



# Federal Funds Handbook



Revised 2016/2017 Edition  
<http://education.nh.gov/>

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## **PREFACE**

This comprehensive handbook sets forth federal requirements while giving what we hope are helpful details about each subject. In addition, it provides guidance in applying for federal funds; documenting and accounting for transactions associated with federally funded programs; and the single audit concept.

Please note that this manual may not be all inclusive of every regulation pertinent to federal grants.

You will note several references in this manual to the Super Circular 2 CFR 200 – Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.

Listed below is the Super Circular website:

[http://www.ecfr.gov/cgi-bin/text-idx?SID=6214841a79953f26c5c230d72d6b70a1&tpl=/ecfrbrowse/Title02/2cfr200\\_main\\_02.tpl](http://www.ecfr.gov/cgi-bin/text-idx?SID=6214841a79953f26c5c230d72d6b70a1&tpl=/ecfrbrowse/Title02/2cfr200_main_02.tpl)

## SCHEDULE OF PUBLIC LAWS AND REGULATIONS

| PUBLIC LAW # | TITLE   |
|--------------|---|
| 42-11431     | McKinney-Vento Homeless Assistance Act 2001 74-271<br>Social Security Act plus Amendments                             |
| 88-352       | Civil Rights Act of 1954 (Title IV)   |
| 89-313       | Chapter I – Handicapped   |
| 91-230       | Adult Education Act   |
| 92-318       | Education Amendments of 1972 (Title IX)   |
| 93-112       | Rehabilitation Act of 1973 (Vocational Rehabilitation) 94-142<br>Education of all Handicapped Children Act            |
| 94-482       | Education Amendments of 1976  |
| 95-40        | Technical Amendments to the Education Amendments of 1976 95-524<br>CETA Amendments of 1978                            |
| 95-561       | Education Amendments of 1978  |
| 95-612       | Amendment to Rehabilitation Act of 1973   |
| 97-35        | Education Consolidation and Improvement Act of 1981 (ECIA) 98-211<br>1983 Amendments to ECIA                          |
| 98-502       | Single Audit Acts of 1984   |
| 98-524       | Carl D. Perkins Vocational Education Act<br>Technical Amendments to the Carl D. Perkins Vocational Education Act 101- |
| 336          | Americans with Disabilities Act of 1990   |
| 102-73       | National Literacy Act of 1991   |
| 103-227      | Safe Schools Act of 1994  |
| 103-239      | School-To-Work Opportunities Act of 1994 103-   |
| 382B         | Improving America’s School Act  |
| 105-220      | Workforce Investment Act  |
| 105-332      | Carl D. Perkins Amendment of 1998   |
| 107-110      | No Child Left Behind Act of 2001  |
| 194-B        | Charter Schools and Open Enrollment Act   |

## Chapter 1

### **INTRODUCTION**

#### PURPOSE

This manual provides guidance to recipients of federal funds distributed by the State of New Hampshire's Department of Education (SEA). It establishes uniform requirements related to the administration of projects for all U.S. Department of Education (ED) grants, except where inconsistent with federal statutes, regulations, or other terms of a grant. This manual does not apply to for-profit organizations, or to individuals. Hospitals operated by a government and institutions of higher education are only subject to provisions applicable to non-governmental organizations

#### STANDARDS OF FEDERAL FUNDS ACCOUNTING AND SAU/SCHOOL DISTRICT ACCOUNTING

Standard accounting procedures are to be uniformly applied to all federally funded projects. Each project requires a complete, separate, and autonomous accounting record. The financial system should encompass all financial transactions. A LEA financial system contains three essential functions:

1. Disbursing Function: Receives and pays out cash. This is the responsibility of the LEA.
2. Entitlement Determination Function: Determines the funds available to an employee or vendor, and prepares the necessary manifests. The LEA performs this function, with a separate and proper authority approving all manifests prior to payment.
3. Accounting Function: Maintenance of journals, ledgers, and related files. The LEA performs these functions.

The LEA's financial system acts as an intermediary for a federally funded project. They receive all cash coming in for the project, and make all payments related to the project. All disbursements vouchers (manifests), which are recorded in the federal funds ledger described in this manual, are copies of manifests originally paid by the LEA and recorded as expenditures in the LEA financial system. Copies of manifests processed through the LEA financial system are posted to the federal funds ledger.

#### COST PRINCIPLES

These principles are designed to guarantee that federally assisted programs bear their fair share of costs. They should be:

- Necessary – the expenditure must be necessary to carry out the purpose of the grant.
- Reasonable – the expenditure must be what a reasonable person would be expected to pay for the goods/services.
- Allowable – the expenditure must be authorized within the grant, be conformed to

- cost principles, and not be prohibited by federal, state or local law.
- Consistent – the expenditure must be consistent with how other expenditures are made by the grant recipient.

In addition, costs cannot be shifted to other federal grant programs to overcome fund deficiencies, avoid restrictions, or for other similar reasons.

The composition of costs includes allowable direct and indirect cost, less applicable credits.

## OVERVIEW OF ACCOUNTING FOR FEDERAL FUNDS

1. Accounting and reporting requirements can be satisfied by maintaining an accounting system that has adequate internal accounting controls. In addition, there must be detailed records that support receipts and expenditures, as well as timely reporting of grant activity.
2. Development and implementation of internal controls are the responsibility of the grant recipient. Significant weaknesses disclosed in this area will be addressed as SEA reviews are conducted, or found within the annual audit performed in accordance with Chapter 18. Significant weaknesses or Audit Findings disclosed as a result of the yearly audit will prompt the need for corrective action.
3. This manual's prescribed accounting system is consistent with generally accepted accounting principles, and federal requirements.
4. The principle characteristics of the system are briefly discussed.
  - a. The manual provides for reports depicting financial information during the life of the project, and upon project completion. Separate records, as well as supporting documents are required for each project. The core of the system is the federal funds ledger and related files. Each project is assigned a number to facilitate accounting.
  - b. Project Number. Funds are awarded to recipients based on an approved project application. Each approved project will be assigned a project number. A typical project number consists of five digits. EXAMPLE – Project # 63510
    - i. The first digit always identifies the [state) fiscal year. In this example, "6" stands for fiscal year ending June 30, 2016. Next fiscal year will be identified as "7" and so on.
    - ii. Centralized Federal Funding assigns blocks of numbers to each DOE program office, i.e., Titles VI, IX, Chapters I and II or VE and ABE. The program office assigns the numbers to the approved projects numerically, lowest to highest. The "3510" portion of the project account number denotes the 3510th project.
  - c. Federal Funds Ledger. All financial data pertaining to transactions negotiated with federal funds are recorded in the federal funds ledger. A separate ledger, or spreadsheet document, is maintained for each project. The philosophy and mechanics of the federal funds ledger are discussed in Chapter 9.

- d. Project Files (PF). There must be four files maintained for each project. The files support the federal funds ledger and are fully discussed in Chapter 10.
  - e. Reports. Centralized Federal Funding requires several types of reports. Quarterly reports are submitted via the Online Grants Management System four times each year.
  - f. Reconciliations. See Chapter 11 for more information.
  - g. Pooling of Funds Concept. All monies belonging to the recipient, which are not legally restricted, could be available to apply against obligations of the recipient, without regard to the project or their source of funding. Funds do not have to be deposited in a separate federal funds account. Separate checking accounts are unnecessary, except when payments to the recipient are made on a "check-paid" basis, since the federal funds ledger is designed to reflect the status of funds. The quarterly reports show collectively the cash received and disbursed for federal projects. Chapter 14 discusses project income, and interest/investment income earned on advances of federal funds.
  - h. Audit. The audit function is an integral element of the federal fund[s] financial management system. This function is discussed in Chapter 18.
  - i. Advance Funding. The SEA is authorized to provide advance funding to cover project costs expected to be incurred before the next funding cycle. Initial project funding would cover costs from the beginning date of the project, and extend one month beyond the first reporting date. Subsequent funding would cover the next quarter period plus one month. Funding can be suspended for violations of this manual, and under certain other conditions. Chapter 8 contains more information regarding this subject.
5. The accounting system established by this manual, in compliance with federal regulations, requires a modified accrual accounting basis. Modified accrual accounting is based on revenues being recognized in the period when they become available, and measurable (known).
6. Income is recorded in the federal funds ledger when it becomes available to the grant recipient. See Chapter 14 for information on income. Obligations, also referred to as encumbrances, are recorded when the liability is incurred. Examples of obligations are the amounts for orders placed, contracts and sub grants awarded, services received, and similar transactions during a given period requiring payment during the same, or a future period.

The following table shows when a recipient makes obligations for various kinds of property and services.

---

|  |  |
|--|--|
| (a) Acquisition of real or personal property.                                  | On the date on which the recipient makes a binding written commitment to acquire the property. |
| (b) Personal services by an employee of the recipient.                         | When the services are performed.   |
| (c) Personal services by a contractor who is not an employee of the recipient. | On the date on which the recipient makes a binding written commitment to obtain the services.  |
| (d) Performance of work other than personal services.                          | On the date on which the recipient makes a binding written commitment to obtain the work.      |
| (e) Public Utility services  | When the recipient receives the services.  |
| (f) Travel   | When the travel is taken.  |
| (g) Rental of real or personal property  | When the recipient uses the property.  |

## Chapter 2

### **APPLYING FOR FEDERAL FUNDS**

#### GENERAL

1. The N.H. Department of Education has instituted an online grants management system. The handbook which provides funding requirements and information is as follows:  
[http://www.education.nh.gov/data/documents/grants\\_manage\\_handbook.pdf](http://www.education.nh.gov/data/documents/grants_manage_handbook.pdf)
2. The approval of projects is based on a project application. Applicants should not incur obligations until the project application is approved.
3. Non-LEA's must use, at a minimum, the Revenue Accounts and the Function and Object Code classifications. The SEA will assist in determining the appropriate codes. Chapter 8 of this manual lists and describes the major function and object codes.
4. Costs incurred must be in accordance with the approved budget. The budget is the financial control and method of ensuring that project objectives are carried out.
5. If any of the following conditions occur, examples a-h, recipients must request budget or program revisions, and receive written approval from the SEA.
  - a. The scope or objective of the project changes.
  - b. The total approved budget might be exceeded.
  - c. It is recognized that indirect costs are needed to absorb direct costs.
  - d. It is necessary to transfer funds between Function Codes. Cumulative revisions up to 10% of the total budget need not be approved, except for contracted services (Object Code 300), equipment (Object Code 700) and Indirect Costs.
  - e. Changes in key personnel could alter the project's scope or effectiveness.
  - f. Financial assistance is provided to a third party or actual substantive programmatic work is to be transferred to a third party.
  - g. A budget is revised due to transfer of amounts for student support.
  - h. Requests for extensions on the project period when appropriate and circumstances require such a request.

#### PROJECT APPLICATION

1. When applying for a grant, consideration must be given to the following:
  - a. Project goals and objectives must be clearly identified.
  - b. Proposed expenditures must relate to project goals and objectives.
  - c. The proposed "project beginning date".
  - d. Work papers must be available to support the budget. These work papers must separately list the cost of materials, services and equipment requested to support the project. These costs must be in accordance with project goals and objectives.

Some examples of costs associated with grants are:

**Personnel.** Personnel costs should be identified by the position or task to be performed, number of personnel requested, and charges to be incurred for each person. The applicant must relate these charges to the budget. Positions or personnel requests should be based on standards and referenced thereto. In the absence of written standards, the rationale underlying the request for these personnel should be stated.

**Equipment.** Equipment must be specifically identified and justified. Justification should include its purpose, why it is necessary, how it will be used, and the number of people it will service or the workload it will fulfill.

**Services.** Services must be specifically identified and justified. Justification should include its purpose, why it is necessary, how it will be used, and the number of people it will service or the workload it will fulfill. Services that provide medical treatment, entertainment, recreation, and catering are to be specifically identified by date, place, and purpose.

**Indirect Costs.** Indirect costs, if allowable, may be included in the project budget. The percentage used must be the one approved by the SEA or as stated in a grant program. Chapter 4 includes a computation example and additional information.

#### TO WHOM AWARDS WILL BE MADE

1. Projects will be approved and awarded to applicants who meet state and federal requirements. The fiscal agent, as designated on your application, will receive the funding, and bear the responsibility for the management of funds. The project manager is responsible for program content and certification that expenditures are appropriate. The applicant designates the fiscal agent and the project manager. All payments and documentation are the responsibility of the designated fiscal agent. The designated fiscal agent must comply with all requirements, and is responsible for all project accounting records and files.
2. On occasion, an LEA will act as the fiscal agent for an entity outside of the SAU, such as in the case of a Charter School. In the event an arrangement of this nature takes place, all parties must realize that the designated fiscal agent cannot redesignate responsibility for the project. The designated fiscal agent must comply with all requirements, and is responsible for all project accounting records and files.

## **RESPONSIBILITIES OF THE PROJECT MANAGER**

1. The Superintendent for LEA's and appropriate officials for NON-LEA's must designate a project manager for each proposed project. This person performs a critical role in the federal funds accounting system. The responsibilities of this position include overall project administration, as well as specific duties listed below:
  - a. Ensure that the fiscal agent for the recipient receives copies of all correspondence and documentation affecting the project.
  - b. Ensure that the project is implemented in accordance with the provisions stated in the approved project, applicable federal and state laws, and any other regulations and directives.
  - c. Initiate procurement requests and ensure they are in accordance with prescribed procedures. (See Chapter 16)
  - d. Stay within the budget limitation allowances.
  - e. Ensure that all procured materials and services are necessary to carry out the project objectives.
  - f. Request project amendments as necessary.
  - g. Ensure that only approved materials, equipment or services are procured.
  - h. Ensure that the official accounting records contain only approved charges.
  - i. Comply with property management and control requirements (See Chapter 15).
  - j. Ensure that purchasing requirements are met (See Chapter 16).
  - k. Assist in the development of cash requirement requests.
  - l. Ensure the timely submission of support documentation for all obligations and disbursements.
  - m. Maintain supporting working papers and other relevant data to substantiate the project budget, expenditures, and disbursements.

## Chapter 4

### **INDIRECT COSTS**

This chapter is related to accounting for indirect costs and explains basic guidelines. For purposes of clarity, this chapter has been divided into the following sections: Basic Principles and Information Relevant to Indirect Costs; How to Compute Indirect Costs; LEAs, State Agencies, and Other Agencies. The Basic Principles and How to Compute sections apply to all grant recipients.

A recipient's eligibility to charge indirect costs may be discussed with the SEA. Questions on accounting procedures for indirect costs should be directed to the SEA Internal Audit Section.

#### **BASIC PRINCIPLES AND INFORMATION RELEVANT TO INDIRECT COSTS**

1. Applicable definitions include:

a. Direct costs: Direct costs are those costs that can be identified specifically with a particular final cost objective, such as a Federal award, or other internally or externally funded activity, or that can be directly assigned to such activities relatively easily with a high degree of accuracy. Costs incurred for the same purpose in like circumstances must be treated consistently as either direct or indirect (F&A) costs.

Reference: 2CFR200 Subpart E-Cost Principles 200.413

b. Indirect costs: For major IHEs (Institutions of Higher Education) and major nonprofit organizations, indirect (F&A) costs must be classified within two broad categories: "Facilities" and "Administration." "Facilities" is defined as depreciation on buildings, equipment and capital improvement, interest on debt associated with certain buildings, equipment and capital improvements, and operations and maintenance expenses. "Administration" is defined as general administration and general expenses such as the director's office, accounting, personnel and all other types of expenditures not listed specifically under one of the subcategories of "Facilities" (including cross allocations from other pools, where applicable). For nonprofit organizations, library expenses are included in the "Administration" category; for institutions of higher education, they are included in the "Facilities"

Reference: 2CFR200 Subpart E-Cost Principles 200.414

2. Indirect costs can only be charged by the use of an approved indirect cost rate. The SEA Bureau of Data Management establishes and maintains a listing of approved rates.
3. An approved indirect cost rate is not by itself a legal basis by which to charge a project for indirect costs. Indirect costs must be approved as part of the project budget. Indirect cost expenditures cannot exceed the amount authorized in the approved or amended project budget.
4. The indirect costs charged to a project using a valid, approved rate require no further accountability. The method used to determine the indirect cost rate is subject to audit, and

work papers relating thereto must be retained.

5. All charges must be obligated before the project period ends. If the LEA wishes to change the amount of indirect cost charged, this change must be requested before the project end AND must be requested in writing in order to provide an audit trail. The indirect costs will be based on the direct charges expended for the project prior to the project period expiration. These are recorded in the Federal Cash Expended column of the federal funds ledger and unexpended obligations in the Funding Authority Obligated column.

6. All expenditures posted in the federal funds ledger must be documented and related to the When the indirect cost expenditure is recorded in the federal funds ledger it should be identified separately in an Expenditure Accounts Section.

7. When the indirect cost expenditure is recorded in the federal funds ledger, it should be identified separately in an Expenditure Accounts Section.

8. There must be consistent application of all costs.

9. Personnel costs that are prorated and charged as a direct expense to a federal project must be explained and the rationale for the charge explicitly stated. Daily time sheets or comparable documents identifying the hours charged to all work areas must support the expenditure.

10. Each project's report of obligations would include the appropriate indirect cost charges.

11. The project's report of disbursements must be prepared when all obligations have been liquidated and final disbursements made. Additional adjustments to indirect costs must be made prior to submission to the SEA if direct costs are different than those recorded on the project's obligations report.

12. Federal regulations state that the indirect costs cannot exceed the rate times the direct charges.

#### HOW TO COMPUTE INDIRECT COSTS

1. Application and budget calculation:

The total grant allocation divided by 1.xxx = total available for direct costs (.xxx = approved indirect cost rate converted to a decimal).

The total grant allocation less direct costs = allowable indirect costs. In the example that follows, 3.5% is the approved indirect cost rate used against a total grant allocation of \$20,000.

EXAMPLE:  $\$20,000 \div 1.035 = \$19,323.67 = \text{direct costs}$   
 $\$20,000 - \$19,323.67 = \$676.33 \text{ indirect cost allowed if all direct costs are expended.}$

NOTE: rounding up is not permitted when calculating indirect costs.

2. For comparing actual indirect cost earned at any time during the grant period or for closing out the grant, multiply the actual direct expenses as recorded in federal cash expended column of your federal funds ledger and multiply by .xxx as approved on your original project application. The following example assumes an approved indirect cost rate of 3.5% and direct costs totaling \$19,200.

EXAMPLE:  $\$19,200 \times 3.5\% = \$672$  or a total of \$19,872 charged to the project, leaving \$128 balance not obligated.

NOTE: Unless additional expenses are obligated during the grant period any advance funding will have to be returned to the SEA.

#### LOCAL EDUCATION AGENCIES (LEAs)

1. The indirect cost rate for each LEA must be approved annually by the SEA.

## Chapter 5

### **SUPPLEMENTING VS. SUPPLANTING Q&A**

Listed below are several questions and answers relevant to the area of supplementing vs. supplanting.

- Q 1. An LEA has hired a Director of Literacy as a K-12 administrative position. All the Title I schools in the LEA are K-5 targeted assistance schools. Thirty percent of the students in the LEA receive Title I services. May Title I pay for 30 percent of the Literacy Director's salary?
- A 1. No. This is a K-12 position and this employee is responsible for literacy services for all children in the LEA, not just at-risk children in Title I schools. No supplemental services are being provided by the Literacy Director to Title I students. In other words, Title I students are receiving the same services that non-Title I students are receiving, and nothing more. This would be supplanting. In looking at this situation, it is also helpful to ask what the LEA would do in the absence of Title I funds. Since 70 percent of the students are non-Title I students, it is likely the Literacy Director would still be a necessary position that would be paid for with State and/or local funds.
- Q 2. May Title I funds be used in a targeted assistance program to pay for Title I students' participation in an extended day kindergarten program?
- A 2. Yes, if the Title I program is designed to extend the time that a Title I-eligible student is in kindergarten. For example, the district provides morning instruction through State and local funds to all students, including Title I students. Students identified as most in academic need are then served in the afternoon through Title I funds by an appropriately licensed teacher. The teacher may be the same individual who teaches kindergarten in the LEA's regular kindergarten program, with Title I funding the second half of the teacher's day and salary. This model meets the supplement, not supplant test since Title I students are receiving services beyond those provided by the LEA to all students.
- Q 3. May an LEA use State and local funds to pay for non-Title I students' participation in a full-day kindergarten?
- A 3. No. In the situation described in Q2, in which an LEA funds morning kindergarten instruction for all its students with State and local funds, the LEA may not provide afternoon kindergarten for non-Title I students with State and local funds while using Title I funds to provide afternoon kindergarten for Title I-eligible students. (This principle applies within a single Title I school, or across the district among Title I and non-Title I schools.) This would violate the supplanting prohibition because an LEA may not use Title I funds to provide services to Title I students that it provides with non-Title I funds for non-Title I students.

Q 4. May an LEA use Title I funds to pay for extended-day kindergarten costs for Title I eligible students, while parent contributions pay for non-Title I students?

A 4. Yes. Title I funds could be used to pay for extended-day kindergarten for Title I-eligible students while parents of non-Title I students pay to participate in the same program, provided that the program the non-Title I students are paying for is the same program as that being provided to Title I students with Title I funds at no cost to the Title I students.

This assumes that there are no State or local legal prohibitions to charging parents tuition or a fee for education provided by a public school.

Q 5. A teacher has been paid by local district funds in previous school years, and the district is now requesting this expense to be charged to a federal grant?

A 5. No. Federal guidelines stipulate that federal funds may only be used to support those programs that are grant related. Any salary paid to a particular teacher using federal funds must be documented by timesheets showing applicable grant activity. Otherwise, the teacher would continue to be paid with local district monies.

Reference: <http://www.ed.gov/programs/titleiparta/fiscalguid.doc>

## Chapter 6

### **COST SHARING OR MATCHING**

#### GENERAL

1. This chapter contains rules for satisfying federal requirements for cost sharing or matching. These rules apply whether the cost sharing or matching is required by federal statute or by other terms of the grant.

#### DEFINITIONS

2. For purposes of this chapter the following definitions apply:
- a. Cost sharing or matching. The value of third-party in-kind contributions and that portion of the costs of a grant-supported project or program not borne by the federal government. A cost sharing or matching requirement may not be met by costs borne by another Federal grant.
  - b. Third-party in-kind contributions. These costs count towards satisfying a cost sharing or matching requirement only where, if the party receiving the contributions were to pay for them, the payments would be allowable costs within the requirements of the federal grant.

#### APPLICATION OF RULES

3. Costs borne and allocable to a particular Federal award or cost objective may not be charged to other Federal awards to overcome fund deficiencies, or to avoid restrictions imposed by law or terms of the Federal awards.
4. Costs, nor the value of third party in-kind contributions, may count towards more than one cost sharing, or matching requirement of a federal grant agreement.
5. Costs financed by general program income are not allowable unless the terms of the grant expressly permit them.
6. Except as otherwise addressed above, costs incurred by grantee, subgrantee, or cost-type contractor that are allowable will meet the matching requirements.
7. There must be records that clearly support cost sharing and matching.
8. Valuations of grantee/sub grantee matching costs are generally accepted at current fair market value.

Reference: 2CFR200 Subpart D 200.306

## Chapter 7

### **STANDARDS FOR FINANCIAL MANAGEMENT SYSTEMS**

#### GENERAL

These standards apply to the SEA and recipients receiving funds from the SEA.

1. **Financial Reporting.** Sub-recipients' financial management systems shall provide accurate, current and complete disclosure of the financial results of each federally sponsored project in accordance with the grant or subgrant and SEA requirements.
2. **Accounting Records.** Records must adequately identify the source and application of funds for federally sponsored activities and must include information pertaining to grant awards, authorizations, obligations, unobligated balances, assets, outlays, interest and income.
3. **Internal Control.** Effective control of and accountability for all funds, property, and other assets shall be maintained. Recipients shall adequately safeguard all assets and assure they are used solely for authorized purposes.
4. **Budgetary Control.** The actual and budgeted amounts for each project shall be compared. If appropriate or specifically required, financial information shall be related to performance or productivity data.
5. **Advance Payments.** Written procedures shall be established to minimize the time elapsing between the advance of federal funds and disbursement of these funds.
6. **Allowable Costs.** Written procedures must be established for determining the reasonableness, allocability, and allowability of costs in accordance with the provisions of the applicable Federal cost principles and the terms and conditions of the award.
7. **Source Documentation.** Accounting records shall be supported by source documentation such as canceled checks, paid bills, payrolls, and contract and subgrant award documents.
8. **Audits.** A Certified Public Accountant, on an annual basis, shall perform audits. Audits will normally be made on an organizations wide basis to test the fiscal integrity of financial transactions and compliance with the terms of the projects. The audit will include examination of federal and state funds. A systematic method assuring timely and appropriate resolution of audit findings and recommendations must be established.

Please see Chapter 17 for further details regarding federal audit requirements.

## Chapter 8

### REPORTS AND OTHER DOCUMENTS

#### GENERAL

1. This chapter discusses project applications, as well as functions and object codes found in an application.
2. A serious accounting or financial control problem is basis for withholding funding and may result in the recipient receiving project cash only after submitting evidence that expenses have been paid. Example: continued delinquent submission of quarterly reports would be considered an accounting problem.

#### PROJECT APPLICATION BUDGET AND DESIGNATION OF PROJECT MANAGER/APPLICATION MANAGER

3. The budget estimate is prepared by the applicant as an integral part of the project proposal. The detailed budget is prepared using the lowest level of codes possible and summarized by major expenditure function and object codes as described in the N.H. Financial Accounting Handbook for LEAs. The Certifications related to the funding of a project and designation of project manager and fiscal agent are an integral part of the application.

A very general description of function and object codes is listed below. To view the codes in greater detail please go to page 70 of the N.H. Financial Accounting Handbook for LEAs. The handbook can be found on the SEA website at <http://www.education.nh.gov/data/financial.htm>

#### Description of Function Codes

|        |  |
|--------|--|
| 1000 = | Instruction General                              |
| 2000 = | Support Services -Students                       |
| 2200 = | Support Services - Instructional Staff           |
| 2300 = | Support Services - General Administration        |
| 2400 = | Support Services - School Administration         |
| 3000 = | Operation of Non-Instructional Services          |
| 4000 = | Facilities Acquisition and Construction Services |
| 5000 = | Other outlays                                    |
| 5200 = | Fund Transfers                                   |
| 5300 = | Intergovernmental Agency Allocations             |

## Description of Object Codes

|       |  |
|-------|--|
| 100 = | Personal Services - Salaries                   |
| 200 = | Personal Services – Employee Benefits          |
| 300 = | Purchased Professional and Technical Services  |
| 400 = | Purchased Property Services                    |
| 500 = | Other Purchased Services                       |
| 600 = | Supplies and Materials                         |
| 700 = | Property, Equipment, Furniture, Fixtures, etc. |
| 800 = | Other Objects/Indirect Costs]                  |
| 900 = | Other Uses of Funds/Indirect Costs             |

4. The proposed budget summarizes the budget data developed and supported by working papers, as discussed in Chapter 2. The project application itself must be amended in accordance with Chapter 2 when revisions are necessary. Working papers must be retained in accordance with Chapters 4 and 16.

## Chapter 9

### **FEDERAL FUNDS LEDGERS AND RELATED FILES**

1. The federal funds accounting system requires separate records and supporting documents. The federal funds ledger and related files are the key elements of the system.
2. A federal funds ledger must be maintained for each project number as assigned by the SEA.
3. Federal funds accounting procedures specify four (4) files are maintained for each project (noted below). These files are an integral part of the federal funds accounting system. Their proper maintenance serves two basic purposes:
  - a. To store data pertinent to the project that is not recorded in the federal funds ledger. For example, the project application and work papers relating to the development of the project budget and how resources will be used. This file is indispensable for justifying and supporting project funds requested and expended.
  - b. To house documents supporting financial transactions recorded in the federal funds ledger. These would include supporting documentation for the receipt of income, obligation of funds, and expenditure of cash. An explanation of most documents is contained in Chapter 12.

### PROJECT BUDGET FILE

4. This file should contain the data listed below:
  - a. Project Application and/or Proposal.
  - b. Budget data. Work papers that support the requested, approved, and revised budget.
  - c. Equipment requests and approvals.
  - d. Memoranda identifying personnel paid from project funds. When the federal portion of the salary payment is not 100%, a complete breakdown of the payment must show the individual, dollar amount, and percentage of total salary charged to the account.
  - e. Identification, justification and rationale for the proration of other expenses.

### FUNDING AND CASH RECEIPTS FILE

5. This file supports the funding authority received and federal cash received columns of the federal funds ledger. Federal cash withdrawals and transfers of cash documentation become part of this file.

## UNLIQUIDATED OBLIGATIONS FILE

6. This file contains copies of all unpaid obligating documents. When the obligation is paid, it should be attached to and filed with the corresponding payment voucher. In the event an obligation is partially paid, the obligating document, or an appropriately annotated substitute, must remain in the file.

7. The documents and balances in the file must always equal the funding authority obligated column of the federal funds ledger after subtracting the federal cash expended column total.

## DISBURSEMENTS FILE

8. All documents that liquidate an obligation or otherwise represent a payment against project funds must be in this file. Attached to these documents will be the paid obligating document, the bill or invoice, and the receiving report. The following are examples of disbursing documents:

- Vendor Voucher Manifests
- Payroll Manifests
- Checks/Electronic Documentation
- Miscellaneous Adjustment Documents

All documents must be cross-referenced to the federal funds ledger page and line number. When there are multiple amounts on the document, each amount posted must be specifically identified.

## SEGREGATION OF DUTIES

The segregation of duties is crucial to effective internal controls. It reduces error rates and allows for effective monitoring of funds and procedures.

No single person should be allowed to:

Both initiate and approve transactions

Record transactions and reconcile balances for those same transactions

Handle assets and review reports of those funds.

Specific examples of segregation of duties are:

The individual requisitioning goods and services should not be approving those same purchases.

The approval of purchases and the reconciliation of monthly financial reports should be done by two separate individuals.

Whoever maintains and reconciles accounting records should not be able to obtain custody of checks.

The person opening the mail and preparing a listing of checks received should be separate

from the individual making deposits, and separate again from whoever maintains the accounts receivable records.

It is important to keep transfers of cash from person to person to a minimum to discourage not only errors, but mishandling of funds.

Segregation of duties is a deterrent to fraud. However, in the event that functions cannot be separated, it is important that a detailed supervisory review of related activities be regularly performed.

## Chapter 10

### **PERSONNEL ACTIVITY REPORTS**

The guidelines for those individuals whose work is financed in whole or in part with federal funds must follow the directives contained in Super Circular 2CFR200,, Subpart E, 200.430, specifically 8 (i).

(4) Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:

- (a) More than one Federal award,
- (b) A Federal award and a non-Federal award,
- (c) An indirect cost activity and a direct cost activity,
- (d) Two or more indirect activities which are allocated using different allocation bases, or
- (e) An unallowable activity and a direct or indirect cost activity

(5) Substitute systems for allocating salaries and wages to Federal awards may be used in place of activity reports. These systems are subject to approval if required by the cognizant agency. Such systems may include, but are not limited to, random moment sampling, case counts, or other quantifiable measures of employee effort.

\* Please refer to Appendix C, Page 63 for a sample copy of a personnel activity report.

## Chapter 11

### **RECONCILIATIONS**

#### GENERAL

1. Reconciliations are an integral part of every good accounting system to ensure system integrity, and provide further assurance that transactions have been properly recorded. Federal funds accounting procedures require quarterly reconciliations of:
  - a. Project files to the federal funds ledger and related quarterly reports.
  - b. Cash receipts and disbursements reported on the quarterly report to LEA general accounting records
  - c. Treasurer's accounts (records) should be balanced to LEA records.
  - d. Any discrepancies which may arise during the reconciliation process should be examined and remedied in a timely manner.

## Chapter 12

### **DOCUMENTATION**

#### General

1. The validity of charges against federal funds depends on the supporting documentation. This includes documentation relating to the relevancy of a specific expenditure toward achieving the project's stated goals and objectives. Chapters 2, 8, 9, and 11 discuss documentation in general terms. This chapter outlines specific requirements and guidelines for supporting documentation relating to a valid transaction.
2. All charges to a federal project must be supported by a legitimate project application, and/or proposal. The project application and/or proposal must comply with appropriate laws and regulations. Restrictive covenants or requirements and other provisions of the application must be satisfied. As mentioned in Chapters 2, 8, 9, and 11, the funds requested to execute the project must be supported by data that can be audited and verified to the budget.
3. Funds are not available for obligation prior to the effective project period specified once the application is approved. That date will be the date federal funds are obligated, unless there is evidence to indicate an earlier obligating date.
4. Transactions must not violate local requirements and must meet applicable federal and state requirements.
5. Obligations are the value of orders placed, contracts and sub grants awarded, services received, and similar transactions during a given period, which will require payment during the same or a future period.
6. Every document that affects the funding authority must be recorded in the federal funds ledger in the appropriate columns. Postings to the federal funds ledger must be substantiated by valid supporting documents, which clearly identify each transaction. A completed transaction must be substantiated by a disbursement voucher, and related receiving report, invoice, and purchase order.
7. Characteristics of documents are:
  - a. Purchase Orders. This term is used to include purchase order documents, contracts or binding and specific agreements. These documents are to be classified as obligations and recorded to the Funding Authority Obligated column in the federal funds ledger. This applies to the acquisition of real or personal property, the construction of facilities, or the performance of work. An obligation exists on the date that a binding written commitment is made.
  - b. An obligation for personal services, services performed by public utilities, travel, or the rental of real or personal property, is incurred on the date the recipient receives the

services, personnel takes the travel, or the recipient uses the rented property. Documentation required for payment of services performed by an individual: name, address, social security #, date of service, description of service rendered, rates and costs, (hourly, or daily), and the number of hours, travel, or mileage, and supply costs. This list is not meant to be all inclusive.

c. Information Required on the Document. Identifying number, date, identity of supplier and recipient, description of purchase, unit of purchase, number of units purchased, total dollar amount for each item purchased, project number, appropriate approvals and/or authorizations, and distribution of purchase order.

d. Receiving Report. A special receiving report document can be used. Often a copy of the purchase order is designated as the receiving copy. Whatever method is used, the receiving report must correspond to the purchase order and contain the same basic data. The receiving report must show the date the order was received, units or quantity received, and signature or initials of receiver. A copy of the document must be returned to the recipient fiscal agent's office and matched to the purchase order and vendor invoice. Missing or damaged merchandise must be annotated on the receiving report.

e. Invoice. This is the bill from the vendor. As such, the buyer cannot dictate its format and content. However, the buyer can instruct that the invoice should contain information so that it can easily be related to a specific purchase order and receiving report.

f. Disbursement Voucher. There are different ways of referencing this document and maintaining the file. The disbursement transactions are usually evidenced by a vendor voucher manifest, payroll manifest, and/or the check that pays the transaction. Regardless of the method used, the check or manifest number must be shown. In addition, the related purchase orders, receiving reports, and invoices must be attached to the disbursement document. The disbursement document must clearly identify what has been paid.

g. For salary and related disbursements, a summary document may be used in lieu of the payroll manifest or register. The document must contain the dollar value of payment listing for each employee by name, or identification number and cross-referencing each individual to the payroll register using enough detail to ensure easy verification.

h. Daily time and attendance reports must be maintained for all personnel paid from grant funds. The reports will reflect the actual time worked. A leave slip is not acceptable assurance for hours worked.

i. Miscellaneous Obligor Document. This document should be used whenever it is known that services will take place, yet the invoice for those services may not be received prior to the project closing date.

The following are some examples of when this document would be utilized:

- (1) A therapist is hired for the year and will invoice for their services on a monthly basis.

Each month the amount paid will be annotated on the MOD. At year-end, the last payment will still be obligated although the invoice may come in after the end of the project period.

(2) An individual will be taking an authorized trip as part of the project. Prepare the MOD with all pertinent information (date of travel, destination, name of individual, reason for travel and estimated cost). Attach all receipts to this document when reimbursement is made.

(3) A program evaluator is hired near the end of the project period. A MOD is prepared for the amount agreed upon although the final invoice is not expected to be submitted for payment until after the end of the project period.

(4) To cover authorized auditor's fees.

j. Miscellaneous Adjustment Document (MAD). This document is used to transfer expenses between accounts. A MAD would be prepared stating the correction being made, the reason for the correction, and all documentation for any pertinent changes must be attached. Example: a charge was made to account 6444 and should have been posted to account 6544. A copy of the MAD must be placed in both files as a cross reference, and a clear audit trail of the transaction.

## **PROGRAM INCOME**

### GENERAL

1. This chapter sets forth certain federal requirements related to accounting for program income and other income related to projects and programs, financed in whole or in part with federal funds.
2. Except as otherwise stated herein, program income resulting from a federally funded project must be:
  - a. used to further the project objectives; and
  - b. deducted from project costs to determine the net amount on which the federal share will be based; and
  - c. clearly documented in the accounting records to show receipt and disposition of this income.
3. Program income represents earnings by the recipient, realized from the federally supported activities, derived from the grant, during the grant period. "During the grant period" is the time between the effective date of the award and the ending date of the award, reflected in the final financial report. Such earnings may include, but are not limited to, income from service fees, sale of commodities, usage or rental fees, sale of assets purchased with grant funds, and royalties on patents and copyrights.
4. Interest income is excluded in the definition of program income.
5. Interest earned on federal funds must be reported.
6. Recipients other than states must remit interest earned.

Reference: 2CRF200; Subpart D, 200.307

### SALE OF REAL AND PERSONAL PROPERTY

7. In all cases, prior to the sale of property, the SEA must be notified by the recipient that they have no need of the property, and wish to dispose of it. The recipient must follow instructions issued by the SEA.

Additional information on this subject is found at 2CFR 200, Subpart D 200.311

### INTANGIBLE PROPERTY

Title to intangible property (see §200.59 Intangible property) acquired under a Federal award vests upon acquisition in the non-Federal entity. The non-Federal entity must use that property for the originally-authorized purpose, and must not encumber the property without approval of the Federal awarding agency. When no longer needed for the originally authorized purpose, disposition of the intangible property must occur in accordance with the provisions in §200.313 Equipment paragraph (e).

(b) The non-Federal entity may copyright any work that is subject to copyright and was developed, or for which ownership was acquired, under a Federal award. The Federal awarding agency reserves

a royalty-free, nonexclusive and irrevocable right to reproduce, publish, or otherwise use the work for Federal purposes, and to authorize others to do so.

(c) The non-Federal entity is subject to applicable regulations governing patents and inventions, including government wide regulations issued by the Department of Commerce at 37 CFR Part 401, "Rights to Inventions Made by Nonprofit Organizations and Small Business Firms Under Government Awards, Contracts and Cooperative Agreements."

For additional information on this please see 2CFR200 Subpart E, 200

## INTEREST

(a) *General.* Costs incurred for interest on borrowed capital, temporary use of endowment funds, or the use of the non-Federal entity's own funds, however represented, are unallowable. Financing costs (including interest) to acquire, construct, or replace capital assets are allowable, subject to the conditions in this section.

(b) (1) Capital assets is defined as noted in §200.12 Capital assets. An asset cost includes (as applicable) acquisition costs, construction costs, and other costs capitalized in accordance with GAAP.

(2) For non-Federal entity fiscal years beginning on or after January 1, 2016, intangible assets include patents and computer software. For software development projects, only interest attributable to the portion of the project costs capitalized in accordance with GAAP is allowable.

(c) *Conditions for all non-Federal entities.* (1) The non-Federal entity uses the capital assets in support of Federal awards;

(2) The allowable asset costs to acquire facilities and equipment are limited to a fair market value available to the non-Federal entity from an unrelated (arm's length) third party.

(3) The non-Federal entity obtains the financing via an arm's-length transaction (that is, a transaction with an unrelated third party); or claims reimbursement of actual interest cost at a rate available via such a transaction.

(4) The non-Federal entity limits claims for Federal reimbursement of interest costs to the least expensive alternative. For example, a capital lease may be determined less costly than purchasing through debt financing, in which case reimbursement must be limited to the amount of interest determined if leasing had been used.

(5) The non-Federal entity expenses or capitalizes allowable interest cost in accordance with GAAP.

For additional information on this subject, please see 2CFR200, Subpart E, 200.449

## Equipment and Capital Expenditures

### INTRODUCTION

This chapter deals with several areas, including equipment, capital expenditures and supplies. You will note the references to each of these subjects within the 2CFR200 Super Circular for additional details.

(a) See the following sections of 2CFR200 Super Circular for additional information in any of the following areas: **§200.13 Capital expenditures, 200.33 Equipment, 200.89 Special purpose equipment, 200.48 General purpose equipment, 200.2 Acquisition cost, and 200.12 Capital assets.**

(b) The following rules of allowability must apply to equipment and other capital expenditures:

(1) Capital expenditures for general purpose equipment, buildings, and land are unallowable as direct charges, except with the prior written approval of the Federal awarding agency or pass-through entity.

(2) Capital expenditures for special purpose equipment are allowable as direct costs, provided that items with a unit cost of \$5,000 or more have the prior written approval of the Federal awarding agency or pass-through entity.

(3) Capital expenditures for improvements to land, buildings, or equipment which materially increase their value or useful life are unallowable as a direct cost except with the prior written approval of the Federal awarding agency, or pass-through entity. See §200.436 Depreciation, for rules on the allowability of depreciation on buildings, capital improvements, and equipment. See also §200.465 Rental costs of real property and equipment.

(4) When approved as a direct charge pursuant to paragraphs (b) (1) through (3) of this section, capital expenditures will be charged in the period in which the expenditure is incurred, or as otherwise determined appropriate and negotiated with the Federal awarding agency.

(5) The unamortized portion of any equipment written off as a result of a change in capitalization levels may be recovered by continuing to claim the otherwise allowable depreciation on the equipment, or by amortizing the amount to be written off over a period of years negotiated with the Federal cognizant agency for indirect cost.

(6) Cost of equipment disposal. If the non-Federal entity is instructed by the Federal awarding agency to otherwise dispose of or transfer the equipment the costs of such disposal or transfer are allowable.

(7) Equipment and other capital expenditures are unallowable as indirect costs.

### **§200.314 Supplies.**

(a) Title to supplies will vest in the non-Federal entity upon acquisition. If there is a residual inventory of unused supplies exceeding \$5,000 in total aggregate value upon termination or completion of the project or program and the supplies are not needed for any other Federal award, the non-Federal entity must retain the supplies for use on other activities or sell them, but must, in either case, compensate the Federal Government for its share. The amount of compensation must be computed in the same manner as for equipment. See §200.313 Equipment, paragraph (e) (2) for the calculation methodology.

(b) As long as the Federal Government retains an interest in the supplies, the non-Federal entity must not use supplies acquired under a Federal award to provide services to other organizations for a fee that is less than private companies charge for equivalent services, unless specifically authorized by Federal statute.

## Chapter 15

### PROCUREMENT STANDARDS

#### GENERAL

The information below is similar to the previous established rules regarding purchasing. You may note that the new regulations reiterate that entities using federal grant funds should continue using the methods already established within the state.

The following 2CFR Section relates to the established rules/regulations for procurements.

#### **2 CFR 200.318**

- (a) The non-Federal entity must use its own documented procurement procedures which reflect applicable State, local and tribal laws and regulations, provided that the procurements conform to applicable Federal law and the standards identified in this part.
- (b) Non-Federal entities must maintain oversight to ensure that contractors perform in accordance with the terms, conditions, and specifications of their contracts or purchase orders.
- (c)(1) The non-Federal entity must maintain written standards of conduct covering conflicts of interest and governing the actions of its employees engaged in the selection, award and administration of contracts.  
No employee, officer, or agent may participate in the selection, award, or administration of a contract supported by a Federal award if he or she has a real or apparent conflict of interest. Such a conflict of interest would arise when the employee, officer, or agent, any member of his or her immediate family, his or her partner, or an organization which employs or is about to employ any of the parties indicated herein, has a financial or other interest in or a tangible personal benefit from a firm considered for a contract.  
The officers, employees, and agents of the non-Federal entity may neither solicit nor accept gratuities, favors, or anything of monetary value from contractors or parties to subcontracts. However, non-Federal entities may set standards for situations in which the financial interest is not substantial or the gift is an unsolicited item of nominal value.  
The standards of conduct must provide for disciplinary actions to be applied for violations of such standards by officers, employees, or agents of the non-Federal entity.

The definition of "equipment" for fixed asset reporting is any item with an **original purchase price of \$250.00 or more** and a **life expectancy of one year or more**".

A "supply" is an item with a **life expectancy of less than one year** and would not be classified as a fixed asset nor posted into the annual inventory.

## DEBARMENT AND SUSPENSION

### **2 CFR 200.213**

Non-federal entities are subject to the non-procurement debarment and suspension regulations implementing Executive Orders 12549 and 12689, 2 CFR part 180. These regulations restrict awards, subawards, and contracts with certain parties that are debarred, suspended, or otherwise excluded from or ineligible for participation in Federal assistance programs or activities.

The website to obtain that information is as follows:

<https://www.sam.gov/portal/public/SAM/>

## **RECORD RETENTION**

### **2 CFR 200.333**

Financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to a Federal award must be retained for a period of three years from the date of submission of the final expenditure report or, for Federal awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, respectively, as reported to the Federal awarding agency or pass-through entity in the case of a subrecipient. Federal awarding agencies and pass-through entities must not impose any other record retention requirements upon non-Federal entities. The only exceptions are the following:

(a) If any litigation, claim, or audit is started before the expiration of the 3-year period, the records must be retained until all litigation, claims, or audit findings involving the records have been resolved and final action taken.

(b) When the non-Federal entity is notified in writing by the Federal awarding agency, cognizant agency for audit, oversight agency for audit, cognizant agency for indirect costs, or pass-through entity to extend the retention period.

(c) Records for real property and equipment acquired with Federal funds must be retained for 3 years after final disposition.

(d) When records are transferred to or maintained by the Federal awarding agency or pass-through entity, the 3-year retention requirement is not applicable to the non-Federal entity.

(e) Records for program income transactions after the period of performance. In some cases recipients must report program income after the period of performance. Where there is such a requirement, the retention period for the records pertaining to the earning of the program income starts from the end of the non-Federal entity's fiscal year in which the program income is earned.

(f) Indirect cost rate proposals and cost allocations plans. This paragraph applies to the following types of documents and their supporting records: indirect cost rate computations or proposals, cost allocation plans, and any similar accounting computations of the rate at which a particular group of costs is chargeable (such as computer usage chargeback rates or composite fringe benefit rates).

(1) If submitted for negotiation. If the proposal, plan, or other computation is required to be submitted to the Federal Government (or to the pass-through entity) to form the basis for negotiation of the rate, then the 3-year retention period for its supporting records starts from the date of such submission.

(2) If not submitted for negotiation. If the proposal, plan, or other computation is not required to be submitted to the Federal Government (or to the pass-through entity) for negotiation purposes, then the 3-year retention period for the proposal, plan, or computation and its supporting records

starts from the end of the fiscal year (or other accounting period) covered by the proposal, plan, or other computation.

## **AUDITS OF FEDERAL FINANCIAL ASSISTANCE PROGRAMS AND THE SINGLE AUDIT CONCEPT**

### INTRODUCTION

#### **2 CFR 200.501 Audit requirements**

(a) *Audit required.* A non-Federal entity that expends \$750,000 or more during the non-Federal entity's fiscal year in Federal awards must have a single or program-specific audit conducted for that year in accordance with the provisions of this part.

(b) *Single audit.* A non-Federal entity that expends \$750,000 or more during the non-Federal entity's fiscal year in Federal awards must have a single audit conducted in accordance with §200.514 Scope of audit except when it elects to have a program-specific audit conducted in accordance with paragraph (c) of this section.

(c) *Program-specific audit election.* When an auditee expends Federal awards under only one Federal program (excluding R&D) and the Federal program's statutes, regulations, or the terms and conditions of the Federal award do not require a financial statement audit of the auditee, the auditee may elect to have a program-specific audit conducted in accordance with §200.507 Program-specific audits. A program-specific audit may not be elected for R&D unless all of the Federal awards expended were received from the same Federal agency, or the same Federal agency and the same pass-through entity, and that Federal agency, or pass-through entity in the case of a subrecipient, approves in advance a program-specific audit.

(d) *Exemption when Federal awards expended are less than \$750,000.* A non-Federal entity that expends less than \$750,000 during the non-Federal entity's fiscal year in Federal awards is exempt from Federal audit requirements for that year, except as noted in 200.503 Relation to other audit requirements, but records must be available for review or audit by appropriate officials of the Federal agency, pass-through entity, and Government Accountability Office (GAO).

### AUDIT LIMITS AND FUNDING LEVELS

1. a. Less than \$500,000 per annum expended in Federal Award funds, \$750,000 effective for fiscal years beginning on or after December 26, 2014, an annual audit by a Certified Public Accountant is not required, but this does not exempt a state or local government from compliance with any provision of a federal statute, or regulation that requires such government to maintain records concerning federal financial assistance provided to such government.

b. Records must be available for review or audit by appropriate officials of the Federal agency, pass-through entity (SEA), and the General Accounting Office.

c. SEA personnel on a regular basis will perform program reviews and technical accounting inspections.

For \$500,000 or more per annum expended in Federal Award funds, \$750,000 effective for fiscal years beginning on or after December 26, 2014, a single audit is required, a single audit is required, and made for such fiscal year in accordance with the requirements of the Single Audit Act of 1984 P.L. 98-502, and the Single Audit Act Amendments of 1996, P.L.104-156. It sets forth standards for obtaining consistency and uniformity among Federal agencies for the audit of states, local governments, and non-profit organizations expending Federal awards.

## AUDIT FEES

### **2 CFR 200.425 Audit services.**

(a) A reasonably proportionate share of the costs of audits required by, and performed in accordance with, the Single Audit Act Amendments of 1996 (31 U.S.C. 7501-7507), as implemented by requirements of this part, are allowable. However, the following audit costs are unallowable:

(1) Any costs when audits required by the Single Audit Act and Subpart F—Audit Requirements of this part have not been conducted or have been conducted but not in accordance therewith; and

(2) Any costs of auditing a non-Federal entity that is exempted from having an audit conducted under the Single Audit Act and Subpart F—Audit Requirements of this part because its expenditures under Federal awards are less than \$750,000 during the non-Federal entity's fiscal year.

(b) The costs of a financial statement audit of a non-Federal entity that does not currently have a Federal award may be included in the indirect cost pool for a cost allocation plan or indirect cost proposal.

(c) Pass-through entities may charge Federal awards for the cost of agreed-upon-procedures engagements to monitor subrecipients (in accordance with Subpart D—Post Federal Award Requirements of this part, §§200.330 Subrecipient and contractor determinations through 200.332 Fixed Amount Subawards) who are exempted from the requirements of the Single Audit Act and Subpart F—Audit Requirements of this part. This cost is allowable only if the agreed-upon-procedures engagements are:

(1) Conducted in accordance with GAGAS (Generally Accepted Government Accounting Standards) attestation standards;

(2) Paid for and arranged by the pass-through entity; and

(3) Limited in scope to one or more of the following types of compliance requirements: activities allowed or unallowed; allowable costs/cost principles; eligibility; and reporting.

The following information outlines the basic responsibilities of those entities accepting Federal Funds in 2CFR 200.508:

The auditee must:

(a) Procure or otherwise arrange for the audit required by this part in accordance with §200.509 Auditor selection, and ensure it is properly performed and submitted when due in accordance with §200.512 Report submission.

(b) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with 200.510 Financial statements.

(c) Promptly follow up and take corrective action on audit findings, including preparation of a summary schedule of prior audit findings and a corrective action plan in accordance with 200.511 Audit findings follow-up, paragraph (b) and 200.511 Audit findings follow-up, paragraph (c), respectively.

(d) Provide the auditor with access to personnel, accounts, books, records, supporting documentation, and other information as needed for the auditor to perform the audit required by this part.

## INTERNAL CONTROLS

Internal controls aid in the assurance that accountability and control of cash, inventory, real and personal property, disbursements, purchases, and financial records present both an effective and efficient accounting operation.

### §200.511 Audit findings follow-up.

(a) General. The auditee is responsible for follow-up and corrective action on all audit findings. As part of this responsibility, the auditee must prepare a summary schedule of prior audit findings. The auditee must also prepare a corrective action plan for current year audit findings. The summary schedule of prior audit findings and the corrective action plan must include the reference numbers the auditor assigns to audit findings under §200.516 Audit findings, paragraph (c). Since the summary schedule may include audit findings from multiple years, it must include the fiscal year in which the finding initially occurred. The corrective action plan and summary schedule of prior audit findings must include findings relating to the financial statements which are required to be reported in accordance with GAGAS.

(b) Summary schedule of prior audit findings. The summary schedule of prior audit findings must report the status of all audit findings included in the prior audit's schedule of findings and questioned costs. The summary schedule must also include audit findings reported in the prior audit's summary schedule of prior audit findings except audit findings listed as corrected in accordance with paragraph (b) (1) of this section, or no longer valid or not warranting further action in accordance with paragraph (b) (3) of this section.

- (1) When audit findings were fully corrected, the summary schedule need only list the audit findings and state that corrective action was taken.
- (2) When audit findings were not corrected or were only partially corrected, the summary

schedule must describe the reasons for the finding's recurrence and planned corrective action, and any partial corrective action taken. When corrective action taken is significantly different from corrective action previously reported in a corrective action plan or in the Federal agency's or pass-through entity's management decision, the summary schedule must provide an explanation.

(3) When the auditee believes the audit findings are no longer valid or do not warrant further action, the reasons for this position must be described in the summary schedule. A valid reason for considering an audit finding as not warranting further action is that all of the following have occurred:

(i) Two years have passed since the audit report in which the finding occurred was submitted to the FAC;

(ii) The Federal agency or pass-through entity is not currently following up with the auditee on the audit finding; and

(iii) A management decision was not issued.

(c) Corrective action plan. At the completion of the audit, the auditee must prepare, in a document separate from the auditor's findings described in 200.516 Audit findings, a corrective action plan to address each audit finding included in the current year auditor's reports. The corrective action plan must provide the name(s) of the contact person(s) responsible for corrective action, the corrective action planned, and the anticipated completion date. If the auditee does not agree with the audit findings or believes corrective action is not required, then the corrective action plan must include an explanation and specific reasons.

#### 2CFR 200.512 Report submission

(a) General. (1) The audit must be completed and the data collection form described in paragraph (b) of this section and reporting package described in paragraph (c) of this section must be submitted within the earlier of 30 calendar days after receipt of the auditor's report(s), or nine months after the end of the audit period. If the due date falls on a Saturday, Sunday, or Federal holiday, the reporting package is due the next business day.

(2) Unless restricted by Federal statutes or regulations, the auditee must make copies available for public inspection. Auditees and auditors must ensure that their respective parts of the reporting package do not include protected personally identifiable information.

(b) Data Collection. The FAC is the repository of record for Subpart F—Audit Requirements of this part reporting packages and the data collection form. All Federal agencies, pass-through entities and others interested in a reporting package and data collection form must obtain it by accessing the FAC.

(1) The auditee must submit required data elements described in Appendix X to Part 200—Data Collection Form (Form SF-SAC), which state whether the audit was completed in accordance with this part and provides information about the auditee, its Federal programs, and the results of the audit. The data must include information available from the audit required by this part that is necessary for Federal agencies to use the audit to ensure integrity for Federal programs. The data elements and format must be approved by OMB, available from the FAC, and include collections of information from the reporting package described in paragraph (c) of this section. A senior level

representative of the auditee (e.g., state controller, director of finance, chief executive officer, or chief financial officer) must sign a statement to be included as part of the data collection that says that the auditee complied with the requirements of this part, the data were prepared in accordance with this part (and the instructions accompanying the form), the reporting package does not include protected personally identifiable information, the information included in its entirety is accurate and complete, and that the FAC is authorized to make the reporting package and the form publicly available on a Web site.

#### POST AUDIT REVIEW ACTION BY THE SEA

Upon receipt of each independent audit, the SEA Audit Department will review all correspondence for compliance with Federal standards. The completed audit review will be presented to the N.H. Commissioner of Education, and a supplementary report issued to the SAU Superintendent, or other appropriate official. The report will contain information regarding the completed audit, and further instructions in the event that a corrective action plan is to be completed, and has not been received. A response to each recommendation is required.

The following must be stated:

- a. concurrence with the findings and a statement regarding implementation of the recommendations, or
- b. disagreement and identification of the areas of contention. Please state the conditions as seen, and a corrective action which has been or will be implemented. The Commissioner's letter may include other information.

Upon receipt of a Corrective Action Plan, the Commissioner will advise the appropriate official by letter within twenty (20) days if action taken is satisfactory after the follow-up review.

Two conditions can exist at that time:

- a. The written response regarding the audit review and action taken fulfill the audit recommendations. The appropriate official will be advised by letter and the audit review is closed.
- b. The response does not satisfy the recommendations, and the following will occur:

1. The Commissioner will inform the appropriate official by letter that the recommendations and/or objectives have not been met. A response is required by the subrecipient within thirty (30) days.
2. If the response and follow-up review are acceptable, the audit will be finalized.
3. Should deficiencies still exist, the appropriate official will be so advised and the following will occur:
  - (a) The disputed finding may be appealed to the U.S. Secretary of Education. The appeal must be submitted to the SEA Commissioner's office within twenty (20) days of notification.
  - (b) The appeal and related data will be forwarded to the U.S. Secretary of Education within twenty (20) days of receipt by the office of the SEA Commissioner.

**Reminder:** If the annual audit is not received in a timely fashion, or if deficiencies are not corrected, we reserve the right to employ sanctions against the School District or the Reporting Agency per 2 CFR 200.205 and 200.207.

No audit costs may be charged to Federal awards when audits required by this part have not been made or have been made but not in accordance with this part. In cases of continued inability or unwillingness to have an audit conducted in accordance with this part, Federal agencies and pass-through entities shall take appropriate action using sanctions such as:

- (a) Withholding a percentage of Federal awards until the audit is completed satisfactorily;
- (b) Withholding or disallowing overhead costs;
- (c) Suspending Federal awards until the audit is conducted; or
- (d) Terminating the Federal award.

## **APPENDIX A**

### **Internal Control Activities Guidelines**

#### **General Accounting**

Accounting records should be neat, current, and in the proper order.

Policies are established for employees to take periodic vacations, and allow other employees to take over their duties.

Internal audits are performed regularly.

Authorized personnel approve all journal entries.

A current organizational chart is maintained and followed.

Appropriate documentation of policies and procedures exist for all systems and functions so that the organization could continue to operate if a key employee were to leave.

A financial executive with the appropriate background, skills and training heads the accounting department.

Training manuals and methods are routinely evaluated and updated.

Training of new personnel is performed regularly, and established employees are also encouraged to attend sessions.

## Cash Receipts

Segregation of duties in the handling of cash is one of the most effective ways to gain control over this asset. No individual is to have complete control in the handling of cash. Specifically, no one individual's duties should include the actual handling of money, recording receipt of money and the reconciliation of bank accounts.

Employees handling cash are to be assigned duties that are complementary to, or checked by another employee.

There should be current written policies and procedures regarding the collections, recording, safeguarding and depositing of all cash receipts. All personnel handling cash should be trained in these procedures.

Incoming cash must be made a matter of record as soon as possible.

Two persons should open the mail whenever cash or checks are routinely part of the daily delivery. Remittances by mail are listed in duplicate at the time the mail is opened. A person other than the one opening the mail should prepare the list. One copy of the list is forwarded to the cashier along with the receipts. The other copy forms the basis for accounting controls through ledger posting. A third person periodically compares the listing with the deposit.

Amounts of currency contained in each item of mail are verified. Documents enclosed with the currency received are machine date stamped or dated and initialed by the employee opening the mail.

Cash is protected by the use of registers, safes, or locks, and kept in areas of limited access.

Collections made over the counter, or in the field are documented by the issuance of sequentially pre-numbered official receipts, or through cash registers or automated cashiering systems. All such receipts are to be strictly accounted for and the explanation for any missing documents determined and justified. Blank form receipts must not be used. Receipts should indicate mode of payments, such as cash, check or other means. The total dollar amount recorded on cash receipt forms by mode of payment is balanced daily to total cash, checks, etc. collected.

The cash receiving function of an agency is centralized to the extent possible.

Cash received in remote locations, i.e. schools is to be transmitted to the central office through the banking system. Branch office personnel are restricted to making cash deposits, and central office personnel make any cash withdrawals and reconcile bank accounts.

## **Petty Cash**

Petty cash accounts, other than charge accounts, are to be established and maintained as bank checking accounts whenever possible. Only minimal amounts of petty cash are kept on hand.

Responsibility for a petty cash account is vested in only one person.

Original (no photocopies) receipts or vouchers bearing the signature of the payee must support all disbursements from petty cash accounts.

A person other than the custodian of the account makes periodic unscheduled counts of petty cash.

If a postage meter is used:

- The postage meter book is properly completed and maintained.
- Purchases of postage are made only by check.
- Purchases of postage credited to a meter are regularly confirmed with the Post Office.
- Purchases of postage are compared periodically with usage.

If a postage meter is not used, proper control is to be exercised over postage stamps.

## **Disbursements – General**

The responsibility for disbursement procedures is clearly documented and assigned to specific personnel of the agency.

Disbursements are handled in such a manner as to ensure that the proper funds and accounts are charged; that the disbursement is used only for authorize purposes; and that laws, rules and regulations governing the disbursements are followed.

Controls are established to assure that all payments are made on a timely basis and in accordance with all purchase orders and contracts.

Original invoices (or authorized facsimiles) totaling the amount of the disbursement are to be attached to each voucher before payment.

All paid invoices should be cancelled to prevent duplicate payment.

Employee duties in the handling of disbursements are separated to the extent possible with regard to:

- The initiation of purchase requisitions and orders.
- The approval of vouchers, invoices and warrant registers.
- The preparation of warrants/checks.
- The mailing of warrants/checks.
- The recording of disbursements.

Each cash disbursement is properly vouched and approved by the appropriate authorities of the agency before the actual disbursements occurs. This will ensure proper and regular review of all disbursements.

It is important that employee duties in this area are to be complementary to, or checked by another employee.

Disbursements are to be made by warrant/check or journal voucher. Where payments are made by check, counter signatures provide an additional control.

Blank warrants/checks are to be kept in locked storage under the control of a designated employee. Access to blank warrants/checks is limited to this employee and a designated alternate. When blank warrants/checks are received, the date, quantity and inclusive serial numbers are recorded and added to the total number of blank warrants/checks currently on hand.

When warrants/checks are required from the locked storage, the individual requesting the warrants/checks completes a requisition form.

The custodian of the warrants/checks records the date, quantity issued, inclusive serial numbers, and the new balance of blank warrants/checks on hand on the control form.

A separate record is maintained for each warrant/check series issued or voided. The record for voided warrants is to include the date voided, inclusive serial numbers (if more than one warrant in a series is voided), quantity voided, reason for voiding and initials of individual taking action.

The custodian and a responsible supervisor perform a physical inventory of the entire stock of blank warrants/checks on a monthly basis. The quantity and inclusive serial numbers of all warrants/checks on hand at the beginning of the period, and receipts, issues, voids and warrants/checks on hand at the end of the period are recorded on an appropriate form.

Separate forms are completed for each warrant/check series, and furnished to a designated supervisor by the warrant custodian. If the physical inventory agrees with the book inventory, certification of this fact, signed by the custodian and supervisor who assisted in the taking of the inventory will accompany the forms.

Any variance between the book or computed quantity of bank warrants/checks and the actual quantity determined by the physical inventory is to be reported to the designated supervisor immediately.

## **Disbursements – Travel**

Formally adopted, written internal policies and procedures should be established to control the utilization of meals, coffee, and light refreshments at meetings and formal training sessions.

Authorization of travel is exercised through use of a Travel Authorization Form, or other equally effective means.

Travel expense vouchers are signed by the employee and approved by the Department head or authorized designee.

Reimbursement for non-air transportation in greater than tourist class, or its equivalent are approved in writing in advance by the Department head or authorized designee.

Prior to payment, the agency copy of the Transportation Request is matched to the transportation provider's copy, or the customer copy of the credit card receipt (attached to the Travel Expense Voucher) is matched to the monthly statement from the credit card company, which is applicable.

Unused credit cards and blank stock of Transportation Request forms are inventoried and kept under lock.

Persons who authorize commercial transportation are not to receive tickets or use the transportation.

## **Disbursements – Local Checking Accounts**

Bank checks should be pre-numbered.

Bank checks are completed before being presented for signature.

Someone maintains physical control of checks other than persons originating requests for disbursements.

Spoiled or voided checks are retained and the signature blocks on the checks are removed.

If a check-signing machine is used, the signature plate and use of the check-signing machine is kept under control of the official whose name appears on the signature plate, or an authorized designee.

Bill or vouchers are presented with checks for signatures.

Someone, other than the person who signs checks, approves bills for payment.

Bills or vouchers are marked "Paid" only at the time checks are signed.

Someone, other than the person signing checks, actually mails them.

Bank statements are reconciled at least monthly by an employee unrelated to the cash receipt or disbursement procedures.

## **Purchases**

Purchase orders are completed and authorized **prior** to the acquisition of any and all goods and services. In addition, pre-numbered purchase and order forms are used and strictly accounted for by number.

Purchases should be made by competitive solicitation, when applicable.

Copies of the order forms are distributed to the accounting and receiving departments.

Invoices are matched with purchase orders and receiving reports, and invoice computations and pricing are all verified before approval for payment is requested.

Claims are filed promptly for any goods damaged in shipment. Invoices are paid in a timely manner so that discounts may be taken.

Payable Subsidiary Ledgers are reconciled to the control accounts monthly.

Monthly statements are compared with accounts payable balances.

## **Investments and Securities**

The authority to purchase, exchange or sell investments and securities is to be clearly defined.

The custody of securities is the responsibility of a person not authorized to purchase, exchange, or sell securities. All securities are kept in a safe deposit box or vault.

Access to the securities is to be strictly controlled, and no single person is to have complete control of vault combinations or keys.

Access to securities must require the presence of at least two designated offices.

Employees handling and having access to securities are closely supervised or reviewed by authorized employees.

The accounting department maintains a detailed record of each investment and security. The custodian also maintains a record of any securities deposited or withdrawn.

Periodic checks are made to verify that all income due has been received.

Routine evaluations of the performance of investment portfolios are to be performed by authorized personnel independent of investment portfolio management activities.

## **Receivables**

There should be segregation of duties with regard to billing, collection, cash receiving, receivables accounting and the maintenance of general ledger control accounts.

Receivables are made a matter of record promptly.

Separate accounts are to be maintained for each major category of receivables in order to ensure clear and full disclosure within the financial reports.

Controls are established so that receivables are reported in the proper funds and accounts.

Records of receivables are strictly guarded with limited access to records. Physical protection of these records is required.

Control accounts are balanced with the detailed ledgers on a monthly basis.

The approval of credit adjustments to receivable balances is made by individuals unrelated to collection activities.

The use of pre-numbered credit memorandum forms is advised.

There is an independent verification of quantities, prices and clerical accuracy of billing invoices.

Receivable accounts are periodically reviewed for credit balances.

Billings are prompt and statements are issued to all customers on a regular basis.

Any disputed receivables should be handled by an individual independent from those processing payments.

Receivable accounts are aged at least monthly and reviewed by authorized personnel.

Controls are established to ensure the prompt follow-up of past due receivables.

## **Supply and Merchandise Inventories**

Authorized individuals are responsible for receiving and issuing supplies and merchandise. They are to inspect all goods received and verify that they conform to specifications. In addition, they are responsible for the enforcement of all policies necessary for the internal control of these assets.

Specific central points for receiving and issuing supplies or merchandise are to be determined.

All loading and unloading operations are closely supervised and monitored.

Receiving reports are prepared for all receipts.

Quantities received are compared to the bill of lading and receiving report.

Effective control procedures are established to ensure that local supplies are used properly and for authorized purposes.

Supplies and merchandise not currently in use are stored in areas where access is limited to authorized personnel only.

Store rooms or warehouses where property is kept are locked when not occupied and during other than normal working hours.

Special protective measures are taken for items having a high pilferage rate, or a high value.

Actual physical inventories must account for all supplies and merchandise on a regular basis. Cause for any differences between quantities determined by physical inspections, and those shown on accounting records are to be investigated.

To the extent possible, improvements in procedures are made to prevent any future errors or losses.

The responsible official brings accounting records into agreement with the physical inventories after authorization.

The inventory process should be performed at regular intervals by those persons who do not have physical custody of inventory, or maintain inventory records.

A perpetual or periodic inventory record is maintained to reflect dollar value and quantities of merchandise along with significant supply inventories.

Supplies and merchandise are arranged so that the earliest received or produced will be issued first.

## **Payroll**

Responsibilities for supervision, time keeping, personnel, payroll processing, disbursements and general accounting functions should be assigned to provide for segregation of duties.

A person other than the employee's immediate supervisor distributes payroll warrants.

Personnel other than employees connected with preparation of payroll distribute all W-2 forms.

Detailed records of hours worked are maintained and approved as appropriate.

Payroll charges, including fringe benefits, should be recorded and distributed accurately and promptly.

Payroll charges should be reviewed before disbursements are made.

Written procedures are required for authorization, recording and controlling sick leave, vacations, holidays, overtime and compensatory time.

Procedures are established to ensure that supervisory personnel verify all attendance and payroll reports.

Payroll records and reports should be adequately safeguarded to ensure confidentiality.

No individual employee should be able to adjust their own salary.

## **Automated Data or Information Processing**

The Information Services (IS) department is independent of the accounting and operation departments for which it processes data.

An appropriate segregation of duties is maintained within the data processing function for system development, (design and programming), technical support (maintenance of systems software), and operations.

Controls are established and allowed for the preparation and approval of input transactions outside the IS department. These controls prohibit the IS department from initiating and processing transactions without the approval of affected users.

Controls are established over completeness and accuracy of input, processing and output and for error corrections of rejected transactions.

Controls are established over entry of data in on-line systems to restrict access to terminals and data entry to authorized employees.

Passwords should be established on an individualized basis.

User controls include reconciliation of output totals to input totals for all data submitted, internal reconciliation of file balances, and the review of outputs for reasonableness.

Controls are established over the use and rejection of all files, including provisions for retention of adequate records to provide backup capabilities.

Controls are exercised over changes to system software.

Safeguards are in place to limit access to data processing equipment, files, system documentation and application program documentation to authorized employees.

Written documentation of procedures are established and followed by all computer operators. A written and tested contingency plan is in place providing for continued processing of critical applications in the event of a disaster at the computer facility.

Controls are established for the use and contents of all personal computers.

## APPENDIX B

### DEFINITIONS

**Accrued expenditures** means the charges incurred by the recipient during a given period requiring the provision of funds for--

- (1) Goods and other tangible property received;
- (2) Services performed by employees, contractors, subrecipients, and other payees; and
- (3) Other amounts becoming owed under programs for which no current services or performance is required.

**Accrued income** means the sum of--

- (1) Earnings during a given period from--
  - (i) Services performed by the recipient; and
  - (ii) Goods and other tangible property delivered to purchasers; and
- (2) Amounts becoming owed to the recipient for which no current services or performance is required by the recipient.

**Acquisition cost of equipment** means the net invoice price of the equipment, including the cost of modifications, attachments, accessories, or auxiliary apparatus necessary to make the property usable for the purpose for which it was acquired. Other charges, such as the cost of installation, transportation, taxes, duty, or protective in-transit insurance, shall be included or excluded from the unit acquisition cost in accordance with the recipient's regular accounting practices.

**Administrative requirements** mean those matters common to grants in general, such as financial management, kinds and frequency of reports, and retention of records. These are distinguished from programmatic requirements, which concern matters that can be treated only on a program-by-program or grant-by-grant basis, such as kinds of activities that can be supported by grants under a particular program.

**Advance** means a payment made by Treasury check or other appropriate payment mechanism to a recipient upon request before outlays are made either by the recipient or through the use of predetermined payment schedules.

**Allocation** means part of a lump sum appropriation designated for expenditure by a specific government unit, and for a specific purpose.

**Appropriation** means a sum budgeted for a department, unit, or activity to identify a limit set on the amount to be expended under a certain account.

**Award** means financial assistance that provides support or incentives to accomplish a public purpose. Awards include grants and other agreements in the form of money or property, in lieu of money, by the Federal Government to an eligible recipient. The term does not include--

- (1) Technical assistance, which provides services instead of money;
- (2) Other assistance in the form of loans, loan guarantees, interest subsidies, or insurance;
- (3) Direct payments of any kind to individuals; and

(4) Contracts, which are required to be entered into and administered under procurement laws and regulations.

**Cash contributions** means the recipient's cash outlay, including the outlay of money contributed to the recipient by third parties.

**Competitive Grant** means a grant program in which the applicant designs the project proposal and the funding agency ranks the proposals to provide grant awards in a competitive process.

**Contract** means a legally enforceable agreement between individuals or entities.

**Costs Plus A Percentage Of Costs** means a type of contract under which the contractor is not only reimbursed his performance costs but is also paid a stated percentage of his cost.

**Cost sharing or matching** means that portion of project or program costs not borne by the Federal Government.

**Date of completion** means the date on which all work under an award is completed or the date on the award document, or any supplement or amendment thereto, on which Federal sponsorship ends.

**Debarment** means a person, or entity that is debarred shall be excluded from Federal financial and nonfinancial assistance and benefits under Federal programs and activities. Debarment of a participant in a program by one agency shall have government wide effect.

**Direct Costs** means those costs that can be identified specifically with a particular final cost objective, such as compensation of employees for time devoted and identified specifically to the performance of Grant awards, the cost of materials acquired, consumed, or expended specifically for the purpose of Grant awards, equipment and other approved capital expenditures, or travel expenses incurred specifically to carry out a Grant award.

**Disallowed costs** means those charges to an award that the Secretary determines to be unallowable, in accordance with the applicable Federal cost principles or other terms and conditions contained in the award.

**Disbursement** means a payment by cash or check.

**Entitlement Grant** means a grant under federal law which must be provided to all eligible applicants

**Equipment** means tangible nonexpendable personal property including exempt property charged directly to the award having a cost equal to or greater than \$250.00 and a useful life of greater than one year.

**Excess property** means property that is no longer required.

**Exempt property** means tangible personal property acquired in whole or in part with Federal Funds.

**Expenditure report** means:

- (1) For non-construction grants, the SF-425 "Financial Status Report" (or other equivalent report); or
- (2) For construction grants, the SF-271 "Outlay Report and Request for

Reimbursement" (or other equivalent report).

**Federal awarding agency** means the Federal agency that provides an award to the recipient.

**Federal funds authorized** mean the total amount of Federal funds obligated by the Federal Government for use by the recipient. This amount may include any authorized carryover of unobligated funds from prior funding periods when permitted by ED regulations or ED implementing instructions.

**Federal share of real property, equipment, or supplies** means that percentage of the property's acquisition costs and any improvement expenditures paid for with Federal funds.

**Fiscal Agent** means the entity or individual designated to be responsible for receiving and safeguarding grant funds.

**Funding period** means the period of time when Federal funding is available for obligation by the recipient.

**General Assurances** mean the certification of a form signed by the applicant of Federal Funds signifying that they have the managerial and financial capabilities to ensure proper planning, management, and completion of the project(s) described in their application.

**Indirect Costs** means costs incurred for a common or joint purpose benefiting more than one cost objective; not readily assignable to the cost objectives specifically benefited, without effort disproportionate to the results achieved; and indirect costs apply to not only costs originating in the grantee department, and those incurred by other departments in supplying goods, services, and facilities.

**Intangible property and debt instruments** means, but is not limited to, trademarks, copyrights, patents and patent applications and such property as loans, notes and other debt instruments, lease agreements, stock, and other instruments of property ownership, whether considered tangible or intangible.

**Local government** means a county, municipality, city, town, township, local public authority (including any public and Indian housing agency under the United States Housing Act of 1937) school district, special district, intrastate district, council of governments (whether or not incorporated as a nonprofit corporation under state law), any other regional or interstate government entity, or any agency or instrumentality of a local government.

**LEA** means local education agency.

**Obligations** mean the amount of orders placed, contracts and grants awarded, services received, and similar transactions during a given period that require payment by the recipient during the same or a future period.

**Outlays or expenditures** mean charges made to the project or program. They may be reported on a cash or accrual basis. For reports prepared on a cash basis, outlays are the sum of cash disbursements for direct charges for goods and services, the amount of indirect expense charged, the value of third party in-kind contributions applied, and the amount of cash advances and payments made to subrecipients. For reports prepared on an accrual basis, outlays are the sum of cash disbursements for direct charges for goods and services, the amount of indirect expense incurred, the value of in-kind contributions applied, and the net increase (or decrease) in the amounts owed by the recipient for goods and other property received, for services performed by employees, contractors, subrecipients and other payees, and other amounts becoming owed

under programs for which no current services or performance are required.

**Personnel Activity Report** means a form used by those individuals whose salary or wages are allocable to multiple activities or cost objectives associated with Federal grant programs.

**Personal property** means property of any kind except real property. It may be tangible, having physical existence, or intangible, having no physical existence, such as copyrights, patents, or securities.

**Prior approval** means written approval by an authorized official evidencing prior consent.

**Program income** means gross income earned by the recipient that is directly generated by a supported activity or earned as a result of the award. 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 federally funded projects, the sale of commodities or items fabricated under an award, license fees and royalties on patents and copyrights, and interest on loans made with award funds. Interest earned on advances of Federal funds is not program income. Except as otherwise provided in ED regulations or the terms and conditions of the award, program income does not include the receipt of principal on loans, rebates, credits, discounts, etc., or interest earned on any of them.

**Project costs** means all allowable costs, as established in the applicable Federal cost principles, incurred by a recipient and the value of the contributions made by third parties in accomplishing the objectives of the award during the project period.

**Project period** means the period identified in the award document within which allowable project costs may be charged.

**Property** means, unless otherwise stated, real property, equipment, and intangible property and debt instruments.

**Real property** means land, including land improvements, structures, and in addition, accessories thereto, but excluding movable machinery and equipment.

**Reasonable costs** means 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 was made to incur the cost. Consideration shall be given to some of the following points: Was the cost recognized as ordinary and necessary for the operation and performance of the Federal award. What are the prevailing market prices for comparable goods and services? Did the individuals concerned act with prudence in the circumstances considering their responsibilities on behalf of the Federal award.

**Recipient** means an organization receiving financial assistance to carry out a project or program.

**Research and development** means all research activities, both basic and applied, and all development activities that are supported at universities, colleges, and other non-profit institutions.

Research' is defined as a systematic study directed toward expanded scientific knowledge.

Development is the systematic use of knowledge and understanding gained from research.

**SEA** means state education agency.

**Subaward** means an award of financial assistance in the form of money or property in lieu of money, made under an award by a recipient to an eligible sub recipient or by a

sub recipient to a lower tier sub recipient. The term includes financial assistance when provided by any legal agreement, even if the agreement is called a contract, but does not include procurement of goods and services nor does it include any form of assistance, which is excluded from the definition of "award" as defined in this section

Personnel Activity Report

Name \_\_\_\_\_

Position \_\_\_\_\_

**APPENDIX C**

Department \_\_\_\_\_

Pay Period Ending \_\_\_\_\_

| <u>Account No.</u>    | <u>100</u>      | <u>200</u>            | <u>300</u>                 | <u>400</u>             | <u>500</u>          | <u>600</u>        | <u>700</u>           | <u>800</u>                   | <u>Totals</u>   |
|-----------------------|-----------------|-----------------------|----------------------------|------------------------|---------------------|-------------------|----------------------|------------------------------|-----------------|
| <u>Account Title</u>  | <u>Indirect</u> | <u>ECIA (Federal)</u> | <u>State (be Specific)</u> | <u>Other (Specify)</u> | <u>Annual Leave</u> | <u>Sick Leave</u> | <u>Holiday Leave</u> | <u>Other Leave (Specify)</u> |                 |
| Mon. _____            | 0               | 0                     | 0                          | 0                      | 0                   | 0                 | 8                    | 0                            | 8               |
| Tues.                 | 0               | 7                     | 1                          | 0                      | 0                   | 0                 | 0                    | 0                            | 8               |
| Wed. _____            | 0               | 8                     | 0                          | 0                      | 0                   | 0                 | 0                    | 0                            | 8               |
| Thurs.                | 0               | 6                     | 2                          | 0                      | 0                   | 0                 | 0                    | 0                            | 8               |
| Fri.                  | 0               | 2                     | 2                          | 0                      | 4                   | 0                 | 0                    | 0                            | 8               |
| Mon.                  | 2               | 5                     | 1                          | 0                      | 0                   | 0                 | 0                    | 0                            | 8               |
| Tues.                 | 1               | 6                     | 1                          | 0                      | 0                   | 0                 | 0                    | 0                            | 8               |
| Wed.                  | 0               | 3                     | 5                          | 0                      | 0                   | 0                 | 0                    | 0                            | 8               |
| Thurs. _____          | 0               | 6                     | 0                          | 2                      | 0                   | 0                 | 0                    | 0                            | 8               |
| Fri.                  | 1               | 6                     | 1                          | 0                      | 0                   | 0                 | 0                    | 0                            | 8               |
| <b>Totals</b>         | <b>4</b>        | <b>49</b>             | <b>13</b>                  | <b>2</b>               | <b>4</b>            | <b>0</b>          | <b>8</b>             | <b>0</b>                     | <b>80</b>       |
| Percent of Total*     | 5.00%           | 61.25%                | 16.25%                     | 2.50%                  | 5.00%               | 0.00%             | 10.00%               | 0.00%                        | 100.00%         |
| Bi-Weekly Salary      | 1,700.00        | 1,700.00              | 1,700.00                   | 1,700.00               | 1,700.00            | 1,700.00          | 1,700.00             | 1,700.00                     |                 |
| <b>Amount Charged</b> | <b>85.00</b>    | <b>1,041.25</b>       | <b>276.25</b>              | <b>42.50</b>           | <b>85.00</b>        | <b>0.00</b>       | <b>170.00</b>        | <b>0.00</b>                  | <b>1,700.00</b> |

I certify that this report represents a true recording of effort expended for the period indicated and that I have full knowledge of those activities.

\_\_\_\_\_  
Signature of Employee

\_\_\_\_\_  
Date

\_\_\_\_\_  
Responsible Official

\_\_\_\_\_  
Date

\* Total Hours for Activity divided by Total Paid Hours for Account No. 100, 4 Hours worked divided by 80 hours = 5.00% charged.

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