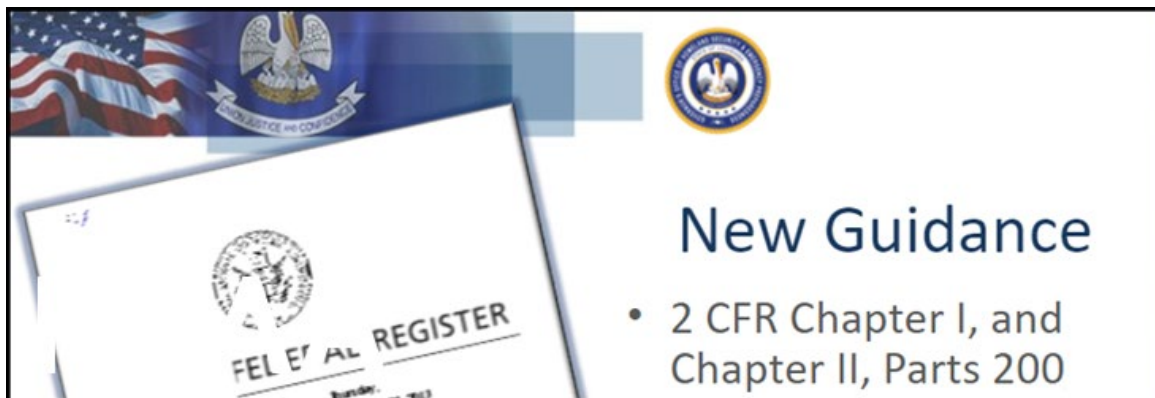


Harrisburg School District, No.7

Federal Grant Procedures Manual



Linn County School District, No. 7

Harrisburg School District, No.7 Linn County School District Federal Grant Procedures Manual

Introduction

This manual contains the internal controls and grant management standards used by Linn County School District to ensure that all federal funds are lawfully expended under Title 2 of the Code of Federal Regulations (2 CFR_ 200). All employees of the District who deal with federal funds are expected to review this manual to gain familiarity and understanding of the District's rules and practices and to comply with all requirements.

Who Is Required to Have a Single Audit?

School districts that spend **\$750,000** or more total in federal awards (i.e., all of the expenditures added together for all of the federal grants) during the fiscal year are required to have a Single Audit conducted in addition to and in conjunction with the annual independent audit.

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

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

Identification of All Federal Awards

The District identifies, in its accounts, all federal awards received and expended and the federal programs under which they were received. Federal program and award identification includes, as applicable, the Catalog of Federal Domestic Assistance (CFDA) title and number, federal award identification number and year, name of the federal agency, and, if applicable, name of the pass-through entity. The District also is responsible for preparing the schedule of expenditures of federal awards (SEFA), as outlined under 2 CFR__ 200.510 (b).

Financial Reporting

Accountability is the main objective of financial reporting. Accurate, current, and complete disclosure of the financial results of each federal award or program is made in accordance with the financial reporting requirements set forth in 2 CFR__ 200.327 - .328. The District collects and reports financial information with the frequency required in the terms and conditions of the award and monitors its activities under federal awards to ensure compliance with applicable federal requirements.

Accounting Records

The District maintains records which adequately identify the source and application (i.e., use) of funds provided for federally-assisted activities. In accordance with federal regulations, these records contain information pertaining to grant or sub-grant awards, authorizations, obligations, unobligated balances, assets, expenditures, income, and interest. All transactions are supported by source documentation (i.e., purchase orders/requisitions, invoices, receipts, travel vouchers, time-and-effort documentation and employee salary records, copies of checks, etc.) The accounting system conforms to generally accepted accounting principles (GAAP). The accounting structure is organized and operated on a fund basis and is organization-wide covering all funds and follows the Program Budgeting and Accounting Manual published by the Oregon Department of Education. All records are retained and available for inspection for a minimum of 6 years in addition to the current year.

Audit Requirements

- The entity must procure or arrange for the entity's audit as required by Section 200.508-200.512, under the Uniform Guidance.
- The entity will prepare (or have prepared) the following statements and schedules: financial statements that reflect its financial position, results of operations or changes in net position, and, where appropriate, cash flows for the fiscal year audited;
- Schedule of Expenditures of Federal Awards (SEFA) for the period covered by the auditee's financial statements which must include the total Federal Awards expended;
- Audit Finding Follow Up – the entity is responsible for follow-up and corrective action on all audit findings. The entity will prepare a summary schedule of prior audit findings and a corrective action plan for current year findings; and
- Report Submission – the entity will complete the data collection form within the earlier of 30 days after receipt of the auditor's report or nine months after the end of the audit period. The reporting package must include items as listed in the Uniform Guidance Section 200.512 (c).

Administrative Requirements

Each public official that has responsibility for administering a Federal Award shall:

- Provide efficient and effective administration of the Federal Award through the application of sound management practices;
- Administer federal funds in a manner consistent with underlying agreements, program objectives, and the terms and conditions of the Federal Award;
- Comply with the cost principles established by the federal government, support the

accumulation of costs as required by the cost principles, and provide adequate documentation to support costs charged to the Federal Award;

- Apply costs and cost allocations related to indirect costs and administrative charges on a consistent basis and in accordance with federal cost principles and entity policy
- Ensure that no profit results from the use of Federal Financial Assistance, unless explicitly authorized by the terms and conditions of the Federal Award (i.e. program income); and
- Establish a process of internal control, designed to achieve the objectives of the Federal Award, in a manner that also achieves the following:
 - Effective and efficient operations;
 - Reliable reporting for internal and external use;
 - Evaluating and monitoring compliance with all applicable laws and regulations;
 - Taking prompt action when instances of noncompliance are identified;
 - Taking reasonable measures to safeguard protected personally identifiable information.

Internal Controls

Internal control comprises the plan of organization and all of the coordinated methods adopted within a business to safeguard its assets, check the accuracy and reliability of its accounting data, promote operational efficiency, and encourage adherence to prescribed school board and administrative policies. This definition recognizes that a system of internal control extends beyond those matters which relate directly to the fiscal functions of the district.

What is the purpose of Internal Control?

The primary purposes of Internal Control are:

- to protect the District's assets
- to ensure records are accurate
- to promote operational efficiency
- to encourage adherence to policies and procedures

There are generally two types of Internal Controls:

Preventative Controls are designed to discourage errors or irregularities from occurring. (Example: processing invoices only after approvals have been obtained)

Detective Controls are designed to find errors or irregularities after they have occurred. (Example: reconciling monthly account statements)

What are the Elements of Internal Control?

Internal control systems operate at different levels of effectiveness. Determining whether a particular internal control system is effective is a judgment resulting from an assessment of whether the five components - Control Environment, Risk Assessment, Control Activities, Information and Communication,

and Monitoring - are present and functioning. Effective controls provide reasonable assurance regarding the accomplishment of established objectives.

Control Environment

The control environment, as established by the organization's administration, sets the tone of an institution and influences the control consciousness of its people. Leaders of each department, area or activity establish a local control environment. This is the foundation for all other components of internal control, providing discipline and structure. Control environment factors include:

- Integrity and ethical values
- Commitment to competence
- Leadership philosophy and operating style
- The way management assigns authority and responsibility, and organizes and develops its people
- Policies and procedures

Risk Assessment

Every entity faces a variety of risks from external and internal sources that must be assessed. A precondition to risk assessment is establishment of objectives, linked at different levels and internally consistent. Risk assessment is the identification and analysis of relevant risks to achieve the objectives, and forming a basis for determining how the risks should be managed. Because economics, regulatory and operating conditions will continue to change, mechanisms are needed to identify and deal with the special risks associated with change.

Objectives must be established before administrators can identify and take necessary steps to manage risks. Operations objectives relate to effectiveness and efficiency of the operations, including performance and financial goals and safeguarding resources against loss. Financial reporting objectives pertain to the preparation of reliable published financial statements, including prevention of fraudulent financial reporting. Compliance objectives pertain to laws and regulations which establish minimum standards of behavior.

The process of identifying and analyzing risk is an ongoing process and is a critical component of an effective internal control system. Attention must be focused on risks at all levels and necessary actions must be taken to manage the risks. Risks can pertain to internal and external factors. After risks have been identified they must be evaluated.

Managing change requires a constant assessment of risk and the impact on internal controls. Economic, industry and regulatory environments change and entities' activities evolve. Mechanisms are needed to identify and react to changing conditions.

Control Activities

Control activities are the policies and procedures that help ensure management directives are carried out. They help ensure that necessary actions are taken to address risks to achievement of the entity's objectives. Control activities occur throughout the organization, at all levels, and in all functions. They include a range of activities as diverse as approvals, authorizations, verifications, reconciliations, reviews

of operating performance, security of assets and segregation of duties.

Control activities usually involve two elements: a policy establishing what should be done, and procedures to effect the policy. All policies must be implemented thoughtfully, conscientiously, and consistently.

Information and Communication

Pertinent information must be identified, captured and communicated in a form and time frame that enables people to carry out their responsibilities. Effective communication must occur in a broad sense, flowing down, across and up the organization. All personnel must receive a clear message from top management that control responsibilities must be taken seriously. They must understand their own role in the internal control system, as well as how individual activities relate to the work of others. They must have a means of communicating significant information upstream.

Monitoring

Internal control systems need to be monitored - a process that assesses the quality of the system's performance over time. Ongoing monitoring occurs in the ordinary course of operations, and includes regular management and supervisory activities, and other actions personnel take in performing their duties that assess the quality of internal control system performance.

The scope and frequency of separate evaluations depend primarily on an assessment of risks and the effectiveness of ongoing monitoring procedures. Internal control deficiencies should be reported upstream, with serious matters reported immediately to top administration and governing boards. Internal control systems change over time. The way controls are applied may evolve. Once effective procedures can become less effective due to the arrival of new personnel, varying effectiveness of training and supervision, time and resources constraints, or additional pressures. Furthermore, circumstances for which the internal control system was originally designed also may change. Because of changing conditions, management needs to determine whether the internal control system continues to be relevant and able to address new risks.

What are the Components of the Control Activity?

Internal controls rely on the principle of checks and balances in the workplace. The following components focus on the control activity:

- Personnel need to be competent and trustworthy, with clearly established lines of authority and responsibility documented in written job descriptions and procedures manuals. Organizational charts provide a visual presentation of lines of authority, and periodic updates of job descriptions ensure that employees are aware of the duties they are expected to perform.
- Authorization Procedures need to include a thorough review of supporting information to verify the propriety and validity of transactions. Approval authority is to be commensurate with the nature and significance of the transactions and in compliance with District policy.
- Segregation of Duties reduces the likelihood of errors and irregularities. An individual is not to have responsibility for more than one of the three transaction components: authorization, custody, and record keeping. When the work of one employee is checked by another, and when the

responsibility for custody for assets is separate from the responsibility for maintaining the records relating to those assets, there is appropriate segregation of duties. This helps detect errors in a timely manner and deter improper activities; and at the same time, it should be devised to prompt operational efficiency and allow for effective communications.

- Physical Restrictions are the most important type of protective measures for safeguarding District assets, processes and data.

What are the Components of the Control Activity? (continued)

- Documentation and Record Retention is to provide reasonable assurance that all information and transactions of value are accurately recorded and retained. Records are to be maintained and controlled in accordance with the established retention period and properly disposed of in accordance with established procedures.
- Monitoring Operations is essential to verify that controls are operating properly. Reconciliations, confirmations, and exception reports can provide this type of information.

What are the Limitations of Internal Controls?

There is no such thing as a perfect control system. Staff size limitations may obstruct efforts to properly segregate duties, which requires the implementation of compensating controls to ensure that objectives are achieved. A limit inherent in any system is the element of human error, motivations, misunderstandings, fatigue, and stress. Employees are to be encouraged to take earned vacation time in order to improve operations through cross-training while enabling employees to overcome or avoid stress and fatigue.

The cost of implementing a specific control should not exceed the expected benefit of the control. Sometimes there is no out-of-pocket cost necessary to establish an adequate control. A realignment of duty assignments may be all that is necessary to accomplish the objective. In analyzing the pertinent costs and benefits, managers also need to consider the possible ramifications for the District at large and attempt to identify and weigh the intangible as well as the tangible consequences. Internal controls should reduce the risks associated with undetected errors or irregularities, but designing and establishing effective internal controls is not always a simple task and cannot always be accomplished through a short set of quick fixes.

Below are the District's procedures over the elements of federal costs.

A – Activities Allowed or Unhallowed &

B – Allowable Costs/Cost Principles - All Non-payroll costs

Background

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

Expenditures must be aligned with budgeted items in the approved grant application. Certain changes or variations from the approved budget and grant application need prior approval from the Oregon Department of Education (ODE) or other awarding agency.

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

- Necessary and Reasonable for the performance of the federal award.
 - **Reasonable Costs:** A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision to incur the cost was made. "Reasonable" means that sound business practices were followed, and purchases were comparable to current market prices.
 - A cost can be reasonable if it meets all of the following conditions:
- Necessary and Reasonable for the performance of the federal award. (continued)
 - **Reasonable Costs:** Prudence was used in making the decision to incur the cost, considering the person's responsibilities to the District, its employees, the public, and the federal government.
 - It is necessary to carry out the objectives of the grant program or is recognized as an ordinary cost to operate the organization.
 - The District applied sound business practices; arm's-length bargaining (i.e., the transaction was with an unrelated third party); federal, state, and other laws and regulations; and the terms and conditions of the award in making the decision.
 - The price is comparable to that of the current fair market value for equivalent goods or services.
 - There were no significant deviations from the established practices of the organization which may unjustifiably increase the cost (2 CFR__ 200.404)

Necessary Costs: While 2 CFR__200.404 does not provide specific descriptions of what satisfies the "necessary" element beyond its inclusion in the reasonableness analysis above, necessary is determined based on the needs of the program. Specifically, the expenditure must be necessary to achieve an important program objective. It means it is vital or required in order to meet the objectives of the grant or for the grant to be successful. Necessary does not mean "nice to have," which means it is not necessary to accomplish the objectives of the program in that it is not vital or required for the success of the program.

A key aspect in determining whether a cost is necessary is whether the district can demonstrate that the cost addresses an existing need and can prove it. For example, the district may deem a language skills software program necessary for a limited English proficiency program.

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

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

Allocable to the award. A cost is allocable to the federal award if the goods or services involved are

chargeable or assignable to the federal award in accordance with the relative benefits received. This means that the federal grant program derived a benefit in proportion to the funds charged to the program (2 CFR__200.405). For example, if 50% of a supplementary teacher's salary is paid with grant funds, then that teacher must spend at least 50% of his or her time on the grant program.

Additionally, if equipment or supplies purchased with grant funds benefits more than one grant program, the purchase must be "split-funded" among the grant programs receiving benefit. The District must be able to demonstrate how a particular cost benefits the specific population being served in the grant. This is an area of frequent audit exceptions.

Consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the District. For example, personnel whose travel is paid with federal funds is reimbursed at the same rates as personnel whose travel is paid with state or local funds and the grant is charged accordingly. Conform to any limitations or exclusions set forth as cost principles in 2 CFR__ Part 200, Subpart E, or in the terms and conditions of the federal award.

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

Adequately documented. All expenditures must be properly documented with original source documentation that is clearly written and maintained on file (either electronically or on paper) with accounting records. Documentation includes purchase orders/requisitions, invoices, receipts, verification of receipt of goods and services, travel authorizations and vouchers, contracts, time-and-effort records, copies of checks, bank statements, etc. Expenditures that are not supported by source documentation cannot be charged to the grant.

Determined in accordance with generally accepted accounting principles (GAAP), unless provided otherwise in 2 CFR__ Part 200.

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

The net of all applicable credits. The term "applicable credits" refers to those receipts or reduction of expenditures that operate to offset or reduce expense items allocable to the federal award.

Typical examples of such transactions are: purchase discounts; rebates or allowances; recoveries or indemnities on losses; and adjustments of overpayments or erroneous charges, such as credits. To the extent that such credits accruing to or received by the District relate to the federal award, they shall be credited to the federal award, either as a cost reduction or a cash refund, as appropriate (2 CFR__200.406).

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

Requesting Prior Written Approval

Some costs discussed in the following sections and in the instructions to completing the grant application require prior written approval from the awarding agency. In addition, for certain costs that it may be difficult to determine reasonableness or allocability, the District may seek prior written approval for “special or unusual costs” not identified in the regulations in advance of the incurrence of such costs. This may prevent future disallowance or dispute based on “unreasonableness” or “non-allocability.” Prior written approval should include the timeframe or scope of the agreement (2 CFR__200.407).

The Federal Program Coordinator will determine if and when the District should seek prior written approval for a certain cost prior to incurring the cost. Federal grant funds will not be expended for any costs that require prior written approval in accordance with 2 CFR__200, Subpart E, or the grant application instructions, if such prior written approval was not properly secured.

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

2 CFR__ Part 200, Subpart E, examines the allow ability of 55 specific cost items (commonly referred to as Selected Items of Cost) at 2 CFR__ 200.420 -.475. These cost items are listed below along with the citation where it is discussed. Please do not assume that an item is allowable because it is specifically listed, as it may be unallowable despite its inclusion in the selected items of cost section, or it may be allowable only under certain conditions, including prior written approval.

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

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

- Advertising and public relations costs 2 CFR__ 200.421
- Advisory councils 2 CFR__ 200.422
- Alcoholic beverages 2 CFR__ 200.423
- Alumni/ae activities 2 CFR__ 200.424
- Audit services 2 CFR__ 200.425
- Bad debts 2 CFR__ 200.426
- Bonding costs 2 CFR__ 200.427
- Collection of improper payments 2 CFR__ 200.428
- Commencement and convocation costs 2 CFR__ 200.429
- Compensation – personal services 2 CFR__ 200.430
- Compensation – fringe benefits 2 CFR__ 200.431
- Conferences 2 CFR__ 200.432
- Contingency provisions 2 CFR__ 200.433
- Contributions and donations 2 CFR__ 200.434
- Defense and prosecution of criminal and civil proceedings, claims, appeals and patent infringements 2 CFR__ 200.435
- Depreciation 2 CFR__ 200.436
- Employee health and welfare costs 2 CFR__ 200.437

Entertainment costs 2 CFR__ 200.438
Equipment and other capital expenditures 2 CFR__ 200.439
Exchange rates 2 CFR__ 200.440
Fines, penalties, damages & other settlements 2 CFR__ 200.441
Fundraising and investment management costs 2 CFR__ 200.442
Gains, losses on disposition of depreciable assets 2 CFR__ 200.443
General costs of government 2 CFR__ 200.444
Goods and services for personal use 2 CR 200.445
Idle facilities and idle capacity 2 CFR__ 200.446
Insurance and indemnification 2 CFR__ 200.447
Intellectual property 2 CFR__ 200.448
Interest 2 CFR__ 200.449
Lobbying 2 CFR__ 200.450
Losses on other awards or contracts 2 CFR__ 200.451
Maintenance and repair costs 2 CFR__ 200.452
Materials and supplies costs, including costs of computing devices 2 CFR__ 200.453
Memberships, subscriptions, and professional activity costs 2 CFR__ 200.454
Organization costs 2 CFR__ 200.455
Participant support costs 2 CFR__ 200.456
Plant and security costs 2 CFR__ 200.457
Pre-award costs 2 CFR__ 200.458
Professional services costs 2 CFR__ 200.459
Proposal costs 2 CFR__ § 200.460
Publication and printing costs 2 CFR__ 200.461
Rearrangement and reconversion costs 2 CFR__ 200.462
Recruiting costs 2 CFR__ 200.463
Relocation costs of employees 2 CFR__ 200.46
Rental costs of real property and equipment 2 CFR__ 200.465
Scholarships and student aid costs 2 CFR__ 200.466
Selling and marketing costs 2 CFR__ 200.467
Specialized service facilities 2 CFR__ 200.468
Student activity costs 2 CFR__ 200.469
Taxes (including Value Added Tax) 2 CFR__ 200.470
Termination costs 2 CFR__ 200.471
Training and education costs 2 CFR__ 200.472
Transportation costs 2 CFR__ 200.473
Travel costs 2 CFR__ 200.474
Trustees 2 CFR__ 200.475

Likewise, it is possible for the State and/or District to put additional requirements on a specific item of cost. Under such circumstances, the stricter requirements must be met for a cost to be allowable. Accordingly, employees consult federal, State and District requirements when spending federal funds.

Other Considerations for Allowability

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

Supplement, Not Supplant

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

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

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

- Federal funds may not be used to replace activities normally funded from state or local funds. ^ξ State and local funds may not be diverted for other purposes due to the availability of federal funds.
- Federal funds may not be used to support activities that are required by state law, State Board of Education or Commissioner's rule, or local policy.
- All students must receive the same level and quality of services from State and local resources. In other words, State and local sources cannot be used to provide services to only some of the students, while Federal funds are used to provide services to the remaining students. (School wide programs may be an exception.)
- Federal funds must be used to supplement activities already being provided by the District, meaning they must be used to expand, enhance, or improve existing services and activities or to create something new.
- Violations for supplanting with federal funds can be quite severe. If a grantee is determined to be supplanting FTE with the entire program, the penalty could be as great as repaying 100% of the funds expended. Federal regulations require that a grantee repay funds in proportion to the harm to the federal government.

Districts may be able to rebut the presumption of supplanting by an auditor or monitor. To determine compliance with the supplement, not supplant requirement, the District must determine what services would have been provided to students in the absence of federal funds. Generally, in a situation where the District used Title 1 funds, for example, to provide services that it provided with non-Federal funds in the prior year(s), an auditor or monitor will presume supplanting occurred.

The United States Department of Education (USDE) provides excellent guidance on supplement, not supplant with regard to Title I, Part A in their Non-Regulatory Guidance on Title I Fiscal Issues, Revised February 2008.

Maintenance of Effort (MOE)

MOE is one of the fiscal requirements, similar to supplement, not supplant, that ensures that federal funds are used to provide services that are in addition to the regular services normally provided by a District. If MOE is a requirement, it will be included in the authorizing program statute. For example, for most No Child Left Behind (NCLB) programs, the MOE requirement is included in Title IX, General Provisions, Part E, Subpart 2, 9521.

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

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

MOE is based on actual expenditures from State and local funds, not on budgeted amounts. The District is responsible for maintaining effort and for documenting compliance with MOE.

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

Costs That Require Special Attention

In addition to the aforementioned, certain types of costs may be allowable under federal law but may not be allowable under state law or guidelines, or may only be allowable under certain circumstances and conditions. ODE's Guidelines Related to Specific Costs (under Allowable Cost Guidance) outlines several other types of costs that require special attention due to the fact some costs frequently cause audit exceptions or monitoring findings. Included in that guidance are descriptions of allowable awards and incentives; cell phones; employer contributions to voluntary retirement plans; field trips; printing costs; food costs, including for hosting meetings and conferences; fundraising; gifts; promotional items; social events; and training on grant writing.

Classification of Costs

All costs associated with Federal Awards shall be classified as direct or indirect costs. All allowable costs should be included in the budget or the financial plan of the Federal Award Agreement. Disallowed costs will not be charged to the Federal Award.

- Direct Costs – Those costs that can be identified specifically with a particular cost objective or that can be directly assigned to such activities easily and with a high degree of accuracy. Examples include, but are not limited to: payroll costs of employees who work directly on the Federal Award,

materials and other expenses incurred in direct relation to administering the Federal Award, and sub recipient expenses.

- Indirect Costs – Those costs incurred for a common or joint purpose benefitting more than one cost objective and/or not readily assignable to the cost objective benefitted. For example, administrative costs charged to the grant based on a cost allocation plan or approved indirect cost rate would be considered indirect costs.
- Disallowed Costs – Those costs that the federal awarding agency or pass-through entity determines to be unallowable, in accordance with applicable federal statutes, regulations, and terms and conditions of the Federal Award. To determine whether a cost is allowed or disallowed, refer to: 1) the Federal Award Agreement and 2) section 200.420-475 General Provisions for Selected Items of Cost under the Uniform Guidance for Federal Awards. If unable to determine whether the cost is allowed or disallowed, contact the federal awarding agency or granting agency administering the Federal Award for further clarification.

The District makes every effort to comply with these guidelines in the expenditure of federal grant funds to avoid audit exceptions. District employees engaged in federally-funded activities are required to consult this document regularly and be familiar with its contents. District personnel responsible for spending federal grant funds and for determining allowability must be familiar with the Part 200 selected items of the cost section.

Additional Internal Controls

In addition to the controls listed above and the controls listed in the District's internal control plan the District does the additional procedures over federal grants:

- The Federal Programs Supervisor, or Special Education Supervisor, and Business Services Supervisor review spending for allowability; Accounts Payable and Grant Accounting staff also review all transactions in line with the District's procedures.
- All costs must be in line with the grant budget and grant narrative.
- If the Business Office Supervisor or the Grant Coordinator (or any other staff member) identifies any cost that is unallowable, they code it to the general fund or another allowable fund and do not charge it to federal grants.
- The District has a Google Drive shared folder that provides access to all of the District's Internal Control Documents, the 2 CFR__ Part 200, the 7 CFR_, and District handbooks for federal and other grants.
- The Grant Accountant reviews the budget and expenditures monthly in coordination with the Federal Programs team. Principals are contacted if any questions arise regarding school level Title budgets and expenditures.
- Each Title IA school is evaluated throughout the year, and at a minimum annually, by the Federal Programs TOSA and Administrator to ensure compliance and acceptable progress toward program goals.

- The District aggressively rectifies any questioned costs, audit findings or other compliance issues as they arise.
- The District budgets in order to meet general MOE and Special Ed MOE requirements, these budgets go through multiple levels of review. Special Ed MOE is reviewed throughout the year to ensure expenditures meet MOE requirements.
- Federal Title grant budget narratives must be completed and approved by ODE. This helps ensure that supplanting does not occur because every purchase must be justified, explained and approved, and ODE will question for supplanting.
- The Federal Programs Supervisor, or Special Education Supervisor, and Business Office Supervisor review spending including reviewing for supplanting, and the Grant Accountant and Business Office Supervisor ensure that spending is in line with the budget and budget narrative.

A – Activities Allowed or Unhallowed &

B – Allowable Costs/Cost Principles - Payroll Costs

Background

Allowable Compensation

Compensation for employees paid from federal funds will be in accordance with the established written policy for compensation for all employees, and the written policy will be consistently applied among all employees, whether paid from state, local, or federal funds. Compensation includes all remuneration, paid currently or accrued, for services of employees rendered during the period of performance under the federal award, including but not necessarily limited to wages and salaries. Compensation for personal services may also include fringe benefits.

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

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

Reasonable Compensation

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

work in the labor market in which the District competes for the kind of employees involved.

Standards for Documentation of Personnel Expenses

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

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

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

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

All charges to payroll for personnel who work on one or more federal programs that require time and effort documentation or cost objectives must be based on one of the following, depending on the circumstances:

- Semi-annual certification - for employees who work 100% of the time on a single program and/or cost objective, in which case a signed and dated job description must be in the employee's personnel file
- Time-and-effort records - for employees working on more than one program and/or multiple cost objectives, and a signed and dated job description must be in the employee's personnel file.

Additional summary information pertaining to each of these is provided below. Refer to the section "Compensation for personal services" in 2 CFR__ 200.430 for more detailed information pertaining to charges to payroll.

Examples of the reporting requirements are on ODE's website: <https://www.oregon.gov/ode/schools-and-districts/grants/ESEA/Pages/ESEA-Monitoring.aspx>

Time and Effort Procedures for federal grants that require this documentation

All split funded employees who are funded partially from a federal fund grant that requires time and effort documentation are required to complete time-and-effort reports. Time-and-effort records must be

maintained contemporaneously (as the work occurs) and must contain the following three elements:

- the activity - a brief description of what the employee did
- time frame - the amount of time it took the employee to do it, and
- Funding source/program or other cost objective (the funding source/program/cost objective if will be charged to.

Time-and-effort records must also:

- Be executed after or as the work is completed, and not before
- Account for the total activities of the employee (100% of their time), including employees working part-time schedules or overtime
- Specify the reporting period
- Be signed and dated by the employee

Substitute or alternate time and effort system for split funded employees

In lieu of monthly personnel activity reports, an employee on a fixed schedule may submit two documents on a semi-annual basis – one certifying the funding sources being charged and the other showing the established fixed schedule. A document showing the established fixed schedule in most educational settings would be the employee’s daily schedule of duties.

Semi-Annual Certification

Semi-annual certification applies to employees who do one of the following:

Work 100% of their time on a single grant program and/or single cost objective § Work 100% of their time in administering programs that are part of consolidated administrative funds such as a Federal Programs Director who administers only these programs.

Work 100% of their time under a single cost objective funded from eligible multiple funding sources. A Title I, Part A, school wide program is a single cost objective.

“Cost objective” means a program, function, activity, award, organizational subdivision, contract, or work unit for which cost data are desired and for which provision is made to accumulate and measure the cost of processes, products, jobs, capital projects, etc. A cost objective may be a major function of the District, a particular service or product, a federal award, or an indirect cost activity.

These employees are not required to maintain time-and-effort records. However, each employee must certify in writing, at least semi-annually, that he/she worked solely on the program or single cost objective for the period covered by the certification. The certification must be signed by the employee and by the supervisor having first-hand knowledge of the work performed and should reference the employee’s signed and dated job description maintained in their personnel file. Charges to the grant must be supported by these semi-annual certifications. The semi-annual certifications are maintained by the Human Resources Department of the District.

These employees are also required to maintain on file a signed and dated job description which clearly shows that the employee is assigned 100% to the program or single cost objective. The job description must be updated annually and when a function or activity is added to or deleted from an existing job description, must clearly identify the function and activities performed by the employee for the applicable fund source(s) or cost objective, and must be maintained in the employee’s personnel file.

The semi-annual certification must

- be executed after the work has been completed, and not before
- state that the employee worked solely (i.e., 100% of the time) on activities related to one particular grant program or single cost objective
- identify the grant program or cost objective
- be signed and dated by the employee and a supervisor with first-hand knowledge of the work performed

Charges to the grant must be supported by these semi-annual certifications. All certifications must be retained for audit and monitoring purposes. It is recommended that the certifications be retained in a central location to facilitate an audit.

Additional Internal Controls

In addition to the controls listed above and the controls listed in the District's internal control plan the District does the additional procedures over federal grants:

- The Federal Programs Supervisor, or Special Education Supervisor, and Business Office Supervisor review spending for allowability; payroll staff also review all transactions in line with the District's procedures.
- All costs must be in line with the grant budget and budget narrative.
- If the Federal Programs Supervisor, or Special Education Supervisor, and Business Office Supervisor (or any other staff member) identifies any cost that is unallowable, they code it to the general fund or another allowable fund and do not charge it to federal grants.
- The District has a Google Drive shared folder that provides access to all of the District's Internal Control Documents and handbooks, and the 2 CFR__ Part 200.
- The Grant Accountant reviews the budget and expenditures monthly in coordination with the Federal Programs team. Principals are contacted if any questions arise regarding school level Title budgets and expenditures.
- Each Title IA school is evaluated throughout the year, and at a minimum annually, by the Federal Programs TOSA and Administrator to ensure compliance and acceptable progress toward program goals.
- The Federal Programs Supervisor, Special Education Supervisor, grant administrators and managers, and their key staff have access to the District accounting system to run detailed expense reports at any time to review expenses. Staff are encouraged to contact the Grant Accountant or Business Office Supervisor if any issues arise.
- The District submits monthly reimbursement requests through ODE's Electronic Grants Management System (EGMS), and attaches General Ledger expenditure backup for all drawdowns which is maintained in the grant file.
- Detailed backup including general ledger reports for payroll and general expenditures, copies of invoices and contracts are required before payment is made to a District Charter School for pass through grants administered by the District. All records are maintained in the grant file.
- All grants have their own fund account to keep expenditures and revenue separate by grant and year.
- The District will aggressively rectify any questioned cost, audit finding or other compliance issue as they arise.

C – Cash Management

Background

Payment methods must minimize the time elapsing between the receipt of funds from the federal agency

or pass-through entity and the disbursement of those funds by the entity, whether the payment is made by electronic funds transfer, issuance or redemption of checks or warrants, or payment by any other means.

- Standard practice in the entity is to operate Federal Awards on a reimbursement basis, wherein costs are incurred first, then reimbursement of those costs is requested from the federal agency or pass-through entity in order to minimize the time elapsing between transfers of funds.
- When the reimbursement method is not feasible, advance payments may be requested to administer a Federal Award with the following considerations:
 - Time elapsing between the receipt of funds from the federal agency or pass-through entity and the disbursement of those funds must be no more than 3 business days;
 - Funds that cannot be disbursed within 3 business days must be deposited in an interest bearing fund and cost center (program, service and/or project), and allocated a fair share of monthly interest earnings; and
 - Interest earnings in excess of **\$500** per year must be returned to the federal agency or pass-through entity.

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

Noncompliance with Cash Management Requirements

Pursuant to the provisions of 2 CFR__ 200.338, grantees that fail to comply with cash management requirements, including the repayment of interest earned, may be subject to the following special conditions or enforcement actions:

- Identification as a high-risk grantee, pursuant to the provisions of 2 CFR__ 3474.10 and 2 CFR__ 200.207, which may involve the imposition of special conditions and being placed on reimbursement basis only (grantee would not be able to draw down its own funds in the ER system without first submitting supporting documentation for expenditures)
- Temporarily withholding cash payments pending correction of the deficiency
- Disallowing all or part of a cost not in compliance
- Suspension or termination of the award
- Withholding further awards for future grants from ODE
- Debarment or suspension from receiving any future federal funds from any entity
- Other remedies that may be legally available

Additional Internal Controls

In addition to the controls listed above and the controls listed in the District's internal control plan the District does the additional procedures over federal grants:

- The Federal Programs Supervisor, Special Education Supervisor, grant administrators and managers, and their key staff have access to the District accounting system to run detailed expense reports at any time to review expenses. Staff are encouraged to contact the Grant Accountant or Business Office Supervisor if any issues arise.
- The District submits monthly reimbursement requests through ODE's Electronic Grants Management System (EGMS), and attaches General Ledger expenditure backup for all drawdowns which is maintained in the grant file.
- Detailed backup including general ledger reports for payroll and general expenditures, copies of

invoices and contracts are required before payment is made to a District Charter School for pass through grants administered by the District. All records are maintained in the grant file.

- All grants have their own fund account to keep expenditures and revenue separate by grant and year.
- Grant reimbursement requests are tracked and reconciled on an Excel sheet which is accessible to the Grant Accountant and Business Office Supervisor.
- The Staff accountant who reconciles the cash account would notice any differences between the drawdown requested and receipt, if that should ever occur. The cash account reconciliation is reviewed and approved monthly by the Business Office Supervisor.

F – Equipment/Real Property Management

Background

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

When no longer needed for the original program or project, the equipment may be used in other activities supported by the federal awarding agency, in the following order of priority: (1) activities under a federal award from the federal awarding agency which funded the original program or project; then (2) activities under federal awards from other federal awarding agencies.

During the time equipment is used on the project or program for which it was acquired, the equipment will also be made available for use on other projects or programs currently or previously supported by the federal government, provided that such use will not interfere with the work on the projects or program for which it was originally acquired. First preference for other use must be given to other programs or projects supported by the federal awarding agency that financed the equipment. Second preference is given to programs or projects under federal awards from other federal awarding agencies. Use for non-federally funded programs or projects is also permissible. However, the original purchase of any equipment to be used in other programs will be properly allocated (i.e., prorated) among the applicable funding sources.

In accordance with 2 CFR__ 200.313(e), when it is determined that original or replacement equipment acquired under a federal award is no longer needed for the original project or program or for other activities currently or previously supported by a federal awarding agency, the CFO of the district will contact ODE or other awarding agency for disposition instructions.

Items over **\$5,000** are recorded as fixed assets in the Districts fixed assets software system and labeled as being funded by federal funds.

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

- An item that has a current FMV of **\$5,000** or less, may be retained, sold, or otherwise disposed of with no further obligation to ODE or other federal awarding agency. However, ODE must still approve disposition in accordance with specified procedures.
- If an item has a current FMV of more than **\$5,000**, ODE or other federal awarding agencies are entitled to the federal share of the current market value or sales proceeds. Pursuant to the

provisions in 2 CFR__ 200.313(d) (5), the District uses procedures to ensure the highest possible return. ODE must approve the disposition.

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

Disposition of equipment will be properly recorded in the fixed asset inventory. When disposal of equipment is warranted, the documentation is received by the business office and is then removed from the district software inventory system, and the documentation is maintained in the business office. The inventory is disposed of in accordance with federal and state regulations and practices.

The District maintains a control system that ensures adequate safeguards are in place to prevent loss, damage, or theft of the property. Any loss, damage, or theft is investigated in accordance with the District policies and procedures. See the District Policy manual for specifications. 2 CFR__ 200.313(d) (3)

In accordance with 2 CFR__ 200.313(d) (4), the District maintains adequate maintenance procedures to ensure that property is kept in good condition

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

For each equipment and computing device purchased with federal funds, the following information is maintained;

- Serial number or other identification number
- Source of funding for the property
- Who holds title*
- Acquisition date and cost of the property
- Percentage of federal participation in the project costs for the federal award under which the property was acquired
- Location, use, and condition of the property, and
- Any ultimate disposition data including the date of disposal and sale price of the property.

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

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

Equipment means tangible personal property (including information technology systems) having a useful life of more than one year and a per-unit acquisition cost which equals or exceeds the lesser of the capitalization level established by the District for financial statement purposes, or \$5,000 (2 CFR__ 200.33). The District's capitalization level is **\$5,000**.

Supplies means all tangible personal property other than those described in 200.33 Equipment. A computing device is a supply if the acquisition cost is less than **\$5,000**, regardless of the length of its useful

life (2 CFR__ 200.94).

Computing devices means machines used to acquire, store, analyze, process, and publish data and other information electronically, including accessories (or “peripherals”) for printing, transmitting and receiving, or storing electronic information (2 CFR__ 200.20).

Capital assets means tangible or intangible assets used in operations having a useful life of more than one year which are capitalized in accordance with GAAP. Capital assets include:

- Land, buildings (facilities), equipment, and intellectual property (including software) whether acquired by purchase, construction, manufacture, lease-purchase, exchange, or through capital leases; and
- Additions, improvements, modifications, replacements, rearrangements, reinstallations, renovations or alterations to capital assets that materially increase their value or useful life (not ordinary repairs and maintenance) (2 CFR__ 200.12).

Additional Internal Controls

In addition to the controls listed above and the controls listed in the District’s internal control plan the District does the additional procedures over federal grants:

- A physical inventory of federal property is taken annually and the results reconciled with the property records every year.
- New inventory that has a value of over **\$5000** is received by the purchaser. The business services department runs an annual report that lists all items purchased throughout the year over this value. District software issues an inventory barcode that is distributed to the purchaser to place on the item. The code is then maintained in the software system for the useful life of the item. Funds are divided between federal and local funds spent for the purchase of the item and maintained in the District’s accounting software. Following the useful life of the item it is terminated from the system and disposed of in accordance with federal or state regulations which are applicable to its type and originator of purchase funds.
- The Business Services Supervisor reviews the capital asset register to ensure its accuracy on an annual basis.

H – Period of Performance

Background

All obligations must occur on or between the beginning and ending dates of the grant project (34 CFR_ 76.707). This period of time is known as the period of availability. The period of availability, or the period between the beginning and ending dates of the grant, are dictated by statute and will be indicated on

ODE’s or other awarding agency’s grant award notification. Further, certain grants have specific requirements for carryover funds that must be adhered to.

Additional Internal Controls

In addition to the controls listed above and the controls listed in the District’s internal control plan the

District does the additional procedures over federal grants:

- The Federal Programs Supervisor, Special Education Supervisor, grant administrators and managers, and their key staff have access to the District accounting system to run detailed expense reports at any time to review expenses. Staff are encouraged to contact the Grant Accountant or Business Office Supervisor if any issues arise.
- The Federal Programs Supervisor, or Special Education Supervisor or Business Office Supervisor and Grant Accountant review spending for period of performance; every transaction is reviewed.
- The Business Office Supervisor reviews all budgets entered into the accounting system by the Grant Accountant.
- All carryover funds are spent first but this may be accomplished by assigning one or more annual staff salaries to a carryover fund. This reduces the chance for human error by eliminating the need to split the annual funding for one employee between carryover and current funds.

I – Procurement, Suspension & Debarment

Background

The District will purchase goods, products, and/or services for use in federal programs in compliance with 2 CFR__ Part 200 as well as 7 CFR_ Part 225. Procurement standards are specifically located in 7 CFR_ Part 225.17 and 2 CFR__ Part 200.317-326. (Note: Parts 3016 and Part 3019 have been superseded by 2 CFR__ Part 200 as adopted and supplemented by USDA in 2 CFR__ Part 400 for the SFSP and other Child Nutrition Programs.)

The primary purpose of this procurement plan is to assure open and free competition, transparency in transactions, comparability, and documentation of all procurement activities. The procurement process practiced by the District must not restrict or eliminate competition. For example, description of goods, products, and/or services to be procured should not contain features that unduly restrict competition. Competition helps assure that goods, products, and/or services will be obtained that best meets the District's needs.

A new procurement plan does not need to be developed every year. However, an annual review of the approved plan is suggested to assure its relevance to current procedures.

It will be the responsibility of the Grant Manager of each specific grant to evaluate the procurement needs and forecast the amounts to be purchased so the correct method of procurement will be followed.

The District must perform a cost or price analysis when purchases are estimated to exceed the District's most restrictive small purchase threshold (**Federal simplified acquisition threshold currently valued at \$250,000, District's limit is \$150,000**) in connection with every procurement action in excess of the simplified acquisition threshold including contract modifications.

Regardless of procurement method, the following factors will be determined regarding the allowability of costs:

Be necessary and reasonable for proper and efficient administration of the program(s)

Be allocable to federal awards applicable to the administration of the program(s)

Be authorized and not prohibited under federal, state, and local laws.

The District may set a lower simplified acquisition threshold than the federal simplified acquisition threshold. The most restrictive (lowest) threshold must be used.

Purchasing will be conducted at the most restrictive procurement threshold:

- Micro-Purchasing-Less than **\$10,000**
- Small/Informal-Greater than **\$10,000** and Less than **\$250,000** (District's limit is **\$150,000**)
- Formal-Greater than **\$250,000** (District's limit is **\$150,000**)

All staff conducting purchasing will be trained on the procurement procedures.

Micro purchase procedures

This method applies to the purchase of supplies or services when the aggregate dollar amount does not exceed **\$10,000** per transaction. These purchases may be awarded without soliciting competitive quotes if the entity considers the price reasonable. District must maintain written documentation as evidence of this reasonableness in records of all micro-purchases equitably distributed. Purchases must meet program needs and be priced reasonably.

- The Grant Manager of each specific grant is responsible for contacting potential vendor(s)/contractor(s).
- The Grant Manager of each specific grant is responsible for documentation of records of the purchase, name of vendor/contractor, price, and the written specifications.
- The Grant Manager of each specific grant is responsible for documentation that the actual product was received.
- The Grant Manager of each specific grant is responsible for documentation that purchases are distributed equitably among qualified suppliers with reasonable prices.
- The Grant Manager of each specific grant is required to sign documentation, confirming a review and the approval of the purchase of the goods, products, and/or services.

Informal/small purchase procedures

This method applies for purchases of goods, products, and/or services when the aggregate dollar amount is less than **\$250,000** (current Federal simplified acquisition threshold) or the District's simplified acquisition threshold if lower. The District's current simplified acquisition threshold is **\$150,000**. Quotes from **three (3)** or more qualified vendors/contractors will be required.

- In developing the written specifications, the same information needs to be provided to all vendors/contractors, you may use prices found online, in catalogs, sale flyers, newspapers, prices obtained from grocery stores, farmer's markets, and etc.
- Each vendor/contractor will be contacted and given an opportunity to provide a price quote on the same specifications.
- The Grant Manager of each specific grant is responsible for contacting potential vendors/contractors when price quotes are needed.
- The price quotes are to remain confidential information until the actual purchase has been made. § Quotes are awarded by Grant Manager of each specific grant. Quotes awarded are to the lowest and best quote based upon price, quality, service availability, suitability, appearance, taste, fat content, and/or sodium content.
- The Grant Manager of each specific grant is responsible for documentation of records to show selection of vendor/contractor, reasons for selection, names of all vendors/contractors contacted,

- price quotes from each vendor/contractor, and written specifications.
- The Grant Manager of each specific grant is responsible for documentation that the actual product specified is received.
- Any time an accepted item is not available, the Grant Manager of each specific grant will select the acceptable alternative. The Grant Manager of each specific grant will document the reason for accepting an alternate and keep the documentation on file.
- Quotes are awarded on the following criteria: Must meet the requirements of the solicited product or service and must have the lowest price. (Examples: quality, delivery, service, etc.) §
The Grant Manager of each specific grant is required to sign documentation, confirming a review and the approval of the purchase of the goods, products, and/or services.
- The Grant Manager of each specific grant is a District authorized purchaser.

Formal purchase procedures

This method applies to purchases of supplies or services when the aggregate cost amount is more than **\$250,000** or greater than the District's simplified acquisition threshold (**\$150,000**). The formal procurement method requires the use of an Invitation for Bid (IFB) or a Request for Proposal (RFP).

The District Clerk (Superintendent) and Deputy Clerks (Business Services Director and Facilities Director, as authorized in the District's Annual Organizational Board Resolution) are the District's authorized purchasers.

- An announcement of an Invitation for Bid (IFB) or a Request for Proposal (RFP) will be placed in at least one newspaper or on the Oregon Buys system to publicize the intent to purchase needed items. The advertisement for bids/proposals or legal notice will be run for one day.
- An advertisement is required for all purchases over the District's simplified acquisition threshold of **\$150,000**. The announcement (advertisement or legal notice) will contain a general description of items to be purchased, the deadline for submission of sealed IFB's and RFP's and the address where complete specifications and other procurement documents may be obtained.
- In an IFB or RFP, each vendor/contractor will be given an opportunity to bid on the same specifications.
- The developer of written specifications or descriptions for procurements will be prohibited from submitting bids or proposals for such products or services.
- The IFB or RFP will clearly define the purchase conditions. The following, shall be addressed in the procurement document:
 - Contract time period
 - District is responsible for all contracts awarded (statement)
 - Date, time, and location of bid opening
 - How vendor/contractor will be informed of bid acceptance or rejection
 - Delivery schedule
 - Requirements which bidder must fulfill in order for bid to be evaluated
 - Benefits to which the District will be entitled if the contractor cannot or will not perform as required
 - Statement assuring positive efforts will be made to involve minority, women owned and small businesses
 - Statement regarding the return of purchase incentives, discounts, rebates, and credits to the District
 - Contract and/or purchase orders may be issued for firm fixed prices after formal bidding process

- Price adjustment clause based on appropriate standard or cost index

Method of evaluation and type of contract to be awarded

- Method of award announcement and effective date (if intent to award is required by State or local procurement requirements)
- Specific bid protest procedures including contact information of person and address and the date by which a written protest must be received
- Provision requiring access by duly authorized representatives of the District, State Agency, United States Department of Agriculture, or Comptroller General to any books, documents, papers and records of the contractor which are directly pertinent to all negotiated contracts.
- Method of shipment or delivery upon contract award.
- **Program Regulations:** The contractor shall be in conformance with the applicable portions of the District's agreement under the program. For USDA programs, the contractor will conduct program operations in accordance with 7 CFR_ Parts 210, 215, 220, 225, 226 and 250.
- **Affordable Care Act:** The contractor understands and agrees that it shall be solely responsible for compliance with the patient Protection and Affordable Care Act, Public Law 111-148 and the Health Care and Education Reconciliation Act, Public Law 111-152 (collectively the Affordable Care Act "ACA"). The contractor shall bear sole responsibility for providing health care benefits for its employees who provide services to the District as required by State or Federal law.
- **Certification Regarding Lobbying:** Pursuant to 31 USC 1352, the contractor must submit a certification regarding lobbying which conforms in substance with the language provided in CFR_ Part 200.450. No appropriated funds may be expended by the recipient of a Federal contract, grant, loan, or cooperative agreement to pay any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with any of the following covered Federal actions. (Only applies to contracts over \$100,000).
- **Certificate of Independent Price Determination:** The vendor admits that all prices in their Offer have been arrived at independently, without consultation, communication or agreement, for the purpose of restricting competition, as to any matter relating to such prices with any other Offer or with any competitor certification regarding non-collusion.
- **Clean Air Act, Clean Water Act, and Environmental Protection Agency Regulation:** The contractor will comply with all applicable standards, orders or requirements issued under Section 306 of the Clean Air Act, Section 508 of the Clean Water Act, Executive Order 11738 and Environmental Protection Agency regulations which prohibit the use, under nonexempt federal contracts, grants or loans to facilities included on the EPA list of Violating Facilities.
- The District will report all violations to ADE and to the USEPA Assistant Administrator for Enforcement. (Only applies to contracts over \$100,000)
- **Contract Work Hours and Safety Standard Act:** The contractor shall comply with Sections 103 and 107 of the Contract Work Hours and Safety Standards Act (40 o U.S.C. 327-330) as supplemented by Department of Labor regulations (29 CFR_ Part 5). (Only applies to contracts over \$2,500).
- **Debarment, Suspension, Ineligibility and Voluntary Exclusion:** By signing the Offer & Award form, the contractor shall certify that they have not been debarred, suspended, or

otherwise excluded from or ineligible for participations in federal assistance programs under executive order 12549 and 12689. The contractor shall comply with regulations implementing Office of Management and Budget Guidance in Nonprocurement Debarment and suspension codified at 2 CFR__ Part 180 and 2 CFR__ Part 417. These regulations restrict transactions with certain parties that are debarred, suspended or otherwise excluded from, or ineligible for, participation in Federal assistance programs or activities. (Only applies to contracts over **\$25,000**).

- **Energy Policy and Conservation Act:** The contractor shall meet the mandatory standards and policies relating to energy efficiency which are contained in the State Energy Conservation Plan issued in compliance with the Energy Policy and Conservation Act. (Pub. L. 94-163,89 Stat.871)
- **Equal Employment Opportunity:** The contractor shall comply with Executive Order 11246 of September 24, 1965, entitled "Equal Employment Opportunity," as amended by Executive Order 11375 of October 13, 1967, and as supplemented in Department of Labor regulations. (41 CFR_ Chapter 60)
- **Record Keeping:** The books and records of the contractor pertaining to operations under this agreement shall be available to the District at any reasonable time. These records are subject to inspection or audit by representatives of the District, State Agency, the USDA, and the US General Accounting Office at any reasonable time and place. The Vendor/Contractor shall maintain such records, for a period of not less than three (**3**) years after the final day of the contract, or longer if required for audit resolution. (7 CFR_ 210.23, and 2 CFR__ Part 200.381)
- **Invoicing:** The contractor must fully disclose all discounts, rebates, allowances and incentives received by the District from its suppliers. If the contractor receives a discount, rebate, allowance, or incentive from any supplier, the contractor must disclose and return to the District the full amount of the discount, rebate, or applicable credit that is received based on the purchases made on behalf of the District. The contractor must identify the amount of each discount, rebate and other applicable credit on bills and invoices presented to the District for payment and individually identify the amount as a discount, rebate, or in the case of other applicable credits, the nature of the credit. (2 CFR__ 200 and 7CFR_210.21)
- **Termination Clause:** The contract may be terminated for cause and for convenience by the District. Appendix II to 2 CFR__ Part 200. (Only applies to contracts over \$10,000). ○ Signed statement of non-collusion.
- All contracts and sub grants in excess of **\$2,000** for construction or repair awarded by recipients and sub recipients shall include a provision for compliance with the Copeland "Anti-Kickback" Act.
- **Davis-Bacon Act:** The contractor shall comply with the Davis-Bacon Act (40 U.S.C. 276a to 276a-7) as supplemented by Department of Labor regulations. (29 CFR_ Part 5)

USDA program procurement documents must also contain:

- The contractor shall provide products that meet the Public Law 111-296, the Healthy, Hunger-Free Kids Act of 2010 (HHFKA). The contractor's products shall meet grade level caloric, sodium, saturated fat, and trans-fat requirements as applicable for the District's program.
- **Buy American Provision:** The contractor will purchase, to the maximum extent

practicable, domestic commodities or products in accordance with 7 CFR_ 210.21(d) and 7 CFR_ 220.16(d). The contractor shall purchase, to the maximum extent practicable, domestic agricultural commodities or products substantially processed in the United States. "Substantially" means the final processed product contains over 51% domestically grown agricultural commodities.

- This provision applies to all food purchases paid from the nonprofit school food services account. There are limited exceptions to this provision which allow for the purchase of products not meeting the "domestic" standard as described above (non-domestic) in circumstances when use of domestic products is truly not practicable. However, before utilizing an exception, alternatives to purchasing non-domestic food products should be considered.
- **Disclosure of Lobbying Activities:** Pursuant to Byrd Anti-Lobbying Amendment 31 USC 1352, the contractor must disclose lobbying activities in connection with school nutrition programs. If there are material changes after the initial filing, updated reports must be submitted on a quarterly basis. 7 CFR_ 3018.100 (Only applies to contracts over **\$100,000**)
- No expenditure may be made from the nonprofit food service account for any cost resulting from a cost-reimbursable contract that fails to include the requirements of 2 CFR_ 200 and 7 CFR_ 210.210, nor may any expenditure be made from the nonprofit food service account that permits or results in the contractor receiving payments in excess of the contractor's actual, net allowable costs. (2 CFR_ 200 and 7 CFR_ 210.21)
- **Civil Rights Compliance (Must use the most current USDA Non-Discrimination Statement available from ODE Child Nutrition Programs):**
 - In accordance with Federal civil rights law and U.S. Department of Agriculture (USDA) civil rights regulations and policies, the USDA, its Agencies, offices, and employees, and institutions participating in or administering USDA programs are prohibited from discriminating based on race, color, national origin, sex, disability, age, or reprisal or retaliation for prior civil rights activity in any program or activity conducted or funded by USDA.
 - Persons with disabilities who require alternative means of communication for program information (e.g., Braille, large print, audiotope, American Sign Language, etc.) should contact the Agency (State or local) where they applied for benefits.
 - Individuals who are deaf, hard of hearing or have speech disabilities may contact USDA through the Federal Relay Service at (800) 877-8339. Additionally, program information may be made available in languages other than English.
 - To file a program complaint of discrimination, complete the USDA Program Discrimination Complaint Form, AD-3027, found online at http://www.ascr.usda.gov/complaint_filing_cust.html, and at any USDA office, or write a letter addressed to USDA and provide in the letter all of the information required in the form. To request a copy of the complaint form, call (866) 632-9992. Submit your completed form or letter to USDA by: (a) mail: U.S. Department of Agriculture, Office of the Assistant Secretary for Civil Rights, 1400 Independence Avenue, SW,

Washington, D.C. 20250-9410; (2) fax: (202) 690-7442; or (3) email:
program.intake@usda.gov.

Applying a Geographical Preference. 7 CFR_ Part 210.21(g) **(Only use if applicable)**

The District seeks to increase its purchase of seasonal, minimally processed fresh fruits and raw vegetables as part of the Farm to School

- Program. Reasons for purchasing local products include the potential cost
- savings, nutrition education for students, and quality of product.
 - The District is interested in the following locally grown products: produce.
 - The contractor will make every effort to provide the District with locally grown products according to the definitions below.
 - Locally Grown: Grown in the Northwest - Washington or Oregon States. Minimally processed: Includes refrigerating, adjusting size (peeling, slicing, dicing, cutting, chopping), washing, packaging and adding ascorbic
- acid or other preservatives to prevent oxidation or produce (as described
- in USDA's Final Rule of Geographic Preference).
 - All products designated under the geographic preference clause shall be labeled with its designating origin (grower name and address/state or
- area of production) on each case/invoice delivered.
 - Locally grown products should be generally free from insect damage and decay (flexible on grading for produce only per USDA guidance). Produce
- items are to be rinsed, cleaned and packed in appropriate commercial
- produce packaging such as waxed cardboard boxes or sanitary/reusable bins.
- Specifications will be prepared and provided to potential vendors/contractors desiring to submit IFB or RFP for the products or services requested. Vendors/contractors will be selected using the District's procedures such as:
 - Does the vendor's product meet the required specifications?
 - Does the vendor's delivery schedule meet the District's needs?
 - Other Criteria that each District determines is of value to them.
- If any potential vendor/contractor is in doubt as to the true meaning of specifications or purchase conditions, an interpretation will be provided by the District Clerk (Superintendent) or a District Deputy Clerk (Business Services Director or Facilities Director).
- The District's Facilities Director is responsible for securing all flab's or RFP's for the construction or repair of District facilities (public improvements) or for student transportation. The District's Business Services Director is responsible for all other IFB's or RFP's.
- The Grant Manager of each specific grant is responsible to ensure all District procurements are conducted in compliance with applicable Federal regulations, State General Statutes and policies of the District.
- The following criteria will be used in awarding contracts as a result of bids. (Examples: quality, delivery, service, etc.)
 - Price
 - Service
 - Quality
 - Geographic Preference
- In awarding a competitive negotiation (RFP), a set of award criteria in the form of a weighted evaluation sheet will be provided to each bidder in the initial bid document materials. Price alone

is not the sole basis for award, but remains the primary consideration when awarding a contract. Following evaluation and negotiations, a firm fixed price or cost reimbursable contract is awarded.

- The contracts will be awarded to the responsible bidder/proposer whose bid or proposal is responsive to the invitation and best meets the needs of the District, price, and other factors considered. Any and all bids or proposals may be rejected in accordance with law.
- The responsible District Deputy Clerk (Business Services Director or Facilities Director) is required to sign on the bid tabulation of competitive sealed bids or the evaluation criterion score sheet of competitive proposals signifying a review and approval of the selections.
- The Grant Manager of each specific grant will review the procurement system to ensure compliance with applicable laws.
- The Grant Manager of each specific grant is responsible for documentation that the actual product specified is received.
- Any time an accepted item is not available, the Grant Manager of each specific grant will select the acceptable alternative. The vendor/contractor must inform the Grant Manager of each specific grant within **24 hours** of placing an order that a product is not available. In the event a non-domestic/agricultural product is to be provided to the District, the contractor must obtain, in advance, the written approval of the product. The Grant Manager of each specific grant must comply with the Buy American Provision (if the District participates in NSLP, SBP or USDA Foods).
- Full documentation as to the reason an accepted item was unavailable, and to the procedure used in determining acceptable alternates, will be available for audit and review.
 - The Grant Manager of each specific grant is responsible for maintaining all documentation of the procurement process.

Cost/Price Analysis for Federal Procurements in Excess of \$150,000

In accordance with the requirements in 2 CFR__ 200.323, 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 **\$150,000**. The method and degree of analysis is dependent on the facts surrounding the particular procurement situation; however, the District will come to an independent estimate prior to receiving bids or proposals (2 CFR__ 200.323(a)). The cost analysis or price analysis, as appropriate for the particular situation, will be documented in the procurement files.

Accordingly, the District performs a cost or price analysis in connection with every federal procurement action in excess of **\$150,000**, including contract modifications, as follows:

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

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

competition.

When performing a cost analysis, the appropriate District Deputy Clerk (Business Services Director or Facilities Director) negotiates profit as a separate element of the price. To establish a fair and reasonable profit, consideration is given to the complexity of the work to be performed, the risk borne by the contractor, the contractor's investment, the amount of subcontracting, the quality of its record of past performance, and industry profit rates in the surrounding geographical area for similar work (2 CFR__ 200.323(b)).

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

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

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

Non-Competitive Negotiation Procedures (only with State Agency approval)

If items are available only from a single source (aka Sole Source) when the award of a contract is not feasible under simplified acquisition purchase, IFB or RFP Non-Competitive Negotiation procedures will be used: (must have prior approval from State Agency before executing. (2 CFR__ 200.320))

- Written Specifications will be prepared and provided to the vendor/contractor. § The Appropriate Deputy District Clerk (Business Services Director or Facilities Director) is responsible for the documentation of records to fully explain the decision to use the noncompetitive negotiation. The records will be available for audit and review.
- The Grant Manager of each specific grant is responsible for documentation that the actual product or service specified was received.
- The appropriate Deputy District Clerk (Business Services Director or Facilities Director) is responsible for reviewing the procedures to be certain all requirements for using single source or non-competitive negotiation are met.
- Non-competitive negotiations shall be used for one-time purchases of a new food item in order to determine food acceptance by students and for samples for testing purposes. A record of noncompetitive negotiation purchase shall be maintained by the Business Services. The record of noncompetitive purchases shall include, at a minimum, the following:
 - Item name
 - Dollar amount
 - Vendor/contractor, and
 - Reason for non-competitive procurement

Emergency Procurement

If it is necessary to make an emergency procurement to continue service, the purchase shall be made, and a log of all such purchases shall be maintained by the Grant Manager of each specific grant. The following emergency procedures shall be followed. All emergency procurements shall be approved by the Business Services Director. At a minimum, the following emergency procurement procedures shall be documented:

- Item name
- Dollar amount
- Vendor/contractor, and
- Reason for emergency

Record Keeping

The vendor/contractor shall agree to retain all books, records and other documents relative to the contract agreement for three (3) years after final payment. The District, its authorized agents, State Agency, and/or USDA auditors shall have full access to and the right to examine any of said materials during said period.

The District shall maintain, at a minimum, the following documents:

- Written rationale for the method of procurement;
- A copy of the original solicitation;
- The selection of contract type;
- The bidding and negotiation history and working papers'
- The basis for contractor selection;
- Approval from the State agency to support a lack of competition when competitive bids or offers are not obtained;
- The basis for award cost or price;
- The terms and conditions of the contract;
- Any changes to the contract and negotiation history;
- Billing and payment records'
- A history of any contractor claims; and
- A history of any contractor breaches.

Equipment Purchases

If the amount of purchase for equipment is greater than **\$5,000**, the following procedure is used. Equipment means tangible personal property (including information technology systems) having a useful life of more than one (1) year and per-unit acquisition cost which equals or exceeds the lesser of the capitalization level established by the non-Federal entity for financial statements purposes, or **\$5,000**.

During an administrative review, as required by 7 CFR_ Part 210.18, and audits as required by 2 CFR__ 200.501 the District's equipment purchases will be reviewed. Districts may purchase any equipment from the Pre-Approved Capital Equipment List following proper Federal, State, or local procurement procedures, as applicable, without submitting a Capital Equipment Purchase Request to the Agency for approval.

- Written specifications will be prepared and provided to vendors.
- Each vendor will be contacted and given an opportunity to provide a price quote on the same specifications. A minimum of two (2) vendors shall be contacted, three (3) if over **\$10,000**.

- The price quotes will receive appropriate confidentiality before award.
- If using USDA funding for the purchase, the District will seek prior approval from the Oregon Department of Education by completing the Capital Expenditure Pre- Approval Request.
- Quotes will be awarded by the Grant Manager of each specific grant. Quotes awarded will be to the lowest and best quote based upon quality, service availability, price, and/or other specifications.
- The Grant Manager of each specific grant is responsible for documentation of records to show selection of vendor, reasons for selection, names of all vendors contacted, price quotes from each vendor, and written specifications.
- The Grant Manager of each specific grant is responsible for documentation that the actual product specified is received.

Code of Standards of Conduct

The District must maintain a written code of standards of conduct (2 CFR__ 200.318 and 7 CFR_210.21) that includes procedures that govern the performance of its officers, employees, or agents who are engaged in the award and administration of contracts supported by Federal Funds.

The following conduct will be expected of all persons who are engaged in the awarding and administration of contracts supported by Federal or other District Funds.

- No employee, officer or agent of the District shall participate in the selection or in the award or administration of a contract supported by program funds if a conflict of interest, real or apparent, would be involved.
- Conflicts of interest arise when one of the following has a financial or other interest in the firm selected for the award:
 - The employee, officer or agent;
 - Any member of the immediate family;
 - His or her partner;
 - An organization which employs or is about to employ one of the above;
 - A less-than-arm's-length transaction.

This is one party's ability to control or influence the other party to the transaction. A less-than-arms-length transaction occurs:

- when a transaction is conducted between related parties, meaning that the integrity of the transaction could be compromised;
- When one party to the transaction is able to control or influence the actions of the other party.
- Examples could include:
 - Hiring the CEO's brother as a janitor.
 - Purchasing goods or services from a business owned by an officer, employee, or relative of the District's entity.
 - Agreement for computer maintenance between a business and person who are related to the District's employees or board members.
- The District's employees, officers or agents must not solicit or accept gratuities, favors, or anything of monetary value from prospective contractors/vendors, potential contractors, or parties of subcontract.
- The District must set standards when financial interest is not substantial or the gift is an unsolicited item of nominal value and may be acceptable. See Board Policies GBC, GBC-AR and GBI
- Depending upon the infraction, staff who violate the code of conduct will receive progressive discipline ranging from a discussion and letter of expectation to possible termination.

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Minority, Women Owned and Small Business

The District must take all necessary affirmative steps to assure that minority business, women business enterprise, and labor surplus area firms are used when possible. (2 CFR__ 200.321, 7 CFR_ 226.22, and 7 CFR_ 225.17)

The following affirmative steps must be used in determining if a firm is available:

- Placing qualified small and minority businesses and women's business enterprises on the solicitation lists;
- Assuring that small and minority businesses 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.

A resource available to use is Certification Office for Business Inclusion and Diversity (COBID). This site provides information on Minority/Women Business Enterprise (MWBE), Emerging Small Business (ESB) and Disadvantaged Business Enterprise (DBE). <http://www.oregon4biz.com/How-We-Can-Help/COBID/>

Intergovernmental Agency

The District is encouraged to enter into state and local intergovernmental agreements or inter-entity agreements where appropriate for procurement or use of common or shared goods and services. (2 CFR__ 200.318)

The District entity alone must be responsible, in accordance with good administrative practice and sound business judgment, for the settlement of all contractual and administrative issues arising out of procurements. These issues include, but are not limited to, source evaluation, protests, disputes, and claims. These standards do not relieve the non-Federal entity of any contractual responsibilities under its contracts. The Federal awarding agency will not substitute its judgment for that of the non-Federal entity unless the matter is primarily a federal concern. Violations of law will be referred to local, State, or Federal authority having proper jurisdiction. (2 CFR__ 200.318)

Debarment

The District is prohibited from doing business with any individual/company that is suspended or debarred. For all payments/contracts over \$25,000 the District must check with www.sam.gov to ensure that the individual/company is not listed as suspended/debarred.

Additional Internal Controls

In addition to the controls listed above and the controls listed in the District's internal control plan the District does the additional procedures over federal grants:

- The District does very few procurements above **\$150,000** with federal funds. The primary exceptions are USDA contracts which must be pre-approved by the ODE Child Nutrition Program using their templates, and an occasional public improvement project.
- Fall IFB's or RFP's for procurements over **\$150,000** also require board approval.

J – Program Income

Background

Program income means gross income earned by a grant recipient that is directly generated by a supported activity or earned as a result of the federal award during the grant's period of performance. 2 CFR__ 200.80. Program income includes, but is not limited to:

- income from fees for services performed
- the use or rental of real or personal property acquired under federal awards & the sale of commodities or items fabricated under a federal award (costs to purchase or fabricate items must be allowable under the grant and the activities must be appropriate for the grant program)
- license fees and royalties on patents and copyrights
- principal and interest on loans made with federal award funds

Interest earned on advances of federal funds is not program income. Except as otherwise provided in federal statutes, regulations, or the terms and conditions of the federal award, program income does not include rebates, credits, discounts, and interest earned on any of these. 2 CFR_ 200.80. Additionally, taxes, special assessments, levies, fines, and other such revenues raised by a grantee are not program income unless the revenues are specifically identified in the federal award or federal awarding agency regulations as program income. Finally, proceeds from the sale of real property, equipment, or supplies are not program income (2 CFR_ 200.307).

Use of Program Income

Per federal regulations, the default method for the use of program income for the District is the deduction method. 2 CFR_ 200.307(e). Under the deduction method, program income is deducted from total allowable costs to determine the net allowable costs. Thus, prior to submitting the expenditure report, the amount of program income must be deducted from total expenditures. Program income will only be used for current costs unless the District is otherwise directed by ODE or other awarding agency. 2 CFR__ 200.307(e (1).

The District may also request written prior approval from the ODE (or other awarding agency) to use the addition method. Under the addition method, program income may be added to the Federal award. The program income must then be used for the purposes and under the conditions of the Federal award. 2 CFR_ 200.307(e (2)

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

Additional Internal Controls

In addition to the controls listed above and the controls listed in the District's internal control plan, the District does the additional procedures over federal grants:

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

M – Sub Recipient Monitoring

Background

Sub recipient and Contractor/Vendor Determinations – The District may pass through or subcontract federal financial assistance to assist in administering the objectives of a federal award. Each department will determine if the subcontractor meets the definition of a sub recipient or contractor/vendor. This determination will occur during the contract review process.

- Contractor/ Vendor. A contract is for the purpose of obtaining goods and services for the nonfederal entity's own use and creates a procurement relationship with the contractor/vendor. Characteristics indicative of a procurement relationship between the District and a contractor/vendor are when the contractor/vendor:
 - Provides the goods and services within normal business operations;
 - Provides similar goods or services to many different purchasers;
 - Normally operates in a competitive environment;
 - Provides goods or services that are ancillary to the operation of the federal award; and
 - Is not subject to compliance requirements of the federal award as a result of the agreement, though similar requirements may apply for other reasons.
- Sub recipient. A non-federal entity that receives a sub award from the District to carry out part of a federal award is considered a sub recipient. A sub recipient's activities may include, but are not limited to:
 - Determining eligibility;
 - Having performance measured in relation to carrying out federal award objectives;
 - Making programmatic decisions;
 - Adhering to applicable program requirements specified by the federal award agreement; and
 - Using federal financial assistance to carry out program services for a public purpose.
- Sub recipient Monitoring. When the District uses a sub recipient for the purpose of carrying out a portion of a Federal Award, the District must perform the following monitoring activities:
 - Ensure the sub award includes the required information as defined in Section 200.331 (a) under the Uniform Guidance;
 - Evaluate the sub recipient's risk of noncompliance with federal statutes, regulations and terms and conditions of the sub award for purposes of determining the appropriate sub recipient monitoring;
 - Monitor the activities of the sub recipient as necessary to ensure the sub award is used for

authorized purposes, is in compliance with federal regulations and goals are achieved as defined by the sub award;

- Verify that the sub recipient is audited as required by the Uniform Guidance, Subpart F – Audit Requirements, and consider the results of those audits that might necessitate further action. If an audit is not required, ensure adequate documentation is obtained for the reason and is appropriate;
- Provide other monitoring as determined necessary by the risk assessment or the federal award agreement; and
- Take enforcement action on noncompliant sub recipients.

Additional Internal Controls

In addition to the controls listed above and the controls listed in the District's internal control plan the District does the additional procedures over federal grants:

The Grant Accountant and Business Services Supervisor ensure that all sub recipients comply with the above procedures and keep records of all these procedures in the Grant file.

Specific Grant Guidance

All federal grants follow the procedures above, these procedures are general in nature, and at times separate procedures for individual grants are warranted. See additional procedures below for specific grant requirements.

Child Nutrition Programs

USDA requires five (5) specific areas to be addressed in writing. Most are addressed above or are in the District's Internal Control plan. See the notations below for additional procedures.

- Fiscal integrity of all Program funds
 - The above procedures and the separate internal control documents and board policies, help to ensure that all revenues and costs are approved, allowable and in line with federal guidance.
 - The District maintains a separate fund (Fund 294) in the general ledger to help ensure that no funds are used for unallowable purposes.
- Accountability of all expenses
 - The above procedures and the separate internal control documents and board policies, help to ensure that all revenues and costs are approved, allowable and in line with federal guidance.
 - All revenues are coded by program and CFDA# using a separate account object.
 - All expenses are coded by program using a separate account function.
 - The District maintains a separate Child Nutrition Programs Procurement Plan which was approved by ODE. This plan is available to all District staff in the District's shared Google Drive.
- Program funds are only used for authorized Program purposes
 - The above procedures and the separate internal control documents and board policies, help to ensure that all revenues and costs are approved, allowable and in line with federal guidance.

- The District maintains a separate fund in the general ledger to help ensure that no funds are used for unallowable purposes.
- Safeguards are in place to prevent improper financial activities
 - The above procedures and the separate internal control documents and board policies, help to ensure that all revenues and costs are approved, allowable and in line with federal guidance.
 - The District maintains a separate fund in the general ledger to help ensure that no funds are used for unallowable purposes.
- In cases where federal grants have limitations on indirect or administrative costs, the Business Services Supervisor and specific Grant Manager are responsible to assure these requirements are met:
 - The District coordinates with its food service contractor, currently Sodexo, to assure Child and Adult Care Food Program (CACFP) administrative costs do not exceed the regulatory limits, which currently (2021) are **not to exceed 15 percent** of the grant.
 - Some federal grants do not allow or limit an allocation of indirect overhead, which is typically noted in the ODE Sub Grant Award Notification (SAN). The Business Office Supervisor, Grant Accountant and specific Grant Manager assure compliance with these requirements.
 - The District only uses the District's annual ODE approved Indirect Rate to charge indirect costs to specific grants.