



Tri County Area Schools

Academics • Arts • Athletics • Achievement

**FEDERAL FINANCIAL INTERNAL
CONTROLS AND PROCEDURES**

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FEDERAL FINANCIAL INTERNAL CONTROLS AND PROCEDURES

As a precondition to receive Federal funds, prospective recipients must have effective administrative and financial internal controls. As described in *34 CFR Part 80*, *2 CFR Part 215* and *Office of Management and Budget (“OMB”) Circular A-133 Compliance Supplement Part 6*, school districts must have written procedures for certain components of grant administration. This handbook itemizes **Tri County Area Schools (“District”)** procedures for those components.

ACTIVITIES ALLOWED OR UNALLOWED AND ALLOWABLE COSTS/COST PRINCIPLES

Control Objectives

To provide reasonable assurance that Federal awards are expended only for allowable activities and that the costs of goods and services charged to Federal awards are allowable and in accordance with the applicable cost principles.

Control Activities

- Accountability provided for charges and costs between Federal and non-Federal activities.
 - The Board of Education (“Board”) approved District-wide budget and the approved Federal grant application budgets are reviewed prior to each budget amendment presented to the Board during the fiscal year by the Director of Finance and District Program Director.
- Process in place for timely updating of procedures for changes in activities allowed and cost principles.
 - The Director of Finance and Program Director reviews the *OMB Circular A-133 Compliance Supplement (“Supplement”)* on an annual basis by reviewing Part 4 of the Supplement for each of the grants that apply to the District for the respective year.
- Computations checked for accuracy.
 - The allowable costs are recorded in the appropriate general ledger accounts and the accounting software is designed to ensure balances are mathematically accurate.
- Supporting documentation compared to list of allowable and unallowable expenditures.
 - The Director of Finance reviews all expenditures prior to being submitted for reimbursement by comparing to Part 4 of the Supplement.
- Adjustments to unallowable costs made where appropriate and follow-up action taken to determine the cause.
 - Upon determination of an unallowable cost, the Director of Finance reclassifies the expenditure to an appropriate account, notifies the pass-thru agency, and discusses the purchase with the District Program Director to gain an understanding of the initial allowable use assessment.
- Adequate segregation of duties in review and authorization of costs.
 - The District Program Director approves the purchase by submitting a requisition to purchase to the Business Office, the Director of Finance approves the requisition,

the Accounting Specialist places the order through processing of the purchase order, and the Accounting Specialist processes payment upon receipt of product or service and electronic receipting of said goods or services within the financial management system by the District Program Director after the goods have been received. (See District Purchasing and Cash Management Procedures).

- Accountability for authorization is fixed in an individual who is knowledgeable of the requirements for determining activities allowed and allowable costs.
 - The Director of Finance is the final authorization of reimbursement requests.

CASH MANAGEMENT

Control Objectives

To provide reasonable assurance that the (1) drawdown of Federal cash is only for immediate needs, (2) reimbursement is requested only after costs have been incurred, (3) States comply with applicable Treasury agreements, and (4) recipients limit payments to sub-recipients to immediate cash needs.

Control Activities

- Cash flow statements by program are prepared to determine essential cash flow needs.
 - Access to financial reports are provided through access of the financial management system to generate the reports and are reviewed on a monthly basis and reviewed by the applicable Program Director and Director of Finance for a consistent level of service and timely requests for reimbursement of expenditures.
- Accounting system is capable of scheduling payments for accounts payable and requests for funds from Treasury to avoid time lapse between draw down of funds and actual disbursements of funds.
 - The District operates strictly on a reimbursement basis and accordingly there is no time lapse between draw down and disbursement.
- Appropriate level of supervisory review of cash management activities.
 - The Director of Finance approves the reimbursement requests and the Board reviews payments of bills in conjunction with monthly financial statements.
- Written policy that provides:
 - (a) Procedures for requesting cash advances as close as is administratively possible to actual cash outlays and reimbursement only after costs have been incurred and detailed invoices or receipts are provided;
 - (b) Monitoring of cash management activities; and
 - (c) Repayment of excess interest earnings where required.
 - The District operates on a reimbursement basis. The Director of Finance and Board monitor cash activities on a monthly basis and there are no interest earnings to be considered for repayment.

DAVIS-BACON ACT

Control Objectives

To provide reasonable assurance that contractors and subcontractors were properly notified of the Davis-Bacon Act requirements and the required certified payrolls were submitted to the non-Federal entity.

Control Activities

- Contractors informed in the procurement documents of the requirements for prevailing wage rates.
 - The District includes necessary prevailing wage rate disclosure information in all bid documents for construction projects funded with Federal dollars.
- Contractors and subcontractors are required by contract to submit certifications and copies of payrolls.
 - The District includes necessary prevailing wage rate requirements in all bid documents for construction projects funded with Federal dollars.
- Contractors' and subcontractors' payrolls monitored to ensure certified payrolls are submitted.
 - The Director of Finance requests certified payroll reports from contractors and subcontractors to verify that the reports are properly certified.

ELIGIBILITY

Control Objectives

To provide reasonable assurance that only eligible individuals and organizations receive assistance under Federal award programs, that sub-awards are made only to eligible sub-recipients, and that amounts provided to or on behalf of eligible individuals or groups of individuals were calculated in accordance with program requirements.

Control Activities

- Written policies provide direction for making and documenting eligibility determinations.
 - The Director of Finance reviews the *OMB Circular A-133 Compliance Supplement* on an annual basis by reviewing Part 4 of the Supplement for each of the grants that apply to the District for the respective year. Eligibility requirements for each grant are considered and discussed with the Program Director to collectively design a plan to determine that only eligible individuals and organizations receive assistance under the Federal award programs. Eligibility determinations are documented on State and/or Federal forms when provided. When no forms are available, the District uses internally developed forms for documentation.
- Procedures to calculate eligibility amounts consistent with program requirements.
 - The District does not have any grants where funds are given directly to individuals. The Director of Finance reviews the *OMB Circular A-133 Compliance Supplement* on an annual basis by reviewing Part 4 of the Supplement for each of the grants that

apply to the District for the respective year. Amounts are then determined on a building basis to provide services to the eligible recipients.

- Eligibility objectives and procedures clearly communicated to employees.
 - The Director of Finance and applicable Program Director meets to review eligibility requirements for the various programs upon approval of the grants. The Program Director then communicates this information to appropriate support personnel to aid them in carrying out their program responsibilities.
- Authorized signatures (manual or electronic) on eligibility documents periodically reviewed.
 - Authorized signatures are included on eligibility documents provided by the State or Federal government when a signature line is included on the form.
- Adequate safeguards are in place to ensure access to eligibility records (manual or electronic) limited to appropriate persons.
 - Eligibility records are maintained in the Director of Finance's office or the applicable building office with access limited to certain individuals.
- Manual criteria checklists or automated process used in making eligibility determinations.
 - The District uses documents, forms or templates provided by the State or Federal government when available. If no form is available, the District develops its own form for documentation of eligibility.
- Process for periodic eligibility re-determinations in accordance with program requirements.
 - Eligibility for program services is determined on an annual basis. However, the District reviews the *OMB Circular A-133 Compliance Supplement Part 4* for re-determination requirements as applicable for each of the grants that apply to the District for the respective year.
- Verification of accuracy of information used in eligibility determinations.
 - The District relies on *OMB Circular A-133 Compliance Supplement Part 4* to itemize requirements for determining eligibility. Accuracy of information is performed through independent third party verification. Such verification could include reviewing household paystubs, bank statements, utility bills, etc.
- Procedures to ensure the accuracy and completeness of data used to determine eligibility requirements.
 - The District relies on *OMB Circular A-133 Compliance Supplement Part 4* to itemize requirements for determining eligibility. Accuracy of information is performed through independent third party verification.
- Process in place to ensure benefits were discontinued when eligibility requirements no longer met or period of eligibility expired.
 - Eligibility for program services is determined on an annual basis. An individual is considered eligible for the entire program period of availability or the District's fiscal year, whichever is shorter. Accordingly, there is no discontinuation of benefits during this period.

EQUIPMENT AND REAL PROPERTY MANAGEMENT

Control Objectives

To provide reasonable assurance that proper records are maintained for equipment acquired with Federal awards, equipment is adequately safeguarded and maintained, disposition or encumbrance of any equipment or real property is in accordance with Federal requirements, and the Federal awarding agency is appropriately compensated for its share of any property sold or converted to non-Federal use.

Control Activities

- Accurate records maintained on all acquisitions and dispositions of property acquired with Federal awards.
 - The District Accountant maintains a detailed capital asset register with Federal and non-Federal asset purchases. Within the register is an identifier that indicates the funding source. This register is maintained on a perpetual basis.
- Property tags are placed on equipment.
 - Property tags are placed on equipment by District staff, under the supervision of the Program Director, for assets purchased with Federal funding. These items can be traced back to the asset records through serial and/or model numbers in addition to the identified location of the asset.
- A physical inventory of equipment is periodically taken and compared to property records.
 - A physical inventory of equipment acquired under Federal awards is conducted at least once every two years. Any differences between the physical inventory and equipment records are resolved by the District Accountant.
- Property records contain description (including serial number or other identification number), source, who holds title, acquisition date and cost, percentage of Federal participation in the cost, location, condition, and disposition data.
 - The District Accountant maintains property records containing all the necessary information.
- Procedures established to ensure that the Federal awarding agency is appropriately reimbursed for dispositions of property acquired with Federal awards.
 - The Director of Finance reviews dispositions of equipment acquired under Federal awards with a current per unit fair market value of \$5,000 or more to determine whether the awarding agency should be reimbursed for the appropriate Federal share. The Director of Finance consults with the awarding agency to determine the appropriate course of action.
- Policies and procedures in place for responsibilities of recordkeeping and authorities for disposition.
 - The Accounting Specialist maintains the capital asset register while the Director of Finance reviews the register on an annual basis. The Director of Finance authorizes capital asset dispositions prior to removal from the register.

MATCHING, LEVEL OF EFFORT, EARMARKING

Control Objectives

To provide reasonable assurance that matching, level of effort or earmarking requirements are met using only allowable funds or costs which are properly calculated and valued.

Control Activities

- Evidence obtained such as a certification from the donor, or other procedures performed to identify whether matching contributions:
 - (a) Are from non-Federal sources;
 - (b) Involve Federal funding, directly or indirectly; and
 - (c) Were used for another Federally-assisted program.

Note: Generally, matching contributions must be from a non-Federal source and may not involve Federal funding or be used for another Federally assisted program.

- The Director of Finance reviews the *OMB Circular A-133 Compliance Supplement Part 4* on an annual basis noting grants that have matching contribution requirements. The District annual financial budgets are adopted including dollars needed to comply with matching contribution requirements for Federal grants.
- Adequate review of monthly cost reports and adjusting entries.
 - The Director of Finance reviews financial reports for Federal grants on a monthly basis.

The district does not currently receive matching contributions.

PERIOD OF AVAILABILITY OF FEDERAL FUNDS

Control Objectives

To provide reasonable assurance that Federal funds are used only during the authorized period of availability.

Control Activities

- District controls prevent obligation or expenditure of Federal funds outside of the period of availability.
 - The Director of Finance reviews all grant applications approved by the awarding agency to identify the funding period. This information is communicated to the applicable Program Director to promote consistent use of grant funds throughout the period of availability. The Director of Finance reviews all expenditures to ensure they are incurred within the proper funding period.
- Review of disbursements by person knowledgeable of period of availability of funds.
 - The Director of Finance reviews all expenditures to ensure they are incurred within the proper funding period.
- End of grant period cut-offs are met by such mechanisms as advising program managers of impending cut-off dates and review of expenditures just before and after cut-off date.
 - The Director of Finance reviews all expenditures to ensure they are incurred within the proper funding period.
- Cancellation of unliquidated commitments at the end of the period of availability.

- The Director of Finance along with the Accounting Specialist reviews open purchase orders within thirty days prior to the end of the period of availability. Open purchase orders are either paid (if goods have been received) or closed within that thirty-day period.

PROCUREMENT POLICIES AND PROCEDURES

Control Objectives

The purpose of these standards is to establish procedures for the District for the procurement of supplies and other expendable property, equipment, real property and other services.

Code of conduct

- No employee, officer, or agent shall participate in the selection, award, or administration of a contract if a real or apparent conflict of interest would be involved. Such a conflict 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 the firm selected for an award.
- The officers, employees, and agents of the District shall neither solicit nor accept gratuities, favors, or anything of monetary value from contractors, or parties to sub-agreements except for where the financial interest is not substantial or the gift is an unsolicited item of nominal value.
- Members of the District's board of directors shall comply with all relevant fiduciary duties, including those governing conflicts of interest, when they vote upon matters related to procurement contracts in which they have a direct or indirect financial or personal interest.
- Officers, employees, directors, and agents of the District shall be subject to disciplinary actions for violations of these standards.

Competition

- All procurement transactions shall be conducted in a manner to provide, to the maximum extent practical, open and free competition.
- The District shall be alert to organizational conflicts of interest as well as noncompetitive practices among contractors that may restrict or eliminate competition or otherwise restrain trade.
 - In order to ensure objective contractor performance and eliminate unfair competitive advantage, contractors that develop or draft specifications, requirements, statements of work, invitations for bids and/or requests for proposals shall be excluded from competing for such procurements.

- Awards shall be made to the bidder or offeror whose bid or offer is responsive to the solicitation and is most advantageous to the District, price, quality and other factors considered.
- Solicitations shall clearly set forth all requirements that the bidder or offeror shall fulfill in order for the bid or offer to be evaluated by the District. Any and all bids or offers may be rejected when it is in the District's interest to do so.
- In all procurement the District shall avoid practices that are restrictive of competition. These include but are not limited to:
 - (i) Placing unreasonable requirements on firms in order for them to qualify to do business,
 - (ii) Requiring unnecessary experience and excessive bonding,
 - (iii) Noncompetitive pricing practices between firms or between affiliated companies,
 - (iv) Noncompetitive awards to consultants that are on retainer contracts,
 - (v) Organizational conflicts of interest,
 - (vi) Specifying only a brand name product instead of allowing an equal product to be offered and describing the performance of other relevant requirements of the procurement, and
 - (vii) Any arbitrary action in the procurement process.

Methods of Procurement

- Methods of procurement that need to be followed are:
 - (i) Procurement by small purchase procedures.
 - Small purchase procedures are those relatively simple and informal procurement methods for securing services, supplies, or other property that do not cost more than the "Simplified Acquisition Threshold" fixed at 41 U.S.C. 403(11) (currently set at \$100,000) and where procurement by sealed bid is not required.
 - If small purchase procedures are used, price or rate quotations shall be obtained from an adequate number of qualified sources to insure that the selection process is competitive in accordance with these policies.
 - (ii) Procurement by sealed bids (formal advertising)
 - Bids are publicly solicited and a firm-fixed-price contract (lump sum or unit price) is awarded to the responsible bidder whose bid, conforming

with all the material terms and conditions of the invitation for bids, is the lowest in price.

- The sealed bid method is the preferred method for procuring construction if the following conditions are present:
 - (a) A complete, adequate, and realistic specification or purchase description is available;
 - (b) Two or more responsible bidders are willing and able to compete effectively and for the business; and
 - (c) The procurement lends itself to a firm fixed price contract and the selection of the successful bidder can be made principally on the basis of price.
- If sealed bids are used, the following requirements apply:
 - (a) The invitation for bids will be publicly advertised and bids shall be solicited from an adequate number of known suppliers, providing them sufficient time prior to the date set for opening the bids;
 - (b) The invitation for bids, which will include any specifications and pertinent attachments, shall define the items or services in order for the bidder to properly respond;
 - (c) All bids will be publicly opened at the time and place prescribed in the invitation for bids;
 - (d) A firm fixed-price contract award will be made in writing to the lowest responsive and responsible bidder. Where specified in bidding documents, factors such as discounts, transportation cost, and life cycles costs shall be considered in determining which bid is lowest. Payment discounts will only be used to determine the low bid when prior experience indicates that such discounts are usually taken advantage of; and
 - (e) Any or all bids may be rejected if there is a sound documented reason.

(iii) Procurement by competitive proposals

- The technique of competitive proposals is normally conducted with more than one source submitting an offer, and either a fixed- price or cost-reimbursement type contract is awarded. It is generally used when conditions are not appropriate for the use of sealed bids or small purchase procedures. If this method is used, the following requirements apply:

- (a) Request for proposals will be publicized and identify all evaluation factors and their relative importance. Any response to publicized requests for proposals shall be honored to the maximum extent practical;
- (b) Proposals will be solicited from an adequate number of qualified sources;
- (c) The District shall evaluate responses to its solicitations and select awardees in accordance the procedures outlined in section 5 below ("Procurement Procedures")
- (d) Awards will be made to the responsible firm whose proposal is most advantageous to the District with price and other factors considered; and
- (e) The District may use the competitive proposal procedures for qualifications-based procurement of architectural/engineering (A/E) professional services whereby competitors' qualification is evaluated and the most qualified competitor is selected, subject to negotiation of fair and reasonable compensation. A procurement process where price is not to be used as a stated selection factor can only be used in procurement of A/E professional services. It cannot be used to purchase other types of although A/E firms are a potential source to perform the proposed effort.

(iv) Procurement by noncompetitive proposals

- Procurement through solicitation of a proposal from only one source, or after solicitation of a number of sources, competition is determined inadequate.
- Procurement by noncompetitive proposals may be used only when the award of a contract is infeasible under small purchase procedures, sealed bids or competitive proposals and one of the following circumstances applies:
 - (a) The item is available only from a single source;
 - (b) The public exigency or emergency for the requirement will not permit a delay resulting from competitive solicitation;

- (c) The funding source specifically authorizes the use of noncompetitive proposals; or
- (d) After solicitation of a number of sources, competition is determined inadequate.
- Cost analysis, i.e., verifying the proposed cost data, the projections of the data, and the evaluation of the specific elements of costs and profits, is required.
- When using a non-competitive process, the District normally would be expected to submit the proposed procurement to the relevant funding source for pre-award.

Procurement Procedures

- All procurement by the District shall comply, at a minimum, with the requirements of subsections (i), (ii), and (iii) below:
 - (i) The District avoid purchasing unnecessary and/or duplicative items
 - (ii) Where appropriate, an analysis is made of lease and purchase alternatives to determine which would be the most economical and practical procurement.
 - (iii) Solicitations for goods and services provide for all of the following:
 - (a) A clear and accurate description of the technical requirements for the material, product or service to be procured. In competitive procurements, such a description shall not contain features which unduly restrict competition.
 - (b) Requirements which must be fulfilled and all other factors to be used in evaluating proposal submitted in response to solicitations
 - (c) A description, whenever practicable, of technical requirements in terms of functions to be performed or performance required, including the range of acceptable characteristics or minimum acceptable standards.
 - (d) When relevant, the specific features of "brand name or equal" descriptions that are to be included in responses submitted to solicitation.
 - (e) The acceptance, to the extent practicable and economically feasible, of products and services dimensioned in the metric system of measurement.
 - (f) Preference, to the extent practicable and economically feasible, for products and services that conserve natural resources and protect the environment and are energy efficient.

- Positive efforts shall be made by the District to utilize small businesses, minority-owned firms, and women's business enterprises, whenever possible. The District shall take all of the following steps to further this goal.
 - (a) Ensure that small businesses, minority-owned firms, and women's business enterprises are used to the fullest extent practicable.
 - (b) Make information on forthcoming opportunities available and arrange time frames for purchases and contracts to encourage and facilitate participation by small businesses, minority-owned firms, and women's business enterprises.
 - (c) Consider in the contract process whether firms competing for larger contracts intend to subcontract with small businesses, minority-owned firms, and women's business enterprises.
 - (d) Encourage, when practical, contracting with consortiums of small businesses, minority-owned firms and women's business enterprises when a contract is too large for one of these firms to handle individually.
 - (e) Use the services and assistance, as appropriate and practical, of such organizations as the Small Business Administration and the Department of Commerce's Minority Business Development Agency in the solicitation and utilization of small businesses, minority-owned firms and women's business enterprises.
- The type of procuring instruments used (e.g., fixed price contracts, cost reimbursable contracts, purchase orders, and incentive contracts) shall be determined by the District but shall be appropriate for the particular procurement and for promoting the best interest of the program or project involved. The "cost-plus-a- percentage-of- cost" or "percentage of construction cost" methods of contracting shall not be used.
- Debarment and Suspension - No contract shall be made to parties listed on the General Services Administration's List of Parties Excluded from Federal Procurement or Non-Procurement Programs in accordance with E.O.s 12549 and 12689, "Debarment and Suspension." Contractors with awards that exceed the small purchase threshold shall provide the required certification regarding its exclusion status and that of its principal employees.

Cost and Price Analysis

- Some form of cost or price analysis shall be made and documented in the procurement files in connection with every procurement action above \$500 in value.
- Price analysis may be accomplished in various ways, including the comparison of price quotations submitted, market prices and similar indicia, together with discounts.
- Cost analysis is the review and evaluation of each element of cost to determine

reasonableness, allocability and allowability.

Procurement Records

- Procurement records and files for purchases in excess of the small purchase threshold as fixed at 41 U.S.C. 403(11) (currently \$25,000) shall include the following at a minimum:
 - (a) basis for contractor selection,
 - (b) justification for lack of competition when competitive bids or offers are not obtained, and
 - (c) basis for award cost or price.

Contract Administration

- The District shall include, in addition to provisions to define a sound and complete agreement, the following provisions in all contracts. The following provisions shall also be applied to subcontracts.
 - (a) Contracts in excess of the Simplified Acquisition Threshold shall contain contractual provisions or conditions that allow for administrative, contractual, or legal remedies in instances in which a contractor violates or breaches the contract terms, and provide for such remedial actions as may be appropriate.
 - (b) All contracts in excess of the Simplified Acquisition Threshold shall contain suitable provisions for termination by the District, including the manner by which termination shall be effected and the basis for settlement. In addition, such contracts shall describe conditions under which the contract may be terminated for default as well as conditions where the contract may be terminated because of circumstances beyond the control of the contractor.
 - (c) For contracts dealing with construction or facility improvements the District shall comply with all requirements imposed by its funding sources (and the government regulations applicable to those funding sources) with regard to construction bid guarantees, performance bonds, and payment bonds.
 - (d) All negotiated contracts (except those for less than the Simplified Acquisitions Threshold) awarded by the District shall include a provision to the effect that the District shall have access to any books, documents, papers, and records of the contractor which are directly pertinent to a specific program for the purpose of making audits, examinations, excerpts, and transcriptions.
 - (e) All contracts, including small purchases, awarded by the District and their contractors where the source of the funds, directly or indirectly, is the federal government, shall contain the following procurement provisions as applicable:
 - (i) Equal Employment Opportunity - All contracts, when funded in

whole or part by monies derived from the Federal government (either directly or indirectly), shall contain a provision requiring compliance with E.O. 11246, "Equal Employment Opportunity," as amended by E.O. 11375, "Amending Executive Order 11246 Relating to Equal Employment Opportunity," and as supplemented by regulations at 41 CFR part 60, "Office of Federal Contract Compliance Programs, Equal Employment Opportunity, Department of Labor."

- (ii) Copeland "Anti-Kickback" Act (18 U.S.C. 874 and 40 U.S.C. 276c) - All contracts in excess of \$2000 for construction or repair, when funded in whole or part by monies derived from the Federal government (either directly or indirectly) shall include a provision for compliance with the Copeland "Anti-Kickback" Act {18U.S.C. 874), as supplemented by Department of Labor regulations (29 CFR part 3, "Contractors and Subcontractors on Public Building or Public Work Financed in Whole or in Part by Loans or Grants from the United States"). The Act provides that each contractor or sub-recipient shall be prohibited from inducing, by any means, any person employed in the construction, completion, or repair of public work, to give up any part of the compensation to which he is otherwise entitled. The recipient shall report all suspected or reported violations to the Federal awarding agency.
- (iii) Davis-Bacon Act, as amended (40 U.S.C. 276a to a-7)- When required by Federal program legislation, all construction contracts awarded by the recipients and sub-recipients of more than \$2000 shall include a provision for compliance with the Davis-Bacon Act (40 U.S.C. 276a to a-7) and as supplemented by Department of Labor regulations {29 CFR part 5, "Labor Standards Provision Applicable to Contracts Governing Federally Financed and Assisted Construction"). Under this Act, contractors shall be required to pay wages to laborers and mechanics at a rate not less than the minimum wages specified in a wage determination made by the Secretary of Labor. In addition, contractors shall be required to pay wages not less than once a week. The recipient shall place a copy of the current prevailing wage determination issued by the Department of Labor in each solicitation and the award of a contract shall be conditioned upon the acceptance of the wage determination. The recipient shall report all suspected or reported violations to the Federal awarding agency.
- (iv) Contract Work Hours and Safety Standards Act (40 U.S.C. 327-333) - All contracts in excess of \$2000 for construction contracts and in excess of \$2500 for other contracts that involve the

employment of mechanics or laborers, when funded in whole or part by monies derived from the Federal government (either directly or indirectly), shall include a provision for compliance with Sections 102 and 107 of the Contract Work Hours and Safety Standards Act (40 U.S.C. 327-333), as supplemented by Department of Labor regulations (29 CFR part 5).

- (v) Rights to Inventions Made Under a Contract or Agreement - Contracts or agreements for the performance of experimental, developmental, or research work, when funded in whole or part by monies derived from the Federal government (either directly or indirectly), shall provide for the rights of the Federal Government and the recipient in any resulting invention in accordance with 37 CFR part 401, "Rights to Inventions Made by Nonprofit Organizations and Small Business Firms Under Government Grants, Contracts and Cooperative Agreements," and any implementing regulations issued by the awarding agency.
- (vi) Clean Air Act (42 U.S.C. 7401 et seq.) and the Federal Water Pollution Control Act (33 U.S.C. 1251 et seq.), as amended - Contracts and sub-grants of amounts in excess of \$100,000, when funded in whole or part by monies derived from the Federal government (either directly or indirectly), shall contain a provision that requires the recipient to agree to comply with all applicable standards, orders or regulations issued pursuant to the Clean Air Act (42 U.S.C. 7401 et seq.) and the Federal Water Pollution Control Act as amended {33 U.S.C. 1251 et seq.}. Violations shall be reported to the Federal awarding agency and the Regional Office of the Environmental Protection Agency (EPA).
- (vii) Byrd Anti-Lobbying Amendment (31 U.S.C. 1352) - Contracts for an amount above \$100,000, when funded in whole or part by monies derived from the Federal government (either directly or indirectly), shall include a certification by the contracting parties that they have not and will not use Federal appropriated funds to pay any person or organization for influencing or attempting to influence an officer or employee of any agency, a member of Congress, officer or employee of Congress, or an employee of a member of Congress in connection with obtaining any Federal contract, grant or any other award covered by 31 U.S.C. 1352. and to further require disclosure of any lobbying with non-federal funds that takes place in connection with obtaining any federal award.

PROGRAM INCOME

Control Objectives

To provide reasonable assurance that program income is correctly earned, recorded, and used in accordance with the program requirements.

Control Activities

- Pricing and collection policies procedures clearly communicated to personnel responsible for program income.
- Mechanism in place to ensure that program income is properly recorded as earned and deposited in the bank as collected.
- Policies and procedures provide for correct use of program income in accordance with Federal program requirements.

Program income is gross income received that is directly generated by the Federally funded project during the grant period. The District does not currently receive Federally funded grants for programs that generate program income.

REAL PROPERTY ACQUISITION AND RELOCATION ASSISTANCE

Control Objectives

To provide reasonable assurance of compliance with the real property acquisition, appraisal, negotiation, and relocation requirements.

Control Activities

- Employees handling relocation assistance and real property acquisition have been trained in the requirements of the URA.
- Review of expenditures pertaining to real property acquisition and relocation assistance by employees knowledgeable in the URA.

The Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended, provides for uniform and equitable treatment of persons displaced by Federally-assisted programs from their homes, businesses, or farms. The District does not currently receive Federal funded grants for these purposes.

REPORTING

Control Objectives

To provide reasonable assurance that reports of Federal awards submitted to the Federal awarding agency or pass-through entity include all activity of the reporting period, are supported by underlying accounting or performance records, and are fairly presented in accordance with program requirements.

Control Activities

This section incorporates reporting control activities for financial, performance and special reporting, as applicable.

- Written policy exists that establishes responsibility and provides the procedures for periodic monitoring, verification, and reporting of program progress and accomplishments.
 - The Director of Finance and Program Director reviews the *OMB Circular A-133 Compliance Supplement Part 4* for reporting requirements applicable to each grant. Financial reports are provided through access of the financial management system to generate the reports and are reviewed on a monthly basis and reviewed by the applicable Program Director and Director of Finance for accuracy of information and progress of the grant. The Director of Finance is responsible for accumulating the necessary data for timely reporting.
- Tracking system which reminds staff when reports are due.
 - Deadlines for grant reporting are notated in the Business Office with support of reminders through the Michigan Department of Education listserv.
- The general ledger or other reliable records are the basis for the reports.
 - Reports are provided through access of the financial management system to generate the reports and are reviewed on a monthly basis and reviewed by the applicable Program Director and Director of Finance for accuracy of information and progress of the grant. Other reports, such as pupil accounting records, are reviewed by the Director of Finance periodically for accuracy and completeness.
- Supervisory review of reports performed to assure accuracy and completeness of data and information included in the reports.
 - Reports are generated from the District's financial software and reviewed by the Director of Finance for accuracy of information. The financial, performance or special reports are prepared by the Director of Finance based on the data from respective reports.
- The required accounting method is used (e.g., cash or accrual).
 - The Director of Finance reviews the *OMB Circular A-133 Compliance Supplement Part 4* for reporting requirements applicable to each grant and prepares the report based on the applicable accounting method.

SUBRECIPIENT MONITORING

Control Objectives

To provide reasonable assurance that Federal award information and compliance requirements are identified to sub-recipients, sub-recipient activities are monitored, sub-recipient audit findings are resolved, and the impact of any sub-recipient noncompliance on the pass-through entity is evaluated. Also, the pass-through entity should perform procedures to provide reasonable assurance that the sub-recipient obtained required audits and takes appropriate corrective action on audit findings.

Control Activities

- Identify to sub-recipients the Federal award information (e.g., CFDA title and number, award name, name of Federal agency, amount of award) and applicable compliance requirements.
- Include in agreements with sub-recipients the requirement to comply with the compliance requirements applicable to the Federal program, including the audit requirements of *OMB Circular A-133*.

- Sub-recipients' compliance with audit requirements monitored using techniques such as the following:
 - (a) Determining by inquiry and discussions whether sub-recipient met thresholds requiring an audit under *OMB Circular A-133*;
 - (b) If an audit is required, assuring that the sub-recipient submits the report, report package or the documents required by OMB circulars and/or recipient's requirements; and
 - (c) If a sub-recipient was required to obtain an audit in accordance with *OMB Circular A-133* but did not do so, following up with the sub-recipient until the audit is completed. Taking appropriate actions such as withholding further funding until the sub-recipient meets the audit requirements.

- Sub-recipient's compliance with Federal program requirements monitored using such techniques as the following:
 - (a) Issuing timely management decisions for audit and monitoring findings to inform the sub-recipient whether the corrective action planned is acceptable;
 - (b) Maintaining a system to track and follow-up on reported deficiencies related to programs funded by the recipient and ensure that timely corrective action is taken;
 - (c) Regular contacts with sub-recipients and appropriate inquiries concerning the Federal program;
 - (d) Reviewing sub-recipient reports and following-up on areas of concern;
 - (e) Monitoring sub-recipient budgets;
 - (f) Performing site visits to sub-recipients to review financial and programmatic records and observe operations; and
 - (g) Offering sub-recipients technical assistance where needed.

- Official written policies and procedures exist establishing:
 - (a) Communication of Federal award requirements to sub-recipients;
 - (b) Responsibilities for monitoring sub-recipients;
 - (c) Process and procedures for monitoring;
 - (d) Methodology for resolving findings of sub-recipient noncompliance or weaknesses in internal control; and
 - (e) Requirements for and processing of sub-recipient audits, including appropriate adjustment of pass-through entity's accounts.

FINANCIAL MANAGEMENT SYSTEMS

The financial management system of the District must meet the following standards:

- Financial Reporting – Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the reporting requirements of the grant.
 - See **REPORTING** section of this document.

- Accounting Records – Records adequately identify the source and application of funds provided for financially-assisted activities.
 - Accounting is done by analyzing, recording, summarizing and interpreting financial transactions of the District. The financial records system is adequate to provide financial and operational related information for all interested parties including, but not limited to, the District’s Board of Education, administration, the public, auditors, local, State and Federal authorities, and District employees. It is also designed to demand accuracy and a reasonable degree of internal controls.
 - The District currently uses *Alio* financial software for financial management of the District. The software provides applications that allow for the completion of the accounting and payroll processes necessary to remain compliant with applicable State and Federal laws.

- Internal Control – Effective control and accountability must be maintained for all grant cash, real and personal property, and other assets. The District must adequately safeguard all such property and must assure that it is used solely for authorized purposes.
 - The District’s internal controls over significant transaction streams are documented separately. (See District’s Purchasing and Cash Management Procedures)

- Budget Control – Actual expenditures or outlays must be compared with budgeted amounts for each grant.
 - The District’s procedures for developing, approving and amending the budget are documented separately.
 - The Director of Finance reviews the financial reports for each Federal grant comparing actual to budget on a monthly basis to monitor grant progress.

SUPPLIES

Materials and supplies are defined as tangible personal property other than equipment, costing less than \$5,000 (based on the District’s capitalization policy), or other lower threshold consistent with grantee policy. Materials and supplies that are necessary to carry out the project are allowable as prescribed in the governing cost principles. Title to supplies acquired under a grant or sub-grant will vest, upon acquisition, with the grantee or sub-grantee. If there is a residual inventory of unused supplies exceeding \$5,000 in total aggregate fair market value upon termination or completion of the award, and if the supplies are not needed for any other Federal sponsored programs or projects, the grantee or sub-grantee shall compensate the awarding agency for its share.

PAYMENTS

This section prescribes the basic standard and the methods under which a Federal agency will make payments to grantees and grantees will make payments to sub-grantees and contractors.

(See **CASH MANAGEMENT** section of this document.)

PAYROLL

Compensation for personnel services includes all remuneration, paid currently, for services rendered during the period of performance under Federal awards, including but not necessarily limited to wages, salaries, and fringe benefits. The costs of such compensation are allowable to the extent that they satisfy the specific requirements of this and other appendices under *2 CFR Part 225*.

- The employee's total wage or salary is reasonable for the service rendered; i.e., it was consistent with wages or salaries paid for similar work in other activities of the District.
- The employee's employment conformed to local employment laws and regulations meeting Federal merit system or other requirements, where applicable.
- The payroll charge is supported by documentation prescribed in *OMB Circular A-87*, attachment B, Paragraph 11.h for state and local governments.
- The payroll charge is supported by personnel activity reports; e.g., time and attendance records.
- Charges for leave, employee insurance, pension plans, etc., are reasonable and required by law, employee agreements, or an established policy of the District and are distributed equitably to Federal programs and other activities.
- Charges for authorized absences such as annual leave, sick leave, holidays, court leave, military leave and other similar benefits are allowable and are allocated equitably to all Federal programs and other activities.

FEDERAL TIMEKEEPING

The District performs the following to meet Federal timekeeping requirements:

- A payroll time sheet is completed each payroll period by any employee whose wage is hourly and being funded by a Federal grant source. This time sheet is reviewed and approved by the Program Director or applicable building Principal.
- Any employee whose time is split between a Federal grant and another funding source completes a Personnel Activity Report on a monthly basis indicating how much time was spent performing the functions funded by each source. This report is reviewed and approved by the Program Director or applicable building Principal.
- Any employee whose time is funded by a Federal source completes a Time Certification Form twice a year which is reviewed and approved by the Program Director or the applicable building Principal.
- Any employee who is providing instructional support services to students and is funded by a Federal grant, completes a log of the students he or she has worked with and what type of instructional support was provided.

COPYRIGHTS

Except as otherwise specified in the grant or by this paragraph, the grantee may own or permit others to own copyright in all subject writings. The grantee agrees that if it or anyone else does own copyright in a subject writing, the Federal government will have a non-exclusive,

nontransferable, irrevocable, royalty-free license to exercise or have exercised for or on behalf of the United States throughout the world all the exclusive rights provided by copyright. Such license, however, will not include the right to sell copies or photocopy of the copyrighted works to the public.

RETENTION AND ACCESS REQUIREMENTS FOR RECORDS

Records are retained in accordance with the *Records Retention and Disposal Schedule for Michigan Public Schools*. All Michigan Freedom of Information Act requests are acted upon as soon as possible and within the timelines as stipulated within the Act.

CONFLICTS OF INTEREST/PECUNIARY INTERESTS

The District has approved a policy #1950 pertaining to conflicts of interest.

TRAINING FOR FEDERAL FINANCIAL INTERNAL CONTROLS AND PROCEDURES

All new employees are given proper training for the procedures itemized in this handbook by existing, experienced staff members. The length of training is commensurate with the amount of prior experience of the new employee and is adequate so he or she fully understands the financial procedures of the District. Employees receive refresher training as needed.

CONSEQUENCES OF COMPLIANCE FAILURES

All employees are instructed to follow the procedures contained herein. Any employee who does not follow these procedures as instructed will be disciplined in a progressive manner as itemized in the District's *Personnel Policy Handbook* and/or related Education Association contract agreements.

RECEIPT OF HANDBOOK

I have received a copy of the **Tri County Area Schools** *Federal Financial Internal Controls and Procedures*. This handbook is the property of **Tri County Area Schools**. I understand this handbook is designed to acquaint me with the current procedures of **Tri County Area Schools** in regards to its Federal funded programs. I understand that **Tri County Area Schools** reserves the right to interpret, modify, or eliminate any of these procedures at any time. As a recipient of this handbook, I understand that I am responsible for knowing its content and any updates.

Employee Name (Printed)

Employee Signature

Date

Director of Finance

Date

The original signed document will be kept in the employee's personnel file until three years after leaving the District.