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Southside Family Charter School Policy 721
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721 UNIFORM GRANT GUIDANCE POLICY REGARDING FEDERAL REVENUE SOURCES

I. PURPOSE

The purpose of this policy is to ensure compliance with the requirements of the federal Uniform Grant Guidance regulations by establishing uniform administrative requirements, cost principles, and audit requirements for federal grant awards received by the school.

II. DEFINITIONS

A. Grants

1. “State-administered grants” are those grants that pass through a state agency such as the Minnesota Department of Education (MDE).
2. “Direct grants” are those grants that do not pass through another agency such as MDE and are awarded directly by the federal awarding agency to the grantee organization. These grants are usually discretionary grants that are awarded by the U.S. Department of Education (DOE) or by another federal awarding agency

B. “Federal award” has the meaning, depending on the context, in either paragraph 1. or 2. of this definition:

1.
 - a. The federal financial assistance that the school receives directly from a federal awarding agency or indirectly from a pass-through entity, as described in 2 C.F.R. § 200.101 (Applicability); or
 - b. The cost-reimbursement contract under the federal Acquisition Regulations that a the school receives directly from a federal awarding agency or indirectly from a pass-through entity, as described in 2 C.F.R. § 200.101 (Applicability).
2. The instrument setting forth the terms and conditions. The instrument is the grant agreement, cooperative agreement, other agreement for assistance covered in paragraph (b) of 2 C.F.R. § 200.40 (Federal Financial Assistance), or the cost-reimbursement contract awarded under the federal Acquisition Regulations.

- C. “Contract” means a legal instrument by which a school purchases property or services needed to carry out the project or program under a federal award. The term, as used in 2 C.F.R. Part 200, does not include a legal instrument, even if the school considers it a contract, when the substance of the transaction meets the definition of a federal award or subaward.
- D. “Equipment” means tangible personal property (including information technology systems) having a useful life of more than one year and a per-unit acquisition cost which exceeds the lesser of the capitalization level established by the school for financial statement purposes, or \$5,000.
- E. “Compensation for personal services” includes all remuneration, paid currently or accrued, for services of employees rendered during the period of performance under the federal award, including, but not necessarily limited to, wages and salaries. Compensation for personal services may also include fringe benefits which are addressed in 2 C.F.R. § 200.431 (Compensation - Fringe Benefits).
- F. “Post-retirement health plans” refer to costs of health insurance or health services not included in a pension plan covered by 2 C.F.R. § 200.431(g) for retirees and their spouses, dependents, and survivors.
- G. “Severance pay” is a payment in addition to regular salaries and wages by the school to workers whose employment is being terminated.
- H. “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.
- I. “Relocation costs” are costs incident to the permanent change of duty assignment (for an indefinite period or for a stated period of at least 12 months) of an existing employee or upon recruitment of a new employee.
- J. “Travel costs” are the expenses for transportation, lodging, subsistence, and related items incurred by employees who are in travel status on official business of the school.

III. MANAGING EQUIPMENT AND SAFEGUARDING ASSETS

- A. Property Standards. The school must, at a minimum, provide the equivalent insurance coverage for real property and equipment acquired or improved with federal funds as provided to property owned by the school. Federally owned property need not be insured unless required by the terms and conditions of the federal award.

The school must adhere to the requirements concerning real property, equipment, supplies, and intangible property set forth in 2 C.F.R. §§ 200.311, 200.314, and 200.315.

B. Equipment

Management requirements. Procedures for managing equipment (including replacement equipment), whether acquired in whole or in part under a federal award, until disposition takes place will, at a minimum, meet the following requirements:

1. Property records must be maintained that include a description of the property; a serial number or other identification number; the source of the funding for the property (including the federal award identification number (FAIN)); who holds title; the acquisition date; the cost of the property; the percentage of the federal participation in the project costs for the federal award under which the property was acquired; the location, use, and condition of the property; and any ultimate disposition data, including the date of disposition and sale price of the property.
2. A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years.
3. A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft must be investigated.
4. Adequate maintenance procedures must be developed to keep property in good condition.
5. If the school is authorized or required to sell the property, proper sales procedures must be established to ensure the highest possible return.

IV. FINANCIAL MANAGEMENT REQUIREMENTS

- A. Financial Management. The school's financial management systems, including records documenting compliance with federal statutes, regulations, and the terms and conditions of the federal award, must be sufficient to permit the preparation of reports required by general and program-specific terms and conditions; and the tracing of funds to a level of expenditures adequate to establish that such funds have been used according to the federal statutes, regulations, and the terms and conditions of the federal award.
- B. Payment. The school must be paid in advance, provided it maintains or demonstrates the willingness to maintain both written procedures that minimize the

time elapsing between the transfer of funds and disbursement between the school and the financial management systems that meet the standards for fund control.

Advance payments to a school must be limited to the minimum amounts needed and timed to be in accordance with the actual, immediate cash requirements of the school in carrying out the purpose of the approved program or project. The timing and amount of advance payments must be as close as is administratively feasible to the actual disbursements by the school for direct program or project costs and the proportionate share of any allowable indirect costs. The school must make timely payment to contractors in accordance with the contract provisions.

- C. Internal Controls. The school must establish and maintain effective internal control over the federal award that provides reasonable assurance that the school is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government,” issued by the Comptroller General of the United States, or the “Internal Control Integrated Framework,” issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

The school must comply with federal statutes, regulations, and the terms and conditions of the federal award.

The school must also evaluate and monitor the school’s compliance with statutes, regulations, and the terms and conditions of the federal award.

The school must also take prompt action when instances of noncompliance are identified, including noncompliance identified in audit findings.

The school must take reasonable measures to safeguard protected personally identifiable information considered sensitive consistent with applicable federal and state laws regarding privacy and obligations of confidentiality.

V. ALLOWABLE USE OF FUNDS AND COST PRINCIPLES

- A. Allowable Use of Funds. The school administration and board will enforce appropriate procedures and penalties for all staff responsible for the allocation of federal grant costs based on their allowability and their conformity with federal cost principles to determine the allowability of costs.
- B. Definitions
1. “Allowable cost” means a cost that complies with all legal requirements that apply to a particular federal education program, including statutes, regulations, guidance, applications, and approved grant awards.

2. “Education Department General Administrative Regulations (EDGAR)” means a compilation of regulations that apply to federal education programs. These regulations contain important rules governing the administration of federal education programs and include rules affecting the allowable use of federal funds (including rules regarding allowable costs, the period of availability of federal awards, documentation requirements, and grants management requirements). EDGAR can be accessed at: <http://www2.ed.gov/policy/fund/reg/edgarReg/edgar.html>.
3. “Omni Circular” or “2 C.F.R. Part 200s” or “Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards” means federal cost principles that provide standards for determining whether costs may be charged to federal grants.
4. “Advance payment” means a payment that a federal awarding agency or passthrough entity makes by any appropriate payment mechanism, including a predetermined payment schedule, before the school disburses the funds for program purposes.

C. Federal Cost Principles

1. The Omni Circular defines the parameters for the permissible uses of federal funds, and should be referred to when determining allowability of specific costs. While many requirements are contained in the Omni Circular, it includes five core principles that serve as an important guide for effective grant management. These core principles require all costs to be:
 - a. Necessary for the proper and efficient performance or administration of the program.
 - b. Reasonable. An outside observer should clearly understand why a decision to spend money on a specific cost made sense in light of the cost, needs, and requirements of the program.
 - c. Allocable to the federal program that paid for the cost. A program must benefit in proportion to the amount charged to the federal program – for example, if a teacher is paid 50% with Title I funds, the teacher must work with the Title I program/students at least 50% of the time. Recipients also need to be able to track items or services purchased with federal funds so they can prove they were used for federal program purposes.
 - d. Authorized under state and local rules. All actions carried out with federal funds must be authorized and not prohibited by state and local laws and policies.

- e. Adequately documented. A recipient must maintain proper documentation so as to provide evidence to monitors, auditors, or other oversight entities of how the funds were spent over the lifecycle of the grant.

2. The Omni Circular and EDGAR identify certain costs that may never be paid with federal funds. The following list provides examples of such costs. If a cost is on this list, it may not be supported with federal funds. The fact that a cost is not on this list does not mean it is necessarily permissible. Other important restrictions apply to federal funds, such as those items detailed in the 2 CFR Part 200s; thus, the following list is not exhaustive:

- a. Advertising and public relations costs (with limited exceptions);
- b. Alcoholic beverages;
- c. Bad debts;
- d. Fundraising and investment management costs (with limited exceptions);
- e. Donations and contributions;
- f. Entertainment (amusement, diversion, and social activities and any associated costs);
- g. Fines and penalties;
- h. General government expenses (with limited exceptions pertaining to Indian tribal governments and Councils of Government (COGs));
- i. Goods or services for personal use;
- j. Interest, except interest specifically stated in 2 C.F.R. § 200.441 as allowable;
- k. Religious use;
- l. The acquisition of real property (unless specifically permitted by programmatic statute or regulations, which is very rare in federal education programs);
- m. Construction (unless specifically permitted by programmatic statute or regulations, which is very rare in federal education programs); and

- n. Tuition charged or fees collected from students applied toward meeting matching, cost sharing, or maintenance of effort requirements of a program.

D. Program Specific Fiscal Rules. The Omni Circular also contains specific rules on selected items of costs. Costs must comply with these rules in order to be paid with federal funds.

- 1. All federal education programs have certain program specific fiscal rules that apply. Determining which rules apply depends on the program; however, rules such as supplement, not supplant, maintenance of effort, comparability, caps on certain uses of funds, etc., have an important impact when analyzing whether a particular cost is permissible.
- 2. Many state-administered programs require local education agencies (LEAs) to use federal program funds to supplement the amount of state, local, and, in some cases, other federal funds they spend on education costs and not to supplant (or replace) those funds. Generally, the “supplement, not supplant” provision means that federal funds must be used to supplement the level of funds from non-federal sources by providing additional services, staff, programs, or materials. In other words, federal funds normally cannot be used to pay for things that would otherwise be paid for with state or local funds (and, in some cases, with other federal funds).
- 3. Auditors generally presume supplanting has occurred in three situations:
 - a. School uses federal funds to provide services that the school is required to make available under other federal, state, or local laws.
 - b. School uses federal funds to provide services that the school provided with state or local funds in the prior year.
 - c. School uses Title I, Part A, or Migrant Education Program funds to provide the same services to Title I or Migrant students that the school provides with state or local funds to nonparticipating students.
- 4. These presumptions apply differently in different federal programs and also in schoolwide program schools. Staff should be familiar with the supplement not supplant provisions applicable to their program.

E. Approved Plans, Budgets, and Special Conditions

- 1. As required by the Omni Circular, all costs must be consistent with approved program plans and budgets.

2. Costs must also be consistent with all terms and conditions of federal awards, including any special conditions imposed on the school's grants.

F. Training

1. The school will provide training on the allowable use of federal funds to all staff involved in federal programs.
2. The school will promote coordination between all staff involved in federal programs through activities, such as routine staff meetings and training sessions.

- G. Employee Sanctions. Any school employee who violates this policy will be subject to discipline, as appropriate, up to and including the termination of employment.

VI. **COMPENSATION – PERSONAL SERVICES EXPENSES AND REPORTING**

A. Compensation – Personal Services

Costs of compensation are allowable to the extent that they satisfy the specific requirements of the Uniform Grant Guidance and that the total compensation for individual employees:

1. Is reasonable for the services rendered and conforms to the established written policy of the school consistently applied to both federal and non-federal activities; and
2. Follows an appointment made in accordance with a school's written policies and meets the requirements of federal statute, where applicable.

Unless an arrangement is specifically authorized by a federal awarding agency, a school must follow its written non-federal, entitywide policies and practices concerning the permissible extent of professional services that can be provided outside the school for non-organizational compensation.

B. Compensation – Fringe Benefits

1. During leave.

The costs of fringe benefits in the form of regular compensation paid to employees during periods of authorized absences from the job, such as for annual leave, family-related leave, sick leave, holidays, court leave, military leave, administrative leave, and other similar benefits, are allowable if all of the following criteria are met:

- a. They are provided under established written leave policies;

- b. The costs are equitably allocated to all related activities, including federal awards; and
 - c. The accounting basis (cash or accrual) selected for costing each type of leave is consistently followed by the school.
- 2. The costs of fringe benefits in the form of employer contributions or expenses for social security; employee life, health, unemployment, and worker's compensation insurance (except as indicated in 2 C.F.R. § 200.447(d)); pension plan costs; and other similar benefits are allowable, provided such benefits are granted under established written policies. Such benefits must be allocated to federal awards and all other activities in a manner consistent with the pattern of benefits attributable to the individuals or group(s) of employees whose salaries and wages are chargeable to such federal awards and other activities and charged as direct or indirect costs in accordance with the school's accounting practices.
- 3. Actual claims paid to or on behalf of employees or former employees for workers' compensation, unemployment compensation, severance pay, and similar employee benefits (e.g., post-retirement health benefits) are allowable in the year of payment provided that the school follows a consistent costing policy.
- 4. Pension plan costs may be computed using a pay-as-you-go method or an acceptable actuarial cost method in accordance with the written policies of the school.
- 5. Post-retirement costs may be computed using a pay-as-you-go method or an acceptable actuarial cost method in accordance with established written policies of the school.
- 6. Costs of severance pay are allowable only to the extent that, in each case, severance pay is required by law; employer-employee agreement; established policy that constitutes, in effect, an implied agreement on the school's part; or circumstances of the particular employment.
- C. Insurance and Indemnification. Types and extent and cost of coverage are in accordance with the school's policy and sound business practice.
- D. Recruiting Costs. Short-term, travel visa costs (as opposed to longer-term, immigration visas) may be directly charged to a federal award, so long as they are:
 - 1. Critical and necessary for the conduct of the project;

2. Allowable under the cost principles set forth in the Uniform Grant Guidance;
 3. Consistent with the school's cost accounting practices and school policy; and
 4. Meeting the definition of "direct cost" in the applicable cost principles of the Uniform Grant Guidance.
- E. Relocation Costs of Employees. Relocation costs are allowable, subject to the limitations described below, provided that reimbursement to the employee is in accordance with the school's reimbursement policy.
- F. Travel Costs. Travel costs may be charged on an actual cost basis, on a per diem or mileage basis in lieu of actual costs incurred, or on a combination of the two, provided the method used is applied to an entire trip and not to selected days of the trip, and results in charges consistent with those normally allowed in like circumstances in the school's non-federally funded activities and in accordance with the school's reimbursement policies.

Costs incurred by employees and officers for travel, including costs of lodging, other subsistence, and incidental expenses, must be considered reasonable and otherwise allowable only to the extent such costs do not exceed charges normally allowed by the school in its regular operations according to the school's written reimbursement and/or travel policies.

In addition, when costs are charged directly to the federal award, documentation must justify the following:

1. Participation of the individual is necessary to the federal award; and
2. The costs are reasonable and consistent with the school's established travel policy.

Temporary dependent care costs above and beyond regular dependent care that directly results from travel to conferences is allowable provided the costs are:

1. A direct result of the individual's travel for the federal award;
2. Consistent with the school's documented travel policy for all school travel; and
3. Only temporary during the travel period.

Legal References: 2 C.F.R. § 200.12 (Capital Assets)

2 C.F.R. § 200.112 (Conflict of Interest)
2 C.F.R. § 200.113 (Mandatory Disclosures)
2 C.F.R. § 200.205(d) (Federal Awarding Agency Review of Risk Posed by Applicants)
2 C.F.R. § 200.212 (Suspension and Debarment)
2 C.F.R. § 200.300(b) (Statutory and National Policy Requirements)
2 C.F.R. § 200.302 (Financial Management)
2 C.F.R. § 200.303 (Internal Controls)
2 C.F.R. § 200.305(b)(1) (Payment)
2 C.F.R. § 200.310 (Insurance Coverage)
2 C.F.R. § 200.311 (Real Property)
2 C.F.R. § 200.313(d) (Equipment)
2 C.F.R. § 200.314 (Supplies)
2 C.F.R. § 200.315 (Intangible Property)
2 C.F.R. § 200.318 (General Procurement Standards)
2 C.F.R. § 200.319(c) (Competition)
2 C.F.R. § 200.320 (Methods of Procurement to be Followed)
2 C.F.R. § 200.321 (Contracting with Small and Minority Businesses, Women's Business Enterprises, and Labor Surplus Area Firms)
2 C.F.R. § 200.328 (Monitoring and Reporting Program Performance)
2 C.F.R. § 200.338 (Remedies for Noncompliance)
2 C.F.R. § 200.403(c) (Factors Affecting Allowability of Costs)
2 C.F.R. § 200.430 (Compensation – Personal Services)
2 C.F.R. § 200.431 (Compensation – Fringe Benefits)
2 C.F.R. § 200.447 (Insurance and Indemnification)
2 C.F.R. § 200.463 (Recruiting Costs)
2 C.F.R. § 200.464 (Relocation Costs of Employees)
2 C.F.R. § 200.473 (Transportation Costs)
2 C.F.R. § 200.474 (Travel Costs)

Cross References: SFCSPolicy 210.1 (Conflict of Interest – Charter School Board Members)
SFCSPolicy 412 (Expense Reimbursement)
SFCSPolicy 701 (Establishment and Adoption of School Budget)
SFCSPolicy 701.1 (Modification of School Budget)
SFCSPolicy 702 (Accounting)
SFCSPolicy 703 (Annual Audit)
SFCSPolicy 710 (Procurement)