**Lancaster-Lebanon Intermediate Unit 13**

**Procedures Manual – Federal Funds**

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# Introduction

This manual sets forth the policies and procedures adopted by Lancaster-Lebanon Intermediate Unit 13 (Intermediate Unit) in an effort to comply with the requirements of the Office of Management and Budget’s Uniform Grant Guidance (UGG) and the related guidance of the PDE Division of Federal Programs. It also contains the internal control systems and grant management standards used by the Intermediate Unit to ensure that all federal funds are lawfully and thoughtfully expended.

The Intermediate Unit Board has adopted three policies:

* Policy 626 – Federal Fiscal Compliance
* Policy 626.1 – Travel Policy- Federal Funds
* Policy 827 – Conflicts of Interest

In addition to the policies approved by the Board, the Intermediate Unit has established several written procedures which are incorporated into this manual and are also maintained as separate procedures within the IU13 Accounting Practices and Procedures Manual (Accounting Manual). The Accounting Manual is maintained electronically on the Intermediate Unit’s intranet under Business Services. Written procedures include:

* Procurement – Federal Funds
* Allowability of Costs – Federal Funds
* Cash Management – Federal Funds
* Administration of Costs, Obligations, and Property - Federal Funds
* Grant Subrecipient Monitoring Procedures – Federal Funds

The Intermediate Unit’s financial management system, including cash management procedures, procurement procedures; inventory management protocols; procedures for determining the allowability of expenditures; time and effort reporting; record retention; and sub-recipient monitoring responsibilities are all discussed in this manual. Employees of the Intermediate Unit, as well as incumbent employees, with responsibility for the federal programs are expected to review this manual to gain familiarity and understanding of the Intermediate Unit’s procedures and practices (IU13 rules) related to the management and expenditure of federal funds.

# Financial Management System

The Intermediate Unit maintains a comprehensive financial management system in order to receive both direct and state-administered federal grants and to track the expenditure of funds associated with grant awards. The Intermediate Unit’s financial management system is designed with strong internal controls, a high level of transparency and accountability, and documented procedures to ensure that all financial management system requirements are met. Failure to meet a requirement may result in return of federal funds or termination of the award.

1. **Financial Management Standards**

The standards for financial management systems are found at 2 C.F.R. § 200.302. The required standards are outlined below in items 1-7, and are followed by a discussion of the Intermediate Unit’s structures and procedures designed to meet the standards.

**Identification**

The Intermediate Unit must identify, in its accounts, all federal awards received and expended and the federal programs under which they were received. Federal program and award identification must include, as applicable, the CFDA title and number, federal award identification number and year, name of the federal agency, and, if applicable, name of the pass-through entity.

**Financial Reporting**

Accurate, current, and complete disclosure of the financial results of each federal award or program must be made in accordance with the financial reporting requirements set forth in the Education Department General Administrative Regulations (EDGAR).

**Accounting Records**

The Intermediate Unit must maintain records which adequately identify the source and application of funds provided for federally-assisted activities. These records must contain information pertaining to grant or subgrant awards, authorizations, obligations, unobligated balances, assets, expenditures, income and interest and be supported by source documentation.

**Internal Controls**

Effective control and accountability must be maintained for all funds, real and personal property, and other assets. The Intermediate Unit must adequately safeguard all such property and must assure that it is used solely for authorized purposes.

“Internal controls” are tools to help program and financial managers achieve results and safeguard the integrity of their program. Internal controls should be designed to provide reasonable assurance that the following objectives are achieved:

* Effectiveness and efficiency of operations;
* Adequate safeguarding of property;
* Assurance that property and money is spent in accordance with grant programs and to further the selected objectives; and
* Compliance with applicable laws and regulations.

**Budget Control**

Actual expenditures or outlays must be compared with budgeted amounts for each federal award.

**Cash Management**

The Intermediate Unit must maintain written procedures to implement the cash management requirements found in EDGAR.

**Allowable Costs**

The Intermediate Unit must maintain written procedures for determining allowability of costs charged to federal grants, 2 CFR § 200.302(b)(7) and in accordance with EDGAR. All costs charged must be allowable under the federal cost principles in 2 CFR Part 200, Subpart E, and under the terms and conditions of the specific federal award.

Expenditures must be aligned with approved budgeted items. Any changes or variations from the federal/state-approved budget and grant application may need prior approval from the cognizant federal/state agency.

1. **Overview of the Financial Management/Accounting System**

Supporting systems and structures to address the Financial Management Standards include the Intermediate Unit’s comprehensive financial information software and the IU13 Program Database maintained in MS Access. Details are included in the discussion below.

The Intermediate Unit’s financial management/accounting/human resources information system is BusinessPLUS. The system is integrated with ESM Solutions. BusinessPLUS is not currently interfaced with an inventory or fixed assets records, but periodic adjustments to actual from subsidiary records are made on at least an annual basis.

Budgets are entered into the BusinessPLUS on a monthly basis following presentation and approval at monthly Board meetings. Each budget has a unique four digit number. Program Administrator, Financial and Administrative Support Team representative (FAST Rep), funding source, program name, and dates are all attached to the budget number within the accounting system.

Each budget is also entered into the IU13 Program Database. As required under 2 C.F.R. 200.302, the Intermediate Unit tracks the CFDA title and number, federal award identification number and year, name of the federal agency, grant amount, funding source, reporting due dates, and, if applicable, name of the pass-through entity.

The CFO and Program Director for Finance and Accounting Services are responsible for overseeing all accounting functions. A department-level organizational chart along with a list of functional area responsibilities is included as Appendix A – BUSINESS SERVICES ORG CHART.

The FAST Rep assigned to each program is responsible for reviewing all grant awards and understanding compliance requirements, compiling timely and accurate financial reports, circulating reports for Program Administrator and Department Director review and signoff and obtaining CFO and Executive Director review and approval. The reports are prepared and submitted as specified by the financial reporting clause of each grant or contract award document. These reports will include monthly and cumulative expenditures, project budgets, and a balance remaining column.

1. **Budgeting**

**The Planning Phase: Meetings and Discussions**

*Before Receiving the Grant Award Notice (GAN):* Grant proposals or applications are initiated by program staff that has identified a program need or grant opportunity. The Intermediate Unit has established a grant writing function responsible to assist program staff with researching grant opportunities and determining if there are grant funds available to fit program needs.

Request for proposals are obtained and evaluated on the suitability of the available grant to the Intermediate Unit and its mission. At that point, with the approval of the Intermediate Unit Leadership Team, a proposal is developed. The program staff, with the assistance of the grant writer completes all narrative sections. It may include timelines, key staffing, expected results, and organizational information.

*Reviewing and Approving the Budget*: The Business Services staff assists the program staff and grant writer with budgeting. At this point, costs necessary to achieve the desired results are identified and a full budget is completed. It is the responsibility of both the program staff and the assigned Business Services staff to read and understand the requirements of the request for proposal. Care is taken to capture all needs while considering the parameters of the request for proposal. Any unallowable expenses are evaluated and a plan for these costs is developed using other available funding. The Manual of Accounting and Financial Reporting for PA Public Schools is consulted for appropriate account codes.

Generally the Intermediate Unit’s established cost allocation schedule is used where appropriate as well as the restricted indirect rate approved by the PA Department of Education. If the information presented in the request for proposal doesn’t allow these methods, then the request for proposal instructions are followed. Planning the budget in a way that supports required documentation and future reporting is taken into account with the use of detail dimensions and program numbers for tracking reporting periods. The budget is used for submitting the proposal but is not presented to the Intermediate Unit Board of Directors (Board) for approval until the grant is awarded.

Applications or proposals are reviewed and approved in writing by the anticipated Program Administrator, Department Director, FAST Rep, CFO, and Executive Director. Signatures of the Executive Director and/or CFO are obtained when required. Care is taken to complete these steps and submit the application prior to the due date shown in the request for proposal.

**After Receiving the GAN**

After the grant is awarded, the planning budget is revised if necessary to match the amount of the contract. Objectives may need to be adjusted if the funded amount does not match the original plans. The following Intermediate Unit staff is involved in developing and presenting the budget to the Board:

1. Chief Financial Officer (CFO)

* Serves as Business Services Department Director, Assistant to the Executive Director, and Board Secretary
* Ensures compliance with financial policies and procedures
* Provides a focus on accountability in financial transactions
* Establishes internal controls
* Establishes and administers the budget process including planning, development, approval criteria, presentation, and monitoring
* Approves every budget before presentation to the Board

1. Department Administrative Assistant

* Completes the board meeting agenda using information provided by the FAST
* Helps gather required approvals for his/her department’s budgets

1. Department Director

* Acts as Champion of the SBU, supporting the SBU leader
* Represents SBU issues and plans to Leadership Team

1. District Board of School Directors

* Approves Core Program of Services
* Approves Instructional Media Services Budgets

1. Executive Director

* Presents to the Board all information associated with the budgets

1. Fiscal and Administrative Support Team Representative (FAST Rep)

* Initiates budget preparation in accordance with published timeline for proposed budgets
* Ensures that proper application of allocation plan, grant guidelines, and the Intermediate Unit business plan are implemented throughout the budget document
* Takes responsibility for presentation of budget information on board agenda

1. Fiscal Clerk/Program Bookkeeper

* Assists FAST Rep
* Assists with calculations and logistics of budget construction
* Proofs, foots, and cross-foots budgets
* Assists in maintaining budget documents such as the program database and program file
* Enters budget information into BusinessPLUS

1. Lancaster-Lebanon Intermediate Unit Board of Directors (Board)

* Final review and approval of proposed and revised program budgets
* Recommend the Core Program of Services and Instructional Media Services Budgets to their local Board of School Directors

1. Program Administrator

* Responsible for planning and administering individual programs
* Provides information for budget preparation
* Approves the finalized budget under his/her administration before presentation to the Board
* Responsible for performance and compliance of assigned.

The completed budget is presented to the Board for approval at its next monthly meeting using the Intermediate Unit’s standard formatting and the following guidelines:

* Budgets for each individual program are developed by the FAST Rep and Program Administrator.
* Business Services accounting team holds a Board preparation meeting two weeks prior to the Board meeting date during which proposed budgets are reviewed.
* A Board Agenda containing relevant budgets is available to the Board members one week prior to the Board meeting.
* Budgets are approved by the Board and implemented for use by the program based on the Board’s goals and objectives.
* The financial requirements of the Intermediate Unit, including a budget to actual analysis are reviewed on a continual basis.
* Monthly status reports are presented to the Board for review and approval.

Expenditures are not authorized until the signed paperwork is received from the grantor and the budget has been approved by the Board. Occasionally, paperwork may be held up getting through legal review and PA Department of Education (PDE) and in those situations, if the grant is a continuation, an exception may be made based on a verbal confirmation from PDE that the grant will be approved for the agreed upon start date.

The approved budget is entered into the accounting software by the FAST Rep and checked and verified against the Board approved budget.

Each project has a Board approved budget and is assigned a program number that keeps the project’s expenditures and revenue separate from other programs in the accounting system. All account codes for the project contain that program number and are created after the budget is approved with a start date matching that of the contract. The accounting system tracks the major type of funding, the administrator, the expenses and revenue as well as related balance sheet accounts. Certain expenses are allocated and booked monthly according to the established allocation methodologies and where applicable, wages are accrued monthly. The general ledger accounts are closed monthly.

All expenditures are reviewed by both the Program Administrator and the FAST Rep for allowability using the grant guidelines as well as the Intermediate Unit guidelines. If, at any time, expenditure is discovered to be unallowable after being incurred, alternative funding from non-grant sources is identified and utilized for that expenditure. The level of effort of program staff is first estimated by the Program Administrator and followed up by a “time and effort record for federally-funded staff” in the form of a Personnel Activity Report (PAR). The PAR shows the percentage of each staff member’s time spent on specific projects and is signed by the staff and his/her supervisor. PARs must document all time worked for the pay period and must be reconciled to payroll records for the time period. ALL hours work during the pay period must be documented including federal and non-federal assignments. Salary, benefits, and staff costs are charged using this information.

**Amending the Budget**

Immediately upon discovery of a change in spending or project plans, the FAST Rep along with the Program Administrator will determine if a budget amendment or revision is required based on the grant guidelines. Grant guidelines typically outline allowable variances between budget and actual expenditures and due dates for revisions. The FAST Rep will project expenditures based on current project activities and submit the changes according to instructions. Any revision or amendment is approved by the Program Administrator, FAST Rep, Department Director, CFO, and Executive Director before submission to the Board.

A budget revision is presented to the Board and upon its approval, the revised budget is entered into BusinessPLUS and the revised budget becomes the authoritative budget going forward.

**Budget Control**

The Intermediate Unit monitors its financial performance by comparing and analyzing actual results with budgeted results.

During the life of a grant, communication between the program staff and the business office is key to ensure plans are on track and any adjustments needed are addressed timely. Program review meetings covering current status, projections, and project plans are held periodically. It is the responsibility of the Program Administrator to ensure that the performance objectives and deliverables of the grant are met. Any interim fiscal reporting is prepared by the FAST Rep based on the general ledger and is approved by the CFO or Program Director.

Any required final reporting is prepared by the FAST Rep and approved by the Program Administrator, the Department Director, the CFO, and the Executive Director or designee before submission. Any final narrative, project deliverable, or performance reports are prepared by the Program Administrator with review by the Department Director, the CFO, and the Executive Director or designee before submission.

All funds must be obligated before the ending date of the grant. Any unused funds are returned to the grantor based on the grant guidelines. Grant funds will be obligated, expended, managed, and accounted for in an environment of ethical principles and sound business practices.

1. **Accounting Records**

Federal regulations require grantees to use fiscal control and fund accounting procedures that ensure proper disbursement of and accounting for federal funds (34 CFR 76.702).

Intermediate Unit accounting records are reported on a modified accrual basis and are in compliance with generally accepted accounting principles (GAAP).

The Intermediate Unit uses accounting software called BusinessPLUS. Each project is assigned a unique four (4) digit code or program number that is associated with all codes for a given project or fiscal year. This program number changes if the program operates on a non-fiscal year. In this manner, activity is easily identified with the appropriate funding period.

All account codes follow the Manual of Accounting and Financial Reporting for PA Public Schools and its Chart of Accounts.

The FAST Rep is responsible for maintaining the general ledger account codes, with their requests for account code modifications carried out by the Business Services Information System Technician for added internal control. The general ledger is reviewed at least annually so that expired account codes are locked against future use and to ensure that program details are current. BusinessPLUS stores information such as start and end dates, indirect rates, current budgets and revised budgets, expenditures, revenues, balance sheet accounts, encumbered purchase orders and pre-encumbered purchase orders.

Purchase orders are processed by a system known as ESM Solutions. Transactions (requisitions) are entered by program staff and approved by the Program Administrator and FAST Rep. If the amount of the transaction exceeds $5,000, Department Director and CFO, or designee, approval is required.

Contract for services are also entered as BusinessPLUS purchase orders to ensure strong internal controls and tracking of contract transactions. Contracts in excess of $5,000 must be approved by the Board before being entered into BusinessPLUS as a purchase order. Once a purchase order is approved, payment can be made without further approvals provided the work or receipt of materials are documented and “received” in the purchase order system and a vendor invoice is matched to the purchase order. Properly authorized program staff is responsible for “receiving” transaction electronically in the purchase order system.

The Business Services Department maintains original source documentation to support all expenditures recorded in the general ledger including, but not limited to purchase orders, invoices, itemized receipts, travel vouchers, contracts, proof of delivery, etc. This documentation may be electronic or paper. Travel deemed as necessary to objectives of the grant is reimbursed at per diem rates not exceeding the federal limitations. Travel in personal automobile is reimbursed at the current IRS mileage rate.

Journal entries are prepared and entered into BusinessPLUS by the assigned Business Services staff. Regardless of who initiates a journal entry, every entry is reviewed and approved by a FAST Rep other than the individual initiating the entry.

The Intermediate Unit issues a limited number of purchase cards to staff members based on completed requisition forms. Before a card is issued, the staff member must sign an “IU13 Purchase Card Acknowledgement of Receipt and Terms of Revocation” which outlines the responsibility of the cardholder. Purchases made using these cards must be preauthorized before any purchase occurs and original receipts showing appropriate account codes must be submitted as substantive documentation. The control of cards and recordkeeping for them is managed by the Financial Analyst responsible for supervising the Accounts Payable team. Detailed documentation is retained in the Business Office (electronic or paper).

1. **Spending Grant Funds**

All costs charged to a federal grant are classified as either direct or indirect. While developing and reviewing the grant budget and when expending grant funds, the program and fiscal staff should keep in mind the difference between direct costs and indirect costs as defined in the federal cost principles. All costs must be properly and consistently identified as either direct or indirect in the accounting system.

**Direct and Indirect Costs**

*Determining Whether a Cost is Direct or Indirect:* 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. 2 C.F.R. § 200.413(a). Indirect costs are those that have been incurred for a common or joint purpose benefitting more than one cost objective, and not readily assignable to the cost objectives specifically benefitted, without effort disproportionate to the results achieved.  2 C.F.R. § 200.56. Costs incurred for the same purpose in like circumstances must be treated consistently as either direct or indirect costs. 2 C.F.R. § 200.413(a).

Identification with the federal award rather than the nature of the goods and services involved is the determining factor in distinguishing direct from indirect costs of Federal awards. Typical costs charged directly to a Federal award are the compensation of employees who work on that award, their related fringe benefit costs, the costs of materials and other items of expense incurred for the Federal award. 2 C.F.R. § 200.413(b). The salaries of administrative and clerical staff should normally be treated as indirect costs. Direct charging of these costs may be appropriate only if all of the following conditions are met:

* Administrative or clerical services are integral to a project or activity;
* Individuals involved can be specifically identified with the project or activity;
* Such costs are explicitly included in the budget or have the prior written approval of the federal awarding agency; and
* The costs are not also recovered as indirect costs. 2 C.F.R. § 200.413(c).

*Indirect Cost Rate:* The Pennsylvania Department of Education (PDE) has received approval from the U.S. Department of Education (USDE) on the methodology, policy, and procedures it will use in establishing unrestricted and restricted indirect cost rates. PDE has been delegated authority to establish indirect cost rates for LEAs in the Commonwealth of Pennsylvania. The Intermediate Unit’s rates will serve as the sole basis for budgeting and allocating indirect cost reimbursements under Federal programs.

PDE has historically collected the financial data to calculate the indirect cost rate as part of the Annual Financial Report (AFR) process. Beginning with fiscal year 2016-17, PDE will use the information provided by the Intermediate Unit on its Annual Financial Report (AFR) as well as additional information now submitted in the Consolidated Financial Reporting System (CFRS):

* Organization Chart
* Schedule of Paid Leave
* Schedule of Subgrants/Subaward
* Schedule for calculation of Other Plan Maintenance Costs
* Schedule of Adjustments for the Restricted Rate

The Intermediate Unit will now have two federal indirect cost rates, an unrestricted indirect cost rate that will be used for programs that do not have a “supplement not supplant provision”, i.e., School-based Access Program (SBAP) and a restricted indirect cost rate that will be used for programs that contain a “supplement not supplant provision,” most Federal programs administered by the Intermediate Unit will be eligible for the restricted rate, however, there are a few federal funding sources that prohibit by statue the application of indirect costs to program expenditures.

The positions of Program Director of Finance and Accounting and the CFO are responsible for maintaining procedures and accounting for the calculation of indirect costs rates. Financial data and required additional information is submitted to PDE on or before October 31st annually for the immediately preceding year. The financial information reported is consistent with the guidance provided in the Unrestricted/Restricted Indirect Cost Rate Implementation Guide published by PDE March 2016.

Based on the information recorded in the CFRS system, PDE calculates and approves an unrestricted and restricted indirect cost rate for the Intermediate Unit annually.

*Applying the Indirect Cost Rate:* Once the Intermediate Unit has an approved indirect cost rate, the percentage is multiplied against the actual direct costs (excluding distorting items such as equipment, contracts in excess of $25,000, pass-through funds, etc.) incurred under a particular grant to produce the dollar amount of indirect costs allowable to that award. 34 C.F.R § 75.564; 34 C.F.R. § 76.569. Once the Intermediate Unit applies the approved rate, the funds that may be claimed for indirect costs have no federal accountability and may be used as if they were non-federal funds. For Direct Grants, reimbursement of indirect costs is subject to the availability of funds and statutory or administrative restrictions. 34 C.F.R. § 75.564.

Where a federal program has a specific cap on the percentage of administrative costs that may be charged to a grant, that cap must include all direct administrative charges as well as any recovered indirect charges.

**Determining Allowability of Costs**

The Intermediate Unit maintains written procedures for determining the allowability of costs charged to federal grants in accordance with 2 CFR § 200.302(b)(7) and EDGAR. All costs must be allowable under the federal cost principles in 2 CFR Part 200, Subpart E, and under the terms and conditions of the specific federal award.

Expenditures must be aligned with approved budget items. Changes or variations from the state-approved budget and grant application may need prior approval from the state. When determining how the Intermediate Unit will spend its grant funds, the Program Administrator will review the proposed cost to determine whether it is an allowable use of federal grant funds *before* obligating and spending those funds on the proposed good or service. All costs supported by federal education funds must meet the standards outlined in EDGAR, 2 C.F.R. Part 3474 and 2 C.F.R. Part 200, Subpart E, which are provided in the bulleted list below. The Program Administrator and the FAST Representative must consider these factors when making an allowability determination.

1. **Necessary and Reasonable for the performance of the federal award.** Intermediate Unit staff must consider these elements when determining the reasonableness of a cost. A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision to incur the cost was made. For example, reasonable means that sound business practices were followed, and purchases were comparable to market prices.

When determining reasonableness of a cost, consideration must be given to:

* Whether the cost is a type generally recognized as ordinary and necessary for the operation of the Intermediate Unit or the proper and efficient performance of the federal award.
* The restraints or requirements imposed by factors, such as: sound business practices; arm’s-length bargaining; federal, state and other laws and regulations; and terms and conditions of the federal award.
* Market prices for comparable goods or services for the geographic area.
* Whether the individuals concerned acted with prudence in the circumstances considering their responsibilities to the Intermediate Unit, its employees, its students, the public at large, and the federal government.
* Whether the Intermediate Unit significantly deviates from its established practices and policies regarding the incurrence of costs, which may unjustifiably increase the federal award’s cost. 2 C.F.R. §200.404

While 2 C.F.R. §200.404 does not provide specific descriptions of what satisfies the “necessary” element beyond its inclusion in the reasonableness analysis above, necessary is determined based on the needs of the program. Specifically, the expenditure must be necessary to achieve an important program objective. A key aspect in determining whether a cost is necessary is whether the Intermediate Unit can demonstrate that the cost addresses an existing need, and can prove it. For example, the Intermediate Unit may deem a language skills software program necessary for a limited English proficiency program.

When determining whether a cost is necessary, consideration may be given to:

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

1. **Allocable to the federal award.** A cost is allocable to the federal award if the goods or services involved are chargeable or assignable to the federal award in accordance with the relative benefit received. This means that the federal grant program derived a benefit in proportion to the funds charged to the program. 2 C.F.R. §200.405. For example, if 50% of a teacher’s salary is paid with grant funds, then that teacher must spend at least 50% of his or her time on the grant program.
2. **Consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the Intermediate Unit.** For example, personnel whose travel is paid with federal funds is reimbursed at the same rates as personnel whose travel is paid with state or local funds and the grant is charged accordingly.
3. **Conform to any limitations or exclusions set forth as cost principles in Part 200 or in the terms and conditions of the federal award.**
4. **Consistent treatment.** A cost cannot be assigned to a federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been assigned as an indirect cost under another award.
5. **Adequately documented.** All expenditures must be properly documented. Documentation includes purchase orders/requisitions, invoices, receipts, verification of receipt of goods and services, travel authorizations and vouchers, contracts, time-and-effort records, copies of checks, bank statements, etc.
6. **Determined in accordance with general accepted accounting principles (GAAP), unless provided otherwise in Part 200.**
7. **Not included as a match or cost-share, unless the specific federal program authorizes federal costs to be treated as such.** Some federal program statutes require the non-federal entity to contribute a certain amount of non-federal resources to be eligible for the federal program.
8. **The net of all applicable credits.** The term “applicable credits” refers to those receipts or reduction of expenditures that operate to offset or reduce expense items allocable to the federal award. Typical examples of such transactions are: purchase discounts; rebates or allowances; recoveries or indemnities on losses; and adjustments of overpayments or erroneous charges. To the extent that such credits accruing to or received by the state relate to the federal award, they shall be credited to the federal award, either as a cost reduction or a cash refund, as appropriate. 2 C.F.R. §200.406.

In the event miles, points, or awards would be accrued for travel, any miles, points, credits, or awards accrued or earned for employee travel using an Intermediate Unit-issued credit card where the credit card bill is paid directly by the Intermediate Unit are the property of the Intermediate Unit and will be used for employees travelling on behalf of the Intermediate Unit to reduce the overall cost to the Intermediate Unit. Any such miles, points, credits, or awards accrued will not be used for personal travel.

Part 200’s cost guidelines must be considered when federal grant funds are expended. As provided above, federal rules require state- and Intermediate Unit-level requirements and policies regarding expenditures to be followed as well. For example, state and/or Intermediate Unit policies relating to travel or equipment may be narrower than the federal rules, and the stricter state and/or Intermediate Unit policies must be followed. Further, certain types of incentives are allowable under federal law, but are not allowable under state law.

**Selected Items of Cost**

Part 200 examines the allowability of 55 specific cost items (commonly referred to as Selected Items of Cost) at 2 C.F.R. §§ 200.420-200.475. These cost items are listed in the chart below along with the citation where it is discussed whether the item is allowable. Please do not assume that an item is allowable because it is specifically listed in the regulation as it may be unallowable despite its inclusion in the selected items of cost section.

The expenditure may be unallowable for a number of reasons, including: the express language of the regulation states the item is unallowable; the terms and conditions of the grant deem the item unallowable; or state/local restrictions dictate that the item is unallowable. The item may also be unallowable because it does not meet one of the cost principles, such as being reasonable because it is considered too expensive. If an item is unallowable for any of these reasons, federal funds cannot be used to purchase it.

Intermediate Unit personnel responsible for spending federal grant funds and for determining allowability must be familiar with the Part 200 selected items of cost section. The Intermediate Unit must follow these rules when charging these specific expenditures to a federal grant. When applicable, Intermediate Unit staff must check costs against the selected items of cost requirements to ensure the cost is allowable. In addition, state, Intermediate Unit and program-specific rules may deem a cost as unallowable and Intermediate Unit personnel must follow those non-federal rules as well.

The selected item of cost addressed in Part 200 includes the following (in alphabetical order):

|  |  |
| --- | --- |
| **Item of Cost** | **Citation of Allowability Rule** |
| Advertising and public relations costs | 2 CFR § 200.421 |
| Advisory councils | 2 CFR § 200.422 |
| Alcoholic beverages | 2 CFR § 200.423 |
| Alumni/ae activities | 2 CFR § 200.424 |
| Audit services | 2 CFR § 200.425 |
| Bad debts | 2 CFR § 200.426 |
| Bonding costs | 2 CFR § 200.427 |
| Collection of improper payments | 2 CFR § 200.428 |
| Commencement and convocation costs | 2 CFR § 200.429 |
| Compensation – personal services | 2 CFR § 200.430 |
| Compensation – fringe benefits | 2 CFR § 200.431 |
| Conferences | 2 CFR § 200.432 |
| Contingency provisions | 2 CFR § 200.433 |
| Contributions and donations | 2 CFR § 200.434 |
| Defense and prosecution of criminal and civil proceedings, claims, appeals and patent infringements | 2 CFR § 200.435 |
| Depreciation | 2 CFR § 200.436 |
| Employee health and welfare costs | 2 CFR § 200.437 |
| Entertainment costs | 2 CFR § 200.438 |
| Equipment and other capital expenditures | 2 CFR § 200.439 |
| Exchange rates | 2 CFR § 200.440 |
| Fines, penalties, damages and other settlements | 2 CFR § 200.441 |
| Fund raising and investment management costs | 2 CFR § 200.442 |
| Gains and losses on disposition of depreciable assets | 2 CFR § 200.443 |
| General costs of government | 2 CFR § 200.444 |
| Goods and services for personal use | 2 CFR § 200.445 |
| Idle facilities and idle capacity | 2 CFR § 200.446 |
| Insurance and indemnification | 2 CFR § 200.447 |
| Intellectual property | 2 CFR § 200.448 |
| Interest | 2 CFR § 200.449 |
| Lobbying | 2 CFR § 200.450 |
| Losses on other awards or contracts | 2 CFR § 200.451 |
| Maintenance and repair costs | 2 CFR § 200.452 |
| Materials and supplies costs, including costs of computing devices | 2 CFR § 200.453 |
| Memberships, subscriptions, and professional activity costs | 2 CFR § 200.454 |
| Organization costs | 2 CFR § 200.455 |
| Participant support costs | 2 CFR § 200.456 |
| Plant and security costs | 2 CFR § 200.457 |
| Pre-award costs | 2 CFR § 200.458 |
| Professional services costs | 2 CFR § 200.459 |
| Proposal costs | 2 CFR § 200.460 |
| Publication and printing costs | 2 CFR § 200.461 |
| Rearrangement and reconversion costs | 2 CFR § 200.462 |
| Recruiting costs | 2 CFR § 200.463 |
| Relocation costs of employees | 2 CFR § 200.464 |
| Rental costs of real property and equipment | 2 CFR § 200.465 |
| Scholarships and student aid costs | 2 CFR § 200.466 |
| Selling and marketing costs | 2 CFR § 200.467 |
| Specialized service facilities | 2 CFR § 200.468 |
| Student activity costs | 2 CFR § 200.469 |
| Taxes (including Value Added Tax) | 2 CFR § 200.470 |
| Termination costs | 2 CFR § 200.471 |
| Training and education costs | 2 CFR § 200.472 |
| Transportation costs | 2 CFR § 200.473 |
| Travel costs | 2 CFR § 200.474 |
| Trustees | 2 CFR § 200.475 |

Likewise, it is possible for the State and/or Intermediate Unit to put additional requirements on a specific item of cost. Under such circumstances, the stricter requirements must be met for a cost to be allowable. Accordingly, employees must consult federal, State and Intermediate Unit requirements when spending federal funds. For example, often the State’s travel rules are more restrictive than federal rules, which mean the State’s policies must be followed.

In order for a cost to be allowable, the expenditure must also be allowable under the applicable program statute, along with accompanying program regulations, non-regulatory guidance and grant award notifications.

**Frequent Types of Costs**

***TRAVEL PROCEDRUES STILL UNDER REVIEW BY IU13 SOLICITOR***

*Travel:* Travel costs are the expenses for transportation, lodging, subsistence, and related items incurred by employees who are in travel status on official business of a grant recipient. Such 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 selected days of the trip, and results in charges consistent with those normally allowed in like circumstances in the recipient’s non-federally funded activities and in accordance with the recipient’s written travel reimbursement policies. 2 C.F.R §200.474(a).

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 Intermediate Unit in its regular operations as the result of its written travel policy. In addition, if these costs are charged directly to the federal award, documentation must be maintained that justifies that (1) participation of the individual is necessary to the federal award; and (2) the costs are reasonable and consistent with the Intermediate Unit’s established policy. 2 C.F.R §200.474(b).

**Handbook Procedure BS580 - Conference Attendance for Intermediate Unit employees**

The Lancaster-Lebanon Intermediate Unit is committed to the concept of Continuing Professional Development. Conference attendance is one approach to professional development which may be an option depending on the individual's assignment. Program needs and organizational goals will govern the approval process.

All requests should be submitted no less than two weeks prior to the registration deadline and early registration discount deadline.

Specialized conferences held by public facilities (hospitals, clinics, etc.) will be considered. Generally, such conferences will be attended by one person with an expectation to bring information back to be shared with colleagues. Information regarding the program/agenda must be included with the request.

In order for staff members to attend conferences and/or events under the auspices of the Intermediate Unit, conference requests must be submitted to My Learning Plan and appropriately approved. It is the employee's responsibility to submit with the request all required information as outlined below. Any staff member who does not receive written authorization/approval as outlined in these procedures and attends a conference or event does so at his/her own expense and is subject to leave procedures for his/her individual job classification.

Department Directors are expected to exercise discretion in their approval of requests for travel. Budgets constraints must be considered when approving conference requests. Department Directors must be able to assure that the employee's trip supports the goals of the Intermediate Unit and the individual department in which the employee works. My Learning Plan should be used for all conference/training requests.

**Approvals**

Preapproval by the Supervisor is necessary for any conference or event. A decision will be made by the Supervisor/Department Director with regard to the number of persons attending a conference, the anticipated cost, and the distribution of persons within the various programs of the Department.

Preapproval by the Department Director and Executive Director is required prior to participation in training and development events which require commitment of staff time on a regular basis such as Leadership Lancaster, Leadership Lebanon, and any other multi-day event.

Prepayment by Intermediate Unit for conference or event fees may be made with the approval of the Department Director and the CFO. Prepayment for hotels and lodging may be made with the approval of the Department Director and the CFO. A full accounting and reconciliation of costs will completed upon conclusion of the event. Any payments made will have all required approvals completed in My Learning Plan.

1. Request for reimbursement may be submitted via a Quick Check voucher with approvals and My Learning Plan verification attached.
2. Request for reimbursement may be submitted through ESM Solutions as a purchase order when Purchase Orders are accepted by the vendor.

All airline reservations for which the Intermediate Unit is expected to bear the cost must be booked through the official Travel Agent designated by the Intermediate Unit following the current procedures for making airline reservations (see B220).

Request for reimbursement is made using the Meeting/Conference Expenditure Report (FB890, FB893-PaTTAN) and following the Intermediate Unit procedure herein and detailed in the Meeting/Conference Request and Expenditure Report Directions. (FB895)

When an employee's automobile is used for Intermediate Unit business, travel in personal automobiles will be reimbursed at the IRS mileage rate. All employees claiming expenses for the use of their personal automobiles must be legally licensed drivers and must be able to furnish proof of liability insurance. All distance claimed must be explained if it varies from established mileage.

Expenses for accommodations shall be submitted for pre-approval by the Department Director as part of official permission to attend a respective function through My Learning Plan.

Receipts for hotels/motels, parking, and travel fees shall be attached to the request for reimbursement.

Requests for reimbursement for meals should not exceed the per diem rate of $46.00 per day. Reimbursement of meals requires an overnight stay or a stop for substantial sleep or rest that is needed to properly perform your duties.

Exceptions are allowed in metropolitan areas (See Meeting/Conference Expenditure Report Directions (FB895)).  Tips and incidentals are considered as part of the per diem rate.  Per Diem rate will follow the IRS state minimum rate.

Persons traveling at Intermediate Unit 13 expense must exercise reasonable care and prudent approach to all expenditures. The Executive Director retains the right to reject and/or modify reimbursement of unexplained costs.

If a third party is paying expenses or any costs, the employee must include the following in a statement regarding the trip: The purpose of the trip is to benefit the Intermediate Unit and enhance services provided to its clients

The employee will not receive payment or other benefit from an agent other than the Lancaster-Lebanon Intermediate Unit for time spent on this activity. Tuition expenses associated with a conference activity for which academic or in-service credits are granted are not reimbursable under the Conference Attendance Procedure. Requests should be submitted under the Tuition Reimbursement procedures found in each respective Collective Bargaining Agreement or Benefit Agreement or the Recovery of Training Costs Board Policy (2100).

All meeting/conference requests are to be submitted to the Program Supervisor and to Department Directors as appropriate through My Learning Plan.

Staff is required to provide information to colleagues on their meetings/conferences attended at the request of their Department Director or supervisor.

It is the intent to have a standard operating procedure for these requests. Due to diversity and unique situations of staff, however, it is understood that exceptions may need to be considered. In this case, exceptions would be reviewed with the Executive Director and Department Director.

Responsibility

1. The Intermediate Unit Board of Directors is responsible for the establishment of policies in conformance with state laws and regulations.

2. Procedures are the responsibility of the Executive Director.

3. The CFO in collaboration with the Leadership Team is responsible for establishing regulations and guidelines for travel.

4. The Department/Program Administrator with budgetary authority is responsible for working with staff in implementing policies and regulations, and reviewing expenditure reports for misuse or inappropriate expenses.

5. Employees going to meetings and conferences are responsible for following applicable policies and procedures related to the meeting/conference.

**Helpful Questions for Determining Whether a Cost is Allowable**

In addition to the cost principles and standards described above, the Program Administrator and FAST Rep can refer to this section for a useful framework when performing an allowability analysis. In order to determine whether federal funds may be used to purchase a specific cost, it is helpful to ask the following questions:

* Is the proposed cost allowable under the relevant program?
* Is the proposed cost consistent with an approved program plan and budget?
* Is the proposed cost consistent with program specific fiscal rules?
  + For example, the Intermediate Unit may be required to use federal funds only to supplement the amount of funds available from nonfederal (and possibly other federal) sources.
* Is the proposed cost consistent with EDGAR?
* Is the proposed cost consistent with specific conditions imposed on the grant (if applicable)?

As a practical matter, the Program Administrator and FAST Rep should also consider whether the proposed cost is consistent with the underlying needs of the program. For example, program funds must benefit the appropriate population of students for which they are allocated. Also, funds should be targeted to address areas of weakness, as necessary. To make this determination, the Program Administrator and FAST Rep should review data when making purchases to ensure that federal funds to meet these areas of concern.

1. **Federal Cash Management Policy/Procedures**

The Intermediate Unitwill comply with applicable methods and procedures for payment that minimize the time elapsing between the transfer of funds and disbursement by the Intermediate Unit, in accordance with the Cash Management Improvement Act at 31 CFR Part 205. Generally, the Intermediate Unit receives payment from grantee agencies on a reimbursement basis, 2 C.F.R. § 200.305. However, if the Intermediate Unit receives an advance in federal grant funds, the Intermediate Unit will remit interest earned on the advanced payment quarterly to the federal agency consistent with 2 C.F.R. § 200.305(b)(9).

According to guidance from the U.S. Department of Education (ED), when calculating the interest earned on ED grant funds, regardless of the date of obligation, interest is calculated from the date that the federal funds are drawn down from the G5 system until the date on which those funds are disbursed by the LEA.

Interest would not accrue if the LEA uses nonfederal funds to pay the vendor and/or employees prior to the funds being drawn down from the G5 system, commonly known as a reimbursement.

The Intermediate Unit is required to calculate and remit any interest earned to the USDE quarterly. This calculation uses the actual cash on hand per CFDA number. The interest on excess cash on hand is calculated at a rate equal to the highest rate on current Intermediate Unit investments. The amount remitted is net of $500.00 per CFDA number per year.

**Payment Methods**

*Reimbursements*:While the majority of the Intermediate Unit’s federal grants are received through the Pennsylvania Department of Education (PDE) or one of its divisions, some are directly awarded by the United States Department of Education (USDE) and other federal agencies. Direct awards are most often funded through the drawdown of funds using an electronic site named by the federal agency. Drawdowns are prepared by the FAST Rep based on the current General Ledger. Each draw down is accompanied by a statement that the funds will be used within three days. The Intermediate Unit’s policy is to prepare the draw down using a reimbursement basis; therefore funds have already been disbursed satisfying the three-day rule.

Grants administered through PDE are usually disbursed based on the submission of a Cash Reconciliation Form also known as a Quarterly Cash Report. This form is submitted quarterly beginning as soon as the grant is approved by PDE. Funds are disbursed in even monthly payments until the first Cash Reconciliation Form is filed. This form shows the amount received to date and the amount of expenditures at the end of the quarter. Using a formula to compare the cash on hand with the amount of cash needed, PDE determines whether future payments need to be accelerated, held, or continued at the monthly amount. This will ensure that the Intermediate Unit has sufficient funds to carry out the grant objectives without accumulating excess funds.

In the event that a grant requires invoicing, the Business Office prepares invoices following the contract guidelines for due dates and calculation instructions. All documentation supporting the calculation of invoices is retained in the Business Office. Invoices are printed and mailed by the Accounts Receivable team. Most incoming payments are received directly by the bank using a lockbox. All handling and posting of deposits are carried out by someone with no access to the invoicing system to ensure adequate segregation of duties.

Consistent with state and federal requirements, the Intermediate Unit will maintain source documentation supporting the federal expenditures (invoices, time sheets, payroll stubs, etc.) and will make such documentation available for the grantor agency’s review upon request.

Reimbursements of actual expenditures do not require interest calculations.

*Advances*: To the extent the Intermediate Unit receives advance payments of federal grant funds, the Intermediate Unit will strive to expend the federal funds on allowable expenditures as expeditiously as possible (2 C.F.R. § 200.305(b)). Specifically, the Intermediate Unit attempts to expend all drawdowns of federal funds within 72 hours of receipt.

The Intermediate Unit will hold federal advance payments in interest-bearing accounts, unless an allowable exception applies. The Intermediate Unit will begin to calculate interest earned on cash balances once funds are deposited into the Intermediate Unit’s account.

1. **Timely Obligation of Funds**

**When Obligations are Made**

Obligations are orders placed for property and services, contracts and subawards made, and similar transactions during a given period that require payment by the non-Federal entity during the same or a future period. 34 C.F.R. § 200.71

The following table illustrates when funds are determined to be obligated under federal regulations:

|  |  |
| --- | --- |
| **If the obligation is for:** | **The obligation is made:** |
| Acquisition of property | On the date which the Intermediate Unit makes a binding written commitment to acquire the property |
| Personal services by an employee of the Intermediate Unit | When the services are performed |
| Personal services by a contractor who is not an employee of the Intermediate Unit | On the date which the Intermediate Unit makes a binding written commitment to obtain the services |
| Public utility services | When the Intermediate Unit receives the services |
| Travel | When the travel is taken |
| Rental of property | When the Intermediate Unit uses the property |
| A pre-agreement cost that was properly approved by the Secretary under the cost principles in 2 CFR Part 200, Subpart E- Cost Principles. | On the first day of the project period. |

34 C.F.R. § 75.707; 34 C.F.R. § 76.707.

**Period of Performance of Federal Funds**

All obligations must occur on or between the beginning and ending dates of the grant project. 2 C.F.R. § 200.309. This period of time is known as the period of performance. 2 C.F.R. § 200.77. The period of performance is dictated by statute and will be indicated in the GAN. Further, certain grants have specific requirements for carryover funds that must be adhered to.

*State-Administered Grants:* As a general rule, state-administered federal funds are available for obligation within the year appropriated by Congress. However, given the unique nature of educational institutions, for many federal education grants, the period of availability is 27 months. Federal education grant funds are typically awarded on July 1 of each year. While the Intermediate Unit will always plan to spend all current grant funds within the year the grant was appropriated for, the period of obligation for any grant that is covered by the “Tydings Amendment” is 27 months, extending from July 1 of the fiscal year for which the funds were appropriated through September 30 of the second following fiscal year. This maximum period includes a 15-month period of initial availability, plus a 12-month period for carryover. 34 C.F.R. § 76.709. For example, funds awarded on July 1, 2015 would remain available for obligation through September 30, 2017.

*Direct Grants:* In general, the period of availability for funds authorized under direct grants is identified in the GAN.

For both state-administered and direct grants, regardless of the period of availability, the Intermediate Unit must liquidate all obligations incurred under the award not later than 90 days after the end of the funding period unless an extension is authorized. 2 C.F.R. § 200.343(b). Any funds not obligated within the period of availability or liquidated within the appropriate timeframe are said to lapse and must be returned to the awarding agency. 2 C.F.R. § 200.343(d). Consequently, the Intermediate Unit closely monitors grant spending throughout the grant cycle.

**Carryover**

State-Administered Grants: As described above, the Tydings Amendment extends the period of availability for applicable state-administered program funds. Essentially, it permits recipients to “carryover” any funds left over at the end of the initial 15-month period into the next year. These leftover funds are typically referred to as carryover funds and continue to be available for obligation for an additional 12 months. 34 C.F.R. § 76.709. Accordingly, the Intermediate Unit may have multiple years of grant funds available under the same program at the same time.

The FAST Rep will provide the amount of carryover being requested in the e-grants system when completing the grant application for the upcoming year. All programs have a unique four digit number that will remain with it through the life of the grant. The carryover budget is entered in the accounting system with this program number. Reports are available from the BusinessPLUS system that include the initial budget amount, amount spent in year one, amount spent in year two, and so on, through the end of the extension.

Direct Grants: Grantees receiving direct grants are not covered by the 12 month Tydings period. However, under 2 C.F.R. § 200.308, direct grantees enjoy unique authority to expand the period of availability of federal funds. The Intermediate Unit is authorized to extend a direct grant automatically for one 12-month period. Prior approval is not required in these circumstances; however, in order to obtain this extension, the Intermediate Unit must provide written notice to the federal awarding agency at least 10 calendar days before the end of the period of performance specified in the award. This one-time extension may not be exercised merely for the purpose of using unobligated balances.

The Program Administrator (Project Director on the GAN) will provide a written request for an extension of a direct grant. This decision is made at the program level. The request will include the reason for the extension request as well as the revised period of performance. The request will be submitted according to grant guidelines and timelines.

The Intermediate Unit will seek prior approval from the federal agency when the extension will not be contrary to federal statute, regulation or grant conditions and:

* The terms and conditions of the Federal award prohibit the extension;
* The extension requires additional Federal funds; or
* The extension involves any change in the approved objectives or scope of the project. 2 C.F.R. § 200.308(d)(2).

1. **Program Income**

**Definition**

Program income means gross income earned by a grant recipient that is directly generated by a supported activity or earned as a result of the federal award during the grant’s period of performance. 2 C.F.R. § 200.80.

Program income includes, but is not limited to, income from fees for services performed, the use or rental of real or personal property acquired under federal awards, the sale of commodities or items fabricated under a federal award, license fees and royalties on patents and copyrights, and principal and interest on loans made with federal award funds. Interest earned on advances of federal funds is not program income. Except as otherwise provided in federal statutes, regulations, or the terms and conditions of the federal award; program income does not include rebates, credits, discounts, and interest earned on any of them. 2 C.F.R. § 200.80. Additionally, taxes, special assessments, levies, fines, and other such revenues raised by a recipient are not program income unless the revenues are specifically identified in the federal award or federal awarding agency regulations as program income. Finally, proceeds from the sale of real property, equipment, or supplies are not program income. 2 C.F.R. § 200.307.

Use of Program Income

The default method for the use of program income for the Intermediate Unit is the deduction method. 2 C.F.R. § 200.307(e). Under the deduction method, program income is deducted from total allowable costs to determine the net allowable costs. Program income will only be used for current costs unless the Intermediate Unit is otherwise directed by the federal awarding agency or pass-through entity. 2 C.F.R. § 200.307(e)(1). The LEA may also request prior approval from the federal awarding agency to use the addition method. Under the addition method, program income may be added to the Federal award by the Federal agency and the non-Federal entity. The program income must then be used for the purposes and under the conditions of the Federal award. 2 C.F.R. § 200.307(e)(2).

While the deduction method is the default method, the Intermediate Unit always refers to the GAN prior to determining the appropriate use of program income. Although very unlikely, if a grant were to generate income, then the proceeds would be identified with a local revenue code in the federal grant program involved. Program Administrators work with their FAST Rep if they are planning on generating program income during the grant period to ensure that all applicable regulations are followed.

# Procurement System

***PROCUREMENT PROCEDRUES STILL UNDER REVIEW BY IU13 SOLICITOR***

This section of the manual incorporates Federal Program Procurement Administrative Regulations into the manual and is intended to integrate standard Intermediate Unit purchasing procedures with additional requirements applicable to procurements that are subject to the federal Uniform Grant Guidance regulations and/or U.S. Department of Agriculture (USDA) regulations governing school food service programs. The Intermediate Unit maintains the following purchasing procedures, in accordance with federal and state laws, regulations and Board Policy. (2 CFR 200.318-200.325; 7 CFR 210.16, 210.19, 210.21, 215.14a, 220.16; 24 P.S. 120, 24 P.S. 504, 24 P.S. 508, 24 P.S. 521, 24 P.S. 607, 24 P.S. 609, 24 P.S. 751, 24 P.S. 807.1; 62 Pa. C.S.A. 4601 et seq; Pol. 610, 611, 612, 613, 808)

Responsibility for Purchasing

The Board has outlined standard Intermediate Unit purchasing responsibility, methods of purchasing, price quotations and bid requirements in the following Board Policies and their accompanying procedures:

Policy 610. Purchases Subject to Bid/Quotation

Policy 611. Purchases Budgeted

Policy 612. Purchases Not Budgeted

Policy 613. Cooperative Purchasing

Purchase Methods

The type of purchase method required depends on the cost of the item(s) being purchased.

When a request for purchase of equipment, supplies or services has been submitted and approved as outlined below, the procurement method to be used will be determined based on the total cost of the purchase as further outlined below. This procedure outlines how the cost thresholds for determining when the quote or formal bidding procedures that are required by state law as reflected in Policy 610 must be modified when making purchases for federally funded purposes to which the Uniform Grant Guidance or USDA regulations apply, so as to comply with both state and federal requirements. At each point where requirements for food service-related procurement under USDA regulations differ, a note will refer to the Food Service Program Notes at the end of this procedure. Final determination of which purchasing procedures are to be applied is delegated to the Chief Financial Officer/Assistant to the Executive Director or designee (Purchasing Manager) under the authority of the Board.

Standard Procurement Documents and Purchase Request Process

The Intermediate Unit shall use purchase orders and requisitions (ESM Solutions transactions) for purchase requests in accordance with the applicable purchase method.

The purchase order is an electronically generated document, which utilizes ESM Solutions software. The issuing agency is the Lancaster-Lebanon Intermediate Unit and not a project title or program name. Projects of the Intermediate Unit have no credit status or bank accounts and therefore cannot issue orders or checks to a vendor. The purchase order is a legal document and obligates the Intermediate Unit. The budgetary account code specifies the program and category to be charged for the purchase. When a vendor receives a purchase order they will invoice the Intermediate Unit. Charges to specific programs will be made internally through the Intermediate Unit budget account code system.

Procedure

1. No purchase request will be honored unless made on an Intermediate Unit requisition form that has the necessary approval.
2. The CFO or designee shall verify whether or not the proposed purchase is subject to bid, whether sufficient funds exist in the budget, and whether the material might be available elsewhere in the Intermediate Unit.
3. Items commonly used in the Intermediate Unit should be standardized whenever possible.
4. Opportunity to do business with the Intermediate Unit shall be provided to as many responsible suppliers as possible. Lists of potential suppliers for various types of supplies, equipment and services will be developed and maintained.
5. Each department, Program Administrator, or program supervisor determines purchase needs and proceeds to find required number of quotations based on dollar amount for their particular purchase.
6. The Board grants the CFO or designee the authority to purchase supplies and award contracts in the amount and manner designated by applicable law, if within the Board-approved budget. Contracts in excess of the $5,000 must receive prior Board approval as outlined in Board Policy.
7. Authorized initiators then proceed to create and enter a requisition (transaction) into ESM. All quotations and associated documentation are electronically attached to the ESM Solutions transaction.
8. After the requisition (transaction) is entered and submitted, ESM Solutions software interfaces with the Intermediate Unit BusinessPLUS financial software to pre-encumber the funds.
9. The requisition (transaction) begins a predetermined approval process. The approval chain is as follows:
   * + 1. Authorized Initiator
       2. Program Administrator
       3. FAST Representative
       4. Department Director for PO’s over $5,000
       5. CFO or designee for PO’s over $5,000
       6. Executive Directors Office or designee for PO’s over $50,000
10. When the approval cycle is complete, the Purchasing Office reviews the requisition for the following:
    * + 1. Quantities and dollar amount comparisons against quotations
        2. Delivery and shipping information
        3. Internal and external notes
        4. Terms and Conditions
        5. Compliance to State and IU 13 Board Procurement Policies
11. Upon final approval, the Purchasing Office releases approved requisitions back into the system to create the purchase order.
12. The requisition is then encumbered with the BusinessPLUS system.
13. The purchase order is created and a purchase order number is electronically assigned.
14. Purchase orders are released to vendors electronically or by fax. The minimum amount for purchase orders to be issued is $10. Employees should process transactions under $10 utilizing one of three ways:
    * + 1. Request invoices be sent to their attention or retain receipt and then process through Board Check Voucher or petty cash reimbursement
        2. Prepay orders of $10 through Board Check Voucher after acknowledgement of invoice
        3. Use Procurement Card procedures

Documentation of purchase orders and requisitions (transactions) shall be maintained in accordance with the Intermediate Unit’s Records Management Policy and records retention schedule. (Pol. 800)

Contracts shall be reviewed by the Chief Financial Officer or Designee prior to submission to the Board for approval. Contracts to which the Uniform Grant Guidance apply shall contain the clauses specified in Appendix II to 2 CFR Part 200 (Contract Provisions for Non-Federal Entity Contracts under Federal Awards), when applicable.

[See Food Service Program Notes below for specific clauses required by USDA regulations to be included in cost reimbursable procurement contracts.]

**Micro-Purchases Not Requiring Quotes or Bidding (up to $3,500)**

For purposes of this procedure, micro-purchase means a purchase of equipment, supplies or services for use in federally funded programs using simplified acquisition procedures, the aggregate amount of which does not exceed a base amount of $3,500. The micro-purchase dollar threshold is adjusted periodically by the federal government, and the threshold most recently established and published in the Federal Register shall apply if other than $3,500.(48 CFR Subpart 2.1)

Note: The micro-purchase maximum for federal purposes is lower than the amount below which the School Code allows purchase for nonfederal purposes to be made without obtaining at least three (3) written or telephonic quotes or using formal competitive bidding.

The micro-purchase method is used in order to expedite the completion of its lowest dollar small purchase transactions and minimize the associated administrative burden and cost. Procurement by micro-purchase is the acquisition of equipment, supplies or services, the aggregate dollar amount of which does not exceed the micro-purchase threshold.

To the extent practicable, the Intermediate Unit distributes micro-purchases equitably among qualified suppliers when the same or materially interchangeable products are identified and such suppliers offer effectively equivalent rates, prices and other terms. The Chief Financial Officer or Designee (Purchasing Manager) will be responsible to determine the equitable distribution of micro-purchases.

Micro-purchases may be awarded without soliciting competitive quotations if the Intermediate Unit considers the price to be reasonable. The Intermediate Unit will maintain evidence of this reasonableness in the records of all micro-purchases. Reasonable means that sound business practices were followed and the purchase is comparable to market prices for the geographic area. Such determinations of reasonableness may include comparison of the price to previous purchases of the same item or comparison of the price of items similar to the item being purchased.

Even if the cost of a purchase qualifies it as a micro-purchase, bidding or small purchase procedures may be used optionally when those procedures may result in cost savings.

**Small Purchase Procedures (between $3,500 and $19,400)**

For purposes of this procedure, small purchase procedures are those relatively simple and informal procurement methods for securing equipment, services, or supplies that cost more than the amount qualifying as a micro-purchase and do not cost $19,400 or more. Small purchase procedures cannot be used for purchases of equipment or supplies or for construction, repair or maintenance services costing $19,400 or more because the School Code requires formal competitive bidding at that level of cost.

The base amount at which bidding is required under state law is adjusted for inflation annually, and the amount most recently established and published in the Pennsylvania Bulletin shall apply if other than $19,400. (24 P.S. Sec. 120)

Because state law does not require bidding for the purchase of services other than construction, maintenance or repairs on school facilities regardless of total cost, small purchase procedures, including a request for proposal (RFP) procedure, may be used for procurement of such other services except when the estimated total cost will be at or over the federal threshold at which formal competitive bidding is required ($150,000).

[See Food Service Program Notes below for exemption from bidding for purchases of perishable food items costing less than $150,000.]

If small purchase procedures are used, written or telephonic price or rate quotations are obtained from at least three (3) qualified sources and records of quotes are maintained as provided in Policy 610. (Pol. 610).

**Formal Competitive Bidding ($19,400 or more)**

Publicly Solicited Sealed Competitive Bids:

For purchases of equipment or supplies, or of services for construction, maintenance or repairs of school facilities, sealed competitive bids are publicly solicited and awarded to the lowest responsive and responsible bidder as provided in Policy 610 when the total cost is estimated to be $19,400 or more. (Pol. 610). The Board has the authority and responsibility to approve bids.

General Bidding:

1. Bid thresholds will be adjusted annually by the Business Services Committee of the Board based on the Consumer Price Index and are available from the CFO. The Board prohibits the practice of splitting purchases to avoid advertising and bidding requirements.
2. No purchase in excess of the established threshold shall be made unless advertised, and publicly bid per the procedures on formal bidding, except where proof can be shown that items have been bid and vendors have been awarded by the following:
   1. Commonwealth of Pennsylvania COSTARS Program Contracts
   2. Commonwealth of Pennsylvania General Services Administration Contracts
   3. The IU 13 Collaborative Purchasing program contracts for both line items and catalog discounts
3. When seeking competitive bids, the CFO shall advertise one a week for three weeks in not less than two newspapers of general circulation.
4. Bid specifications shall be prepared by the CFO and shall provide for alternates wherever possible.
5. The Intermediate Unit shall maintain the confidentiality of all bids until the bid opening.
6. Bids shall be opened publicly by the CFO before one (1) or more witnesses at a previously designated time and place.
7. The Board shall approve all final accepted bids.
8. The Board shall accept the bid of the lowest responsible bidder, kind, quality, and material being equal, but shall have the right to reject any and all bids, or select a single item from any bid.
9. In accepting bids or price quotations, the Board shall generally accept the lowest responsible bidder, unless the Board chooses to reject all bids. The Board has the right, however, to disregard the lowest bidder if there is reason to believe (for example, prior unsatisfactory performance) that the lowest bidder may not act responsibly or effectively, or would otherwise fail to render satisfactory performance.
10. After due public notice advertising for competitive bids, the CFO shall be authorized to:
    1. Purchase furniture, equipment, school supplies and appliances costing a base amount of $19,100 (effective January 1, 2014) or more, unless exempt by law.
    2. Contract for construction, reconstruction, repairs, maintenance or work on any school building or property having a total cost or value of more than $19,100 (effective January 1, 2014), unless exempt by law.

Sealed Bids (Formal Advertising): For purchases over $150,000, bids are publicly solicited and a firm fixed price contract (lump sum or unit price) is awarded to the responsible bidder whose bid, conforming to 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 apply:

* A complete, adequate, and realistic specification or purchase description is available;
* Two or more responsible bidders are willing and able to compete effectively for the business; and
* 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:

* Bids must be solicited from an adequate number of known suppliers, providing them sufficient response time prior to the date set for opening the bids, for state, local, and tribal governments, the invitation for bids must be publically advertised;
* The invitation for bids, which will include any specifications and pertinent attachments, must define the items or services in order for the bidder to properly respond;
* All bids will be opened at the time and place prescribed in the invitation for bids, and for local and tribal governments, the bids must be opened publicly;
* A firm fixed price contract award must be made in writing to the lowest responsive and responsible bidder.

Note: The amount at which formal competitive bidding is required by federal regulations is much higher than the base amount at which the School Code requires competitive bidding. Therefore, the lower base amount specified by the School Code, as annually adjusted, is used to determine when bidding will be used for purchases of equipment or supplies, or for obtaining services for construction, maintenance or repairs on school facilities. (24 P.S. Sec. 120)

State law does not require bidding for the purchase of services other than construction, maintenance or repairs on school facilities regardless of total cost. For procurement of such other services for federally funded purposes to which the Uniform Grant Guidance applies, formal competitive bidding will be used when the estimated total cost will be at or over the federal threshold of $150,000.

The federal competitive bidding dollar threshold is adjusted periodically by the federal government, and the threshold most recently established and published in the Federal Register shall apply if other than $150,000. (48 CFR Subpart 2.1)

Where specified in bidding documents, factors such as discounts, transportation cost, and life cycle costs must 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. Any or all bids may be rejected if there is a sound documented reason.

[See Food Service Program Notes below for reference to state requirements regarding contracts with food service management companies and contractors of pre-plated meals.]

Competitive Proposals

State law does not require public school entities to solicit competitive bids for services other than construction, repairs or maintenance of school facilities, for which competitive bidding is required if the cost will be a base amount of $19,400 or more. State law allows competitive proposals relating to work on facilities in lieu of bidding only in the context of guaranteed energy savings contracts.

Federal regulations allow the use of competitive proposals as an alternative when formal bidding would otherwise be required only to procure architectural and engineering services. Other types of services for federally funded purposes to which the Uniform Grant Guidance applies, professional or otherwise, must be procured using competitive bidding when the cost would meet or exceed the federal threshold for competitive bidding ($150,000).

In the case of services other than for construction, repairs or maintenance of school facilities costing less than that threshold, the Intermediate Unit may use small purchase procedures or micro-purchase procedures as applicable based on total cost. A request for proposal (RFP) process can also meet or exceed the small purchase competition requirements under state law and Policy 610 for the acquisition of services other than for construction, repairs or maintenance of school facilities, and can be used if the total cost will be less than $150,000.

When permitted, the technique of competitive proposals is normally conducted with more than one (1) source submitting an offer, and either a fixed price or cost-reimbursement type contract is awarded. Competitors' qualifications are evaluated and the most qualified competitor is selected, subject to negotiation of fair and reasonable compensation. The district shall comply with other applicable state and federal law and regulations, Board Policy and administrative regulations regarding purchasing; the Intermediate Unit may consult with the school solicitor or other qualified counsel in determining the required process for purchasing through competitive proposals when necessary.

If this method is used, the following requirements apply:

1. Requests for proposals must be publicized and identify all evaluation factors and their relative importance. Any response to publicized requests for proposals must be considered to the maximum extent practical.
2. Proposals must be solicited from an adequate number of qualified sources.
3. Contracts must be awarded to the responsible firm whose proposal is most advantageous to the program, with price and other factors considered.

Competitive proposals shall be evaluated by the Chief Financial Officer or Designee (Purchasing Manager) Superintendent and Program Administrator for recommendation to the Board based on factors as applicable including, but not limited to:

1. Cost.
2. Experience of contractor.
3. Availability.
4. Personnel expertise and qualifications.
5. Financial stability.
6. Minority business, women’s business enterprise, or labor surplus area firm status.
7. Project management expertise, if applicable
8. Understanding of Intermediate Unit needs.

Evaluations shall be completed in a timely manner, documented and shall be reviewed by the CFO or Designee, Purchasing Manager, and Program Administrator.

The IU utilizes the services of, and seeks advisement from, its Solicitor on procurement related matters. The matters and/or issues include, but are not limited to, specification writing assistance, the creation of terms and conditions, compliance to all public procurement regulations, review of complex negotiations and vendor protest responses.

Contract/Price Analysis:

The Intermediate Unit performs a cost or price analysis in connection with every procurement action in excess of $150,000, including contract modifications. (2 CFR Sec. 200.323(a)).

A cost analysis generally means evaluating the separate cost elements that make up the total price, while a price analysis means evaluating the total price, without looking at the individual cost elements.

The method and degree of analysis is dependent on the facts surrounding the particular procurement situation; however, the Executive Director, CFO, Purchasing Manager, and Program Administrator must come to an independent estimate prior to receiving bids or proposals. (2 CFR Sec. 200.323(a)). As part of the analysis, the CFO and/or Purchasing Manager will enact established business practices which may include evaluation of similar prior procurements and a review process.

When performing a cost analysis, the CFO and/or Purchasing Manager negotiate profit as a separate element of the price. To establish a fair and reasonable profit, consideration is given to the complexity of the work to be performed, the risk borne by the contractor, the contractor’s investment, the amount of subcontracting, the quality of its record of past performance, and industry profit rates in the surrounding geographical area for similar work. (2 CFR Sec. 200.323(b)).

Noncompetitive Proposals (Sole Sourcing)

Procurement by noncompetitive proposals means procurement through solicitation of a proposal from only one (1) source and may be used only when one or more of the following circumstances apply:

1. The item is available only from a single source.
2. The public exigency or emergency for the requirement will not permit a delay resulting from competitive solicitation. An emergency exists whenever the time required for the Board to act in accordance with regular procedures would endanger life or property or threaten continuance of existing school classes.
3. The federal awarding agency or pass-through entity expressly authorizes noncompetitive proposals in response to a written request from the Intermediate Unit.
4. After solicitation of a number of sources, the Intermediate Unit determines the competition is inadequate.

In addition to standard procurement policy and procedures, the Intermediate Unit will document the grounds for using the noncompetitive method in lieu of an otherwise required competitive method of procurement, which may include written confirmation from the contractor as the sole source of the item. Documentation must be submitted to and maintained by the Business Office.

All noncompetitive proposals will ultimately be approved by the Board. The Intermediate Unit may utilize legal advice from the solicitor regarding noncompetitive proposals.

A cost or price analysis will be performed for noncompetitive proposals when the price exceeds $150,000.

**Purchase Cards**

The Intermediate Unit approves the use of procurement cards for permissible purchases by designated employees to improve the efficiency of purchasing activities, reduce processing expenses, improve controls for small-dollar purchases, and streamline contractor payment.

Procurement cards may be used for purchases under federal programs. The use of procurement cards is governed by Board Policy 625 Procurement Cards and established administrative regulations. (Pol. 625)

**Card Issuance**

Program Supervisors/Administrators shall identify staff members to be selected to receive Purchase Cards based on position guide responsibilities. Purchase Card transaction limits are set by the Program Supervisor/Administrator and Department Director, based on budget allocations, and will be established and approved by the Program Supervisor/Administrator.

**Authority to Purchase**

1. The Intermediate Unit Board of Directors is responsible for the establishment of policies in conformance with state laws and regulations.

2. The Executive Director is responsible for establishing administrative regulations and procedures in compliance with existing Board Policy.

3. The CFO or his/her designee is responsible for establishing procurement procedures for use of the IU 13 Purchase Card Program.

4. The Department/Program Administrator with budgetary authority is responsible for working with staff in implementing policies, regulations and procedures for the use of IU 13 Purchase Cards.

5. The Department/Program Administrator or his/her designee is responsible for reviewing purchase card statements for misuse or inappropriate use.

6. The CFO is responsible for prescribing appropriate accounting procedures for tracking Purchase Card expenditures.

7. The Supervisor of Compliance and Information Systems is responsible for internal auditing of Purchase Cards.

8. Purchase Card holders are responsible for following Board Policy and carrying out administrative regulations related to the use of Purchase Cards assigned to them during the course of employment.

**Terms of Agreement and Usage for Purchase Cardholders:**

1. Purchase Cards are intended for business purposes only; personal use of cards is strictly prohibited.
2. All purchases must be submitted to the staff member's Program Supervisor/Administrator for pre-approval on the Purchase Card Requisition Form. (Refer to section I. E. Allowability of Costs) This can be done on a per purchase basis, a monthly basis or a fiscal year basis. The pre-approval must support the purchase transaction(s).
3. Any unauthorized purchases must be reimbursed to the Intermediate Unit within ten (10) days of notification of the amount owed; outstanding unauthorized charges will be deducted from the staff member's paycheck. A second violation of this policy within a fiscal year will result in the loss of Purchase Card privileges.
4. Misuse of the Purchase Card will result in the loss of Purchase Card privileges.
5. Purchase Cards are the property of IU13. They must be returned to the Business Office by June 30th of each fiscal year or upon separation from the INTERMEDIATE UNIT.
6. New Agreements will be processed each fiscal year.
7. For 260-day employees, a new Agreement should be processed prior to June 15th of each year to prevent a disruption of service.

**Note:** In additional to the above consequences for misuse of the Purchase Card, Lancaster-Lebanon Intermediate Unit retains the right to take further action, whether in the form of disciplinary action, termination of employment, and/or legal prosecution, in the event of gross misuse or fraud involving Lancaster-Lebanon IU 13 funds.

**Procedures for Purchase Card Transactions**

In order to use his/her Purchase Card, the staff member must observe the following

Procedures:

1. Complete the Purchase Card Requisition Form and submit it to the Program Supervisor/Administrator for pre-approval. The program secretary will make a copy of the approved form, return the approved original form to the staff member, and maintain the copy for program tracking and monitoring purposes.
2. Take the approved requisition form to the vendor and select the approved items; present tax-exempt status prior to making the purchase.
3. Tape receipt(s) to the back of the original form.
4. Reconcile the completed requisitions and receipts to the monthly Purchase Card statement and forward completed packet to the Purchase Card Administrator in the Business Office by the 15th of the month. (Address labels will be provided.)
5. Separate line item detail reports will be provided to Program Supervisors/Administrators on a monthly basis for their review and monitoring.

**Purchasing Guidelines**

The following information provides examples of purchases that are appropriate for the Purchase Card Program:

1. Purchases of small dollar items.
2. Food items.
3. Approved supplies for your program which are not available from the IU13 Supplies Warehouse or through IU13 Joint Purchasing Discount Catalogs.
4. Student incentive items which are not available from the IU13 Supplies Warehouse or through IU13 Joint Purchasing Discount Catalogs.
5. Craft Supplies which are not available from the IU13 Supplies Warehouse or through IU13 Joint Purchasing Discount Catalogs.
6. Instructional games and toys which are not available from the IU13 Supplies Warehouse or through IU13 Joint Purchasing Discount Catalogs.
7. Hardware and home improvement items.
8. Other miscellaneous items that may be specific to your program.

The following items are identified as examples of items that are not appropriate for use of a Purchase Card.

1. Gift cards or Debit cards. Please note this clarification.
2. Cash advances or ATMs.
3. Gift Certificates.
4. Equipment, i.e., fax machine, appliances, etc. (These items require Purchase Order Processing.)
5. Chemicals or cleaning supplies (These items are required to be purchased and monitored through the IU13 Maintenance Department. Please call the Maintenance Coordinator or Building Custodian/Contact if you have questions.)
6. Purchase of Services.

This list is not intended to be all inclusive. If you have specific questions, please call your Program Supervisor/Administrator or the Purchase Card Administrator for assistance.

**The following actions will result in the loss of a staff member's Purchase Card Privileges:**

1. Failure to obtain pre-approval for purchases.
2. Making unauthorized purchases or other misuse.
3. Making purchases in excess of the amount approved.
4. Loaning a card to another staff member.
5. Failure to submit invoices/completed requisitions along with reconciled statements monthly, within 15 days of receipt of monthly statement.

**Internal Controls over Purchase Card Transactions:**

1. Separation of Duties
2. Application process
   1. Signed by Card Holder, Supervisor, Department Director, Business Manager, and Accounts Payable Supervisor.
   2. Default account code approved by Fiscal Administrative Support Team representative.
   3. Accounts Payable Supervisor reviews the journal entry of purchases before posting
3. Purchase process – Requisition forms are to be approved prior to purchase.
4. All undistributed cards are kept in the Business Services safe each night.
5. Payroll staff runs a monthly report of terminations that are compared to the card holder list. If the card has not been relinquished, it is canceled.
6. Federal Procurement System Standards

**Full and Open Competition**

All procurement transactions must be conducted in a manner providing full and open competition consistent with 2 CFR Sec. 200.319. In order to ensure objective contractor performance and eliminate unfair competitive advantage, contractors that develop or draft specifications, requirements, statements of work, or invitations for bids or requests for proposals must be excluded from competing for such procurements. Some of the situations considered to be restrictive of competition include but are not limited to:

1. Placing unreasonable requirements on firms in order for them to qualify to do business.
2. Requiring unnecessary experience and excessive bonding.
3. Noncompetitive pricing practices between firms or between affiliated companies.
4. Noncompetitive contracts to consultants that are on retainer contracts.
5. Organizational conflicts of interest.
6. Specifying only a “brand name” product instead of allowing “an equal” product to be offered and describing the performance or other relevant requirements of the procurement.
7. Any arbitrary action in the procurement process.

EDGAR further requires the following to ensure adequate competition.

Minority Businesses, Women’s Business Enterprises, Labor Surplus Area Firms

The Intermediate Unit must take necessary affirmative steps to assure those minority businesses, women’s business enterprises, and labor surplus area firms are used when possible. Affirmative steps must include: (2 CFR Sec. 200.321)

1. Placing qualified small and minority business and women’s business enterprises on solicitation lists.
2. Assuring that small and minority businesses, and women’s business enterprises are solicited whenever they are potential sources.
3. Dividing total purchasing requirements, when economically feasible, into smaller tasks or quantities to permit maximum participation by small and minority business and women’s business enterprises.
4. Establishing delivery schedules, where the requirement permits, which encourage participation by small and minority businesses and women’s business enterprises.
5. Using the services and assistance, as appropriate, of such organizations as the Small Business Administration and the Minority Business Development Agency of the Department of Commerce.
6. Requiring the prime contractor, if subcontracts are let, to take the affirmative steps listed above.

Geographical Preferences Prohibited

The Intermediate Unit must conduct procurements in a manner that prohibits the use of statutorily or administratively imposed state, local, or tribal geographical preferences in the evaluation of bids or proposals, except in those cases where applicable federal statutes expressly mandate or encourage geographic preference. When contracting for architectural and engineering (A/E) services, geographic location may be a selection criterion provided its application leaves an appropriate number of qualified firms, given the nature and size of the project, to compete for the contract.

**[See Food Service Program Notes below for permissibility of geographic preferences and “Buy American” practices in purchasing certain food products]**

Prequalified Lists

The Intermediate Unit must ensure that all prequalified lists of persons, firms, or products which are used in acquiring goods and services are current and include enough qualified sources to ensure maximum open and free competition. Also, the Intermediate Unit must not preclude potential bidders from qualifying during the solicitation period.

[**See Food Service Program Notes below for reference to state requirements regarding contracts with food service management companies and contractors of pre-plated meals.]**

Solicitation Language

The Intermediate Unit must ensure that all solicitations incorporate a clear and accurate description of the technical requirements for the material, product, or service to be procured. Such description must not, in competitive procurements, contain features which unduly restrict competition. The description may include a statement of the qualitative nature of the material, product or service to be procured and, when necessary, must set forth those minimum essential characteristics and standards to which it must conform if it is to satisfy its intended use. Detailed product specifications should be avoided if at all possible.

When it is impractical or uneconomical to make a clear and accurate description of the technical requirements, a “brand name or equivalent” description may be used as a means to define the performance or other salient requirements of procurement. The specific features of the named brand which must be met by offers must be clearly stated; and identify all requirements which the offerors must fulfill and all other factors to be used in evaluating bids or proposals.

Avoiding Acquisition of Unnecessary or Duplicative Items

The Intermediate Unit must avoid the acquisition of unnecessary or duplicative items. Additionally, consideration must be given to consolidating or breaking out procurements to obtain a more economical purchase; and, where appropriate, an analysis must be made of leases versus purchase alternatives, and any other appropriate analysis to determine the most economical approach.

These considerations are given as part of the process to determine the allowability of each purchase made with federal funds. Such considerations are accessible in the procedure attached to Policy 626: Allowability of Costs – Federal Programs.

Use of Intergovernmental Agreements and Cooperative Purchasing

To foster greater economy and efficiency, the Intermediate Unit enters into state and local intergovernmental agreements where appropriate for cooperative purchasing or use of common or shared goods and services, as permitted by the Intergovernmental Cooperation Act and the Commonwealth Procurement Code. (Pol. 613; 53 Pa. C.S. Ch. 23; 62 Pa. C.S. Ch. 19)

When procuring supplies or services for federally funded purposes to which the Uniform Grant Guidance applies, the Intermediate Unit shall verify that the organization conducting the procurement pursuant to such agreements complies with the applicable requirements and standards of the Uniform Grant Guidance as outlined in this procedure.

Use of Federal Excess and Surplus Property

The Intermediate Unit considers the use of federal excess and surplus property in lieu of purchasing new equipment and property whenever such use is feasible and reduces project costs.

Debarment and Suspension

The Intermediate Unit awards contracts only to responsible contractors possessing the ability to perform successfully under the terms and conditions of a proposed procurement. Consideration will be given to such matters as contractor integrity, compliance with public policy, record of past performance, and financial and technical resources.

**[See Food Service Program Notes below for reference to state requirements regarding contracts with food service management companies and contractors of pre-plated meals.]**

The Intermediate Unit may not subcontract with or award subgrants to any person or company who is debarred or suspended. For all contracts over $25,000 the Intermediate Unit verifies that the vendor with whom the Intermediate Unit intends to do business with is not excluded of disqualified. 2 C.F.R. Part 200, Appendix II(1) and 2 C.F.R. §§ 180.220 and 180.300.

All successful contractors must provide written certification that they have not been suspended or debarred from federal projects. The CFO or designees will be responsible for verification. Such verification may include accessing the online federal System for Award Management (SAM) to determine whether any relevant party is subject to any suspension or debarment restrictions.

Intermediate Unit contract compliance procedure states, contracts over $25,000 are checked against two website debarment databases and rejected if necessary. The following sites are checked:

* SAM System for Award Management website <https://www.sam.gov/portal/public/SAM/>
* Excluded Parties List System Debarment website <https://www.epls.gov/epls/search.do>
* PA Department of General Services website http://www.portal.state.pa.us/portal/server.pt?open=512&objID=1271&&PageID=244340&level=3&css=L3&mode=New Vendor Setup

At times, the need arises to set up a new vendor. A new ESM Solutions Vendor Request Document (FB601), found on the IU13 SharePoint site, is completed and forwarded to Purchasing, who in turn, performs the following due diligence checks:

1. Review of ESM Solutions and BusinessPLUS systems to inquire if vendor is already in the vendor database
2. Review of the ESM Solutions Vendor Request Document for accuracy and completion
3. Review of the vendor website for verification, background information, and additional terms
4. Perform vendor monitoring by debarment checks on the vendor. Both the Commonwealth of Pennsylvania and Federal Government (EPLS) debarment lists are reviewed
5. Have the Accounts Payable Department review the request for the proper 1099 submittal, sign the document, and return it to Purchasing.

Upon completion of due diligence checks, Purchasing stamps the document confirming the debarment checks, and proceeds to enter the vendor into both ESM Solutions and BusinessPLUS.

Maintenance of Procurement Records

The Intermediate Unit must maintain records sufficient to detail the history of all procurements. These records will include, but are not necessarily limited to the following: rationale for the method of procurement, selection of contract type, contractor selection or rejection, the basis for the contract price (including a cost or price analysis), and verification that the contractor is not suspended or debarred.

Maintenance of records of procurement will be governed by Board Policy 800 Records Management and established administrative regulations. (Pol. 800)

Time and Materials Contracts

The Intermediate Unit may use a time and materials type contract only: (1) after a determination that no other contract is suitable; and (2) if the contract includes a ceiling price that the contractor exceeds at its own risk. Time and materials type contract means a contract whose cost to the Intermediate Unit is the sum of: the actual costs of materials, and direct labor hours charged at fixed hourly rates that reflect wages, general and administrative expenses, and profit.

Since this formula generates an open-ended contract price, a time-and-materials contract provides no positive profit incentive to the contractor for cost control or labor efficiency. Therefore, each contract must set a ceiling price that the contractor exceeds at its own risk. Further, the Intermediate Unit must assert a high degree of oversight in order to obtain reasonable assurance that the contractor is using efficient methods and effective cost controls.

Settlements of Issues Arising Out of Procurements

The Intermediate Unit alone is responsible, in accordance with good administrative practice and sound business judgment, for the settlement of all contractual and administrative issues arising out of procurements. These issues include, but are not limited to, source evaluation, protests, disputes, and claims. These standards do not relieve the Intermediate Unit of any contractual responsibilities under its contracts. Violations of law will be referred to the local, state, or federal authority having proper jurisdiction.

Protest Procedures to Resolve Dispute

The Intermediate Unit maintains protest procedures to handle and resolve disputes relating to procurements and, in all instances, discloses information regarding the protest to the awarding agency. Protest procedures will be acted on in accordance with current state law and regulations, established Intermediate Unit administrative regulations and the advice of the solicitor. (Pol. 610)

**Food Service Program Notes:**

*Exemption from Bidding for Perishable Food Items -*

The School Code exempts purchases of perishable food items from bidding requirements. Bidding for perishable food items is required only if the cost would be at or over the federal threshold at which formal competitive bidding is required ($150,000). Small purchase procedures may be used for purchases below $150,000, or micro-purchase procedures for purchases below $3,500. Use of bidding should be considered as an option if it is feasible and likely to result in cost savings. (24 P.S. Sec. 504(d))

*Geographic Preferences -*

The Intermediate Unit is permitted to apply a geographic preference when procuring unprocessed locally grown or locally raised agricultural products. When a geographic preference is applied, the Intermediate Unit has discretion to determine the local area to which the geographic preference option will be applied.

**Unprocessed locally grown or locally raised agricultural products** means only those agricultural products that retain their inherent character. The effects of the following food handling and preservation techniques shall not be considered as changing an agricultural product into a product of a different kind or character: cooling; refrigerating; freezing; size adjustment made by peeling, slicing, dicing, cutting, chopping, shucking, and grinding; forming ground products into patties without any additives or fillers; drying/dehydration; washing; packaging (such as placing eggs in cartons), vacuum packing and bagging (such as placing vegetables in bags or combining two (2) or more types of vegetables or fruits in a single package); the addition of ascorbic acid or other preservatives to prevent oxidation of produce; butchering livestock and poultry; cleaning fish; and the pasteurization of milk. (7 CFR Sec. 210.21, 215.14a, 220.16)

*Buy American -*

The Intermediate Unit shall purchase, to the maximum extent practicable, domestic commodities or products for food service purposes. The term **domestic commodity or product** means: (7 CFR Sec. 210.21, 220.16)

1. An agricultural commodity that is produced in the United States; and
2. A food product that is processed in the United States substantially using agricultural commodities that are produced in the United States.

*Mandatory Contract Clauses -*

The following provisions shall be included in all cost reimbursable contracts for food services purchases, including contracts with cost reimbursable provisions, and in solicitation documents prepared to obtain offers for such contracts: (7 CFR Sec. 210.21, 215.14a, 220.16)

1. Allowable costs will be paid from the nonprofit school food service account to the contractor net of all discounts, rebates and other applicable credits accruing to or received by the contractor or any assignee under the contract, to the extent those credits are allocable to the allowable portion of the costs billed to the school food authority;
2. (a) The contractor must separately identify for each cost submitted for payment to the school food authority the amount of that cost that is allowable (can be paid from the nonprofit school food service account) and the amount that is unallowable (cannot be paid from the nonprofit school food service account); or   
   (b) The contractor must exclude all unallowable costs from its billing documents and certify that only allowable costs are submitted for payment and records have been established that maintain the visibility of unallowable costs, including directly associated costs in a manner suitable for contract cost determination and verification;
3. The contractor's determination of its allowable costs must be made in compliance with the applicable departmental and program regulations and Office of Management and Budget cost circulars;
4. The contractor must identify the amount of each discount, rebate and other applicable credit on bills and invoices presented to the school food authority for payment and individually identify the amount as a discount, rebate, or in the case of other applicable credits, the nature of the credit. If approved by the state agency, the school food authority may permit the contractor to report this information on a less frequent basis than monthly, but no less frequently than annually;
5. The contractor must identify the method by which it will report discounts, rebates and other applicable credits allocable to the contract that are not reported prior to conclusion of the contract; and
6. The contractor must maintain documentation of costs and discounts, rebates and other applicable credits, and must furnish such documentation upon request to the school food authority, the state agency, or the department.

*Contracts with Food Service Management Companies -*

Procedures for selecting and contracting with a food service management company (FSMC) shall comply with guidance provided by the Pennsylvania Department of Education, Division of Food and Nutrition, including standard forms, procedures and timelines for solicitation, selection and approval of proposals and contracts. (7 CFR Sec. 210.16, 210.19, 210.21, 215.14a, 220.16)

*Pre-Plated Meals -*

Procedures for selecting and contracting with contractors of pre-plated meals shall comply with guidance provided by the Pennsylvania Department of Education, Division of Food and Nutrition, including standard forms, procedures and timelines for solicitation, selection and approval of proposals and contracts. (7 CFR Sec. 210.16, 210.19, 210.21, 220.16)

**Avoiding Acquisition of Unnecessary or Duplicative Items**

The Intermediate Unit must avoid the acquisition of unnecessary or duplicative items. Additionally, consideration is given to consolidating or breaking out procurements to obtain a more economical purchase. And, where appropriate, an analysis must be made of leases versus purchase alternatives, and another other appropriate analysis to determine the most economical approach.

These considerations are given as part of the process to determine the allowability of each purchase made with federal funds. Please see page Section I.E. for written procedures on determining allowability.

**Use of Intergovernmental Agreements**

To foster greater economy and efficiency, the Intermediate Unit enters into state and local intergovernmental agreements where appropriate for procurement or use of common or shared goods and services.

**Use of Federal Excess and Surplus Property**

The Intermediate Unit considers the use of federal excess and surplus property in lieu of purchasing new equipment and property whenever such use is feasible and reduces project costs.

**Debarment and Suspension**

The Intermediate Unit awards contracts only to responsible contractors possessing the ability to perform successfully under the terms and conditions of a proposed procurement. Consideration will be given to such matters as contractor integrity, compliance with public policy, record of past performance, and financial and technical resources.

**Maintenance of Procurement Records**

The Intermediate Unit must maintain records sufficient to detail the history of all procurements. These records will include, but are not necessarily limited to the following: rationale for the method of procurement, selection of contract type, contractor selection or rejection, the basis for the contract price (including a cost or price analysis), and verification that the contractor is not suspended or debarred.

Please see section V. Record Keeping for more information on the Intermediate Unit’s record policies.

**Time and Materials Contracts**

The Intermediate Unit may use a time and materials type contract only (1) after a determination that no other contract is suitable; and (2) if the contract includes a ceiling price that the contractor exceeds at its own risk. Time and materials type contract means a contract whose cost to the Intermediate Unit is the sum of: the actual costs of materials, and direct labor hours charged at fixed hourly rates that reflect wages, general and administrative expenses, and profit.

Since this formula generates an open-ended contract price, a time-and-materials contract provides no positive profit incentive to the contractor for cost control or labor efficiency. Therefore, each contract must set a ceiling price that the contractor exceeds at its own risk. Further, the Intermediate Unit must assert a high degree of oversight in order to obtain reasonable assurance that the contractor is using efficient methods and effective cost controls.

**Settlements of Issues Arising Out of Procurements**

The Intermediate Unit alone is responsible, in accordance with good administrative practice and sound business judgment, for the settlement of all contractual and administrative issues arising out of procurements. These issues include, but are not limited to, source evaluation, protests, disputes, and claims. These standards do not relieve the Intermediate Unit of any contractual responsibilities under its contracts. Violations of law will be referred to the local, state, or federal authority having proper jurisdiction.

**Protest Procedures to Resolve Dispute**

Following our solicitor’s recommendation, the Intermediate Unit does not maintain protest procedures to handle and resolve disputes relating to procurements and, in all instances, discloses information regarding the protest to the awarding agency. Any protests received by the INTERMEDIATE UNIT would be handled on an individual basis involving our solicitor to ensure procedures are in accordance with state and local law.

1. Conflicts of Interest Requirements

**Standards of Conduct**

In accordance with 2 C.F.R. §200.18(c)(1), the Intermediate Unit maintains the following 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 real or apparent conflicts of interest. Such conflicts 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 Intermediate Unit may neither solicit nor accept gratuities, favors, or anything of monetary value from contractors or parties to subcontracts, unless the gift is an unsolicited item of nominal value.

Reference Board Policy 627 - Conflicts of Interest.

1. Contract Administration

The Intermediate Unit maintains oversights to ensure that contractors perform in accordance with the terms, conditions, and specifications of their contracts or purchase orders.

Reference the Contract Compliance Procedures which delineate the roles and responsibilities of responsible parties in the creation, approval, payment, and internal controls of contract processing.

# Property Management Systems

1. Property Classifications Equipment means tangible personal property (including information technology systems) having a useful life of more than one year and a per-unit acquisition cost which equals or exceeds $5,000 (the capitalization level established by Intermediate Unit for financial statement purposes). 2 C.F.R. § 200.33. The Intermediate Unit has elected to capitalize certain computing devices that are purchased for the Computer Refresh internal service fund even when the per-unit cost is less than $5,000.

Supplies means all tangible personal property other than those described in § 200.33 Equipment. A computing device is a supply if the acquisition cost is less than $5,000, regardless of the length of its useful life, except for devices purchased for the Computer Refresh Internal Service Fund which are treated as equipment. 2 C.F.R. § 200.94.

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

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

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

1. Inventory Procedure

If inventory is received from the warehouse, or if it is directly shipped to a different location, the inventory is received by the department or program requesting the items. A department or program staff inspects the property to ensure good condition upon receipt and to match the delivery item with the purchase order. If the item was not received by the warehouse staff, the department or program staff enters receiving information electronically into the ESM Solutions transaction (requisition) and purchase ordering system, including the quantity and date received. The electronic receiving record is then used by Accounts Payable personnel to match with the invoice for payment. This information is maintained electronically in the ESM Solutions and BusinessPLUS systems.

Technology equipment, other than equipment for PaTTAN, is physically received by the Technology Department at Burle Business Park, Lancaster, PA. This equipment is tagged with a barcode and number and imaged through the Technology Inventory system through the HelpDesk system. The Technology Inventory system maintains complete information about the items, including, but not limited to, the make, model, serial number, vendor, purchase order, cost, date of purchase, location and IP addresses (when applicable). The Technology Department is responsible for configuring and installing computing devices including highly desirable devices such as laptops, smartphones, and tablets. Tracking of technology inventory is the responsibility of the Technology Systems Administrator.

Equipment other than the technology equipment described above is assigned barcode tags by the Business Services Department. Program staff is responsible for tagging and tracking property.

When items are received in the warehouse or by the program, the receiving party will:

* + 1. Perform an initial visual inspection in the presence of the carrier’s representative noting any damage on the carrier’s bill of lading, packing slip, and receiving report. Purchasing will be notified of damages. Refer to detailed procedures regarding processing freight claims for damaged items.
    2. Receive Items in ESM Solutions.
    3. Verify the vendor’s packing list and description against the purchase order. Shortages are noted to purchasing.
    4. Forward the ESM Solutions receipt, packing list, etc. to purchasing.
    5. Inform program assistant of quantities received for inventory tracking.
    6. Pack items for delivery to appropriate program location.

1. Inventory Records

For each equipment and computing device purchased with federal funds, the following information is maintained: transaction (requisition), purchase order, and paid amounts are maintained electronically in the ESM Solutions and BusinessPLUS systems. The Business Office maintains asset listings based on the capital assets purchased and recorded in BusinessPLUS. The asset listings are maintained as depreciation schedules in MS Excel spreadsheets and include:

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

Asset listings are updated as needed, based on Asset Disposition Forms, reports of lost or obsolete items, comparison with the Technology Inventory system, or physical inventory counts.

Reference Board Policy 706.1 Sales and Disposal of Equipment and Supplies, and BS Fixed Asset Procedures.

1. Physical Inventory

A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years. The Program Director of Business Services coordinates and schedules the inventory. The inventory is provided by a third party vendor using the following guidelines:

1. The valuation work to include:
2. Cost basis for fixed asset and depreciation accounting records
3. Replacement/appraised value for insurance purposes
4. The valuation to include:
   1. Appraisal of all buildings
   2. Valuation of leasehold improvements over $25,000.
   3. Valuation of insurable Site Improvements (outdoor lighting, fencing, signage, etc.) greater than $5,000.
   4. Cost/valuation of all INTERMEDIATE UNIT owned vehicles.
   5. Valuation of Contents greater than $5,000, plus all computer equipment over $1,000
   6. Cost of federal equipment purchases
5. Maintenance

In accordance with 2 C.F.R. § 200.313(d)(4), the Intermediate Unit maintains adequate maintenance procedures to ensure that property is kept in good condition.

Intermediate Unit Maintenance Technicians and Technology Support Technicians perform three basic kinds of maintenance and repairs:

* Daily preventative maintenance procedures
* Regular planned, or predictive maintenance procedures
* Unplanned repairs and maintenance procedures

Maintenance requests and technology support requests can be entered by any staff through the electronic HelpDesk system. The Maintenance Coordinator is responsible for responding to maintenance requests and the Technology Department is responsible for responding to system and technology help requests. The HelpDesk system tracks dates of requests and response and performance times.

1. Lost or Stolen Items

The Intermediate Unit maintains a control system that ensures adequate safeguards are in place to prevent loss, damage, or theft of the property.

Equipment insurance is maintained by the Facilities Manager and is updated each year. Each department or program is responsible for ensuring that property is maintained and in good condition. Restrictions are placed on the use of equipment and/or computing devices by the Board and by Department Directors. Computing devices are tracked using the Technology Inventory and HelpDesk system.

Reference Procedure B060 Lost or Stolen Equipment.

1. Use of Equipment

Equipment must be used in the program or project for which it was acquired as long as needed, whether or not the project or program continues to be supported by the federal award, and the Intermediate Unit will not encumber the property without prior approval of the federal awarding agency and the pass-through entity.

During the time equipment is used on the project or program for which it was acquired, the equipment will also be made available for use on other projects or programs currently or previously supported by the federal government, provided that such use will not interfere with the work on the projects or program for which it was originally acquired. First preference for other use must be given to other programs or projects supported by the federal awarding agency that financed the equipment. Second preference is given to programs or projects under federal awards from other federal awarding agencies. Use for non-federally funded programs or projects is also permissible.

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

Technology equipment and Assistive Devices equipment are tracked in electronic systems that are maintained by the Technology Department and the ECSES program. These systems allow the identification of unused devices which can be requested for use by other programs through electronic request systems.

1. Disposal of Equipment

When it is determined that original or replacement equipment acquired under a federal award is no longer needed for the original project or program or for other activities currently or previously supported by a federal awarding agency, the Business Manager will contact the awarding agency (or pass-through for a state-administered grant) for disposition instructions.

Generally, disposition of equipment is dependent on its fair market value (FMV) at the time of disposition. If the item has a current FMV of $5,000 or less, it may be retained, sold, or otherwise disposed of with no further obligation to the federal awarding agency. If the item has a current FMV of more than $5,000, the federal awarding agency is entitled to the federal share of the current market value or sales proceeds.

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

Disposition of equipment will be properly recorded in the fixed asset inventory.

Reference Board Policy 706.1 Sales and Disposal of Equipment and Supplies.

# Written Compensation Policies

1. Time and Effort

**Time and Effort Standards**

# All employees who are paid in full or in part with federal funds must keep specific documents to demonstrate the amount of time they spent on grant activities. This includes an employee whose salary is paid with state or local funds, but is used to meet a required “match” in a federal program. These documents, known as time and effort records, are maintained in order to charge the costs of personnel compensation to federal grants.

Charges to federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must:

* Be supported by a system of internal controls which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;
* Be incorporated into official records;
* Reasonably reflect total activity for which the employee is compensated, not exceeding 100% of compensated activities;
* Encompass both federally assisted and all other activities compensated by the Intermediate Unit on an integrated basis;
* Comply with the established accounting policies and practices of the Intermediate Unit and
* Support the distribution of the employee’s salary or wages among specific activities or costs objectives.

**Time and Effort Procedures**

In order to meet the above requirements, all employees who must complete time and effort forms must submit either a semi-annual certification or a personnel activity report (PAR) as required below. The type of form depends on the number of cost objectives that an employee works on.

A cost objective is a program, function, activity, award, organizational subdivision, contract, or work unit of which cost data are descried and from which provision is made to accumulate and measure the cost of processes, products, jobs, capital projects, etc. 2 C.F.R. § 200.28.

All employees who work on a single cost objective must complete a semi-annual certification.

The semi-annual certification must be:

1. Completed at least every six (6) months;

2. Be signed by the employee or the supervisor with direct knowledge of the work being

performed;

3. Reflect an after-the-fact distribution of the actual activity; and

4. Account for the total activity for which each employee is compensated.

All employees who work on multiple cost objectives must complete PARs that support the distribution of their salaries /wages that meet the following standards:

1. Reflect an after-the-fact distribution of the actual activity;

2. Account for the total activity for which each employee is compensated;

3. Are prepared at least monthly & coincide with one or more pay periods; and

4. Are signed by the employee.

**Reconciliation and Closeout Procedures**

It is critical for payroll charges to match the actual distribution of time recorded on the monthly certification documents. Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to federal awards, but may be used for interim accounting purposes provided that the system for establishing the estimates produces reasonable approximations of the activity actually performed.

The certifications are submitted to the FAST Rep in the Business Office for the program. Reconciliations to the program are done semi-annually and journal entries are posted to the general ledger if required. A salary reconciliation is prepared at the end of each program year to ensure that all records are complete and that charges to the program are accurate, allowable, and properly allocated. Certifications are collected from staff each month by the program, reviewed by the supervisor, and then submitted to the business office. If an employee exits the program mid-year, the supervisor is responsible for collecting outstanding certifications.

1. Human Resources Policies

Human Resources policies and procedures can be found at:

<https://myiu.iu13.org/hr/Pages/Custom-Department-Home-Page.aspx>

# Record Keeping

1. Record Retention

The Intermediate Unit maintains all records that fully show (1) the amount of funds under the grant or subgrant; (2) how the subgrantee uses those funds; (3) the total cost of each project; (4) the share of the total cost of each project provided from other sources; (5) other records to facilitate an effective audit; and (6) other records to show compliance with federal program requirements. 34 C.F.R. §§ 76.730-.731 and §§ 75.730-.731. The Intermediate Unit also maintains records of significant project experiences and results. 34 C.F.R. § 75.732. These records and accounts must be retained and made available for programmatic or financial audit.

The U.S. Department of Education is authorized to recover any federal funds misspent within 5 years before the receipt of a program determination letter. 34 C.F.R. § 81.31(c). Consequently, the Intermediate Unit retain records for a minimum of five (5) years from the date on which the final Financial Status Report is submitted, unless otherwise notified in writing to extend the retention period by the awarding agency, cognizant agency for audit, oversight agency for audit, or cognizant agency for indirect costs. However, if any litigation, claim, or audit is started before the expiration of the record retention period, the records will be trained until all litigation, claims, or audit findings involving the records have been resolved and final action taken. 2 C.F.R. § 200.333.

Reference Procedure ED800 Records Retention and Destruction.

1. Collection and Transmission of Records

The majority of records are stored electronically on the INTERMEDIATE UNIT’s internal server unless required by applicable law to be kept in paper format. Physical records are stored in the business office in a program file during the program year and then are moved to a storage room located on-site. Per 2 C.F.R. § 200.335 electronic records are transmitted electronically to the grantee agency. Original hard copy reports will be mailed to the grantee agency if required in grant guidelines. Records are provided electronically for audits and monitoring when possible and will be provided physically when requested.

1. Access to Records

The Intermediate Unit provides the awarding agency, Inspectors General, the Comptroller General of the United States, and the pass-through entity, or any of their authorized representatives the right of access to any documents, papers, or other records of the Intermediate Unit which are pertinent to the Federal award, in order to make audits, examinations, excerpts, and transcripts. The right also includes timely and reasonable access to the Intermediate Unit's personnel for the purpose of interview and discussion related to such documents.

1. Privacy

The Intermediate Unit has procedures in place to ensure that the personal information of both students and employees is protected. The password policy in Active Directory is:

1. Must be changed every 6 months
2. Must be at least 8 characters in length
3. Must contain at least 1 of the following:
   * Uppercase letter
   * Lowercase letter
   * Number or symbol

Reference Board Policy 815 Electronic Information Access/Acceptable Use.

# Subrecipient Monitoring

In the event that the Intermediate Unit awards subgrants to other entities, it is responsible for monitoring those grant subrecipients to ensure compliance with federal, state, and local laws. Monitoring is the regular and systematic examination of all aspects associated with the administration and implementation of a program. Each program office that awards a subgrant must have its own monitoring policy. This policy must ensure that any monitoring findings are corrected.

**Definitions**

Award: An award is a binding agreement between an external agency and the Intermediate Unit to support the activities designated in the agreement with set terms and conditions.

Subaward: A subaward of financial or other support from a prime awardee to a qualified organization for the performance of a substantive portion of the programmatic effort under the prime award.

Subrecipient: A non-Federal entity that expends Federal awards from a pass-through entity to carry out a Federal program.

Characteristics of a subrecipient:

* Receiving entity determines who is eligible to receive financial assistance;
* Has its performance measured against whether the objectives of the program are met;
* Has responsibility for programmatic decision making;
* Has responsibility for adherence to applicable programs compliance requirements; and
* Uses the funds to carry out a program of the organization as compared to providing goods or services for a program of the pass-through entity

Contractor: A dealer, distributor, merchant or other seller providing goods or services that is required for the conduct of the sponsored program. These goods or services may be for an organization’s own use or for the use of beneficiaries of the project.

Characteristics of a contractor:

* Provides the goods and services within normal business operations;
* Provides similar goods or services to many different purchasers;
* Operates in a competitive environment;
* Provides goods or services that are ancillary to the operation of the program; and
* Is not subject to the compliance requirements of the program, though similar requirements may apply for other reasons

Subrecipient Monitoring: Activities undertaken to review the financial status and management controls of a subrecipient(s) to mitigate the risk of contracting with a subrecipient(s).

**Procedure**

The Intermediate Unit, when acting as a pass-through entity, must determine:

* who to grant subawards to
* what are the risks

Factors to consider when assessing a subrecipients’ risk:

* Size of the subaward administered by a subrecipient
* Percentage of total federal funds awarded to subrecipients
* Complexity of the subaward requirements
* Subrecipient’s experience with administering a federal subaward
* Subrecipient’s prior monitoring and audit results
* Type of subaward (single year vs. multiyear)

Items that typically put the subrecipient in the ‘High-Risk’ category are the following:

* + - 1. Findings on their most recent A-133 audit report that relate to sponsored program activity
      2. The subrecipient does not have an annual A-133 audit
      3. The subrecipient is a foundation or corporation
      4. The entity has a history of non-compliance
      5. A qualified audit report, or failure to have a current audit report
      6. A known history of non-performance
      7. A small company new to receiving sponsored program funds
      8. A foreign entity
      9. Percentage passed through
      10. Program complexity

To help ensure that subrecipients understand all of the relevant laws, regulations and guidelines that apply to the subaward, the Intermediate Unit prepares a package of information that provides the following, as appropriate:

* Program authorizing legislation
* Excerpts of program regulations
* Relevant public policy laws
* The Catalog of Federal Domestic Assistance program listing (cfda.gov)
* Relevant state laws
* Guidelines developed by the Intermediate Unit

The Subrecipient Contract Agreement should include the following:

1. Federal Award Identification
2. Subrecipient name (which must match registered name in DUNS)
3. Subrecipient’s DUNS number
4. Federal Award Identification Number (FAIN)
5. Federal Award Date
6. Subaward Period of Performance Start and End Date
7. Amount of Federal Funds obligated by this action
8. Total Amount of Federal Funds obligated to the subrecipient
9. Total Amount of the Federal Award
10. Federal award project description as required to be responsive to the Federal Funding Accountability and Transparency Act (FFATA)
11. Name of Federal awarding agency, pass-through entity, and contact information for awarding official
12. CFDA Number and Name; the pass-through entity must identify the dollar amount made available under each Federal award and the CFDA number at time of disbursement
13. Identification of whether the award is R&D
14. Indirect cost rate for the Federal award (including if the de minimis rate is charged per § 200.414 Indirect (F&A) costs)
15. All requirements imposed by the pass-through entity on the subrecipient so that the Federal award is used in accordance with Federal statutes, regulations and the terms and conditions of the Federal award
16. Any additional requirements that the pass-through entity imposes on the subrecipient in order for the pass-through entity to meet its own responsibility to the Federal awarding agency including identification of any required financial and performance reports
17. An approved federally recognized indirect cost rate negotiated between the subrecipient and the Federal government or, if no such rate exists, either a rate negotiated between the pass-through entity and the subrecipient (in compliance with this Part), or a de minimis indirect cost rate
18. A requirement that the subrecipient permit the pass-through entity and auditors to have access to the subrecipient’s records and financial statements as necessary for the pass-through entity to meet the requirements of this section
19. Appropriate terms and conditions concerning closeout of the subaward

**Subaward Invoice Review and Processing**

Subrecipients are expected to send their invoices to the appropriate contact at the Intermediate Unit, either the Program Administrator or the FAST Representative, to review and process the invoice for payment. The reviewer is responsible for examining the invoice and back-up to ensure the costs are allowable and appropriately documented. A payment voucher is created and attached to the invoice and sent through the Accounts Payable approval process, ending in a check issued directly to the subrecipient.

**Subrecipient Monitoring**

Methods available to the Intermediate Unit for monitoring subrecipients can include, but are not limited to the following:

* Review single audits
* Arrange for limited-scope audits
* Schedule site visits
* Review subrecipient reports
* Require prior approval for certain activities
* Require third-party evaluations
* Provide technical assistance and training
* Make telephone calls and use other means of communications such as e-mail
* Follow subrecipient coverage in the news
* Notes or follow-up letters sent in response to onsite visits or telephone interviews

A record of each monitoring activity the Intermediate Unit performs is kept and should include the following information:

* Name of subrecipient
* Subaward agreement number
* Type and amount of federal program funds passed through
  + Type of monitoring activity performed (i.e. document review, telephone monitoring)
* Date of monitoring
* Persons contacted
* Activities and records reviewed
* Results of review

The Intermediate Unit uses a database program to help keep track of the monitoring activities performed on our subrecipients. A record is kept on each contract so some subrecipients can have more than one record. Each record includes the subrecipient contact information, grant information, internal business office information, monitoring process/activities, payments made to the subrecipeint, etc.

Some of the information kept in the subrecipient database is used to create the subrecipient notification letter that the Intermediate Unit sends out every year to every subrecipient we have. The letters are sent out in August for the previous fiscal year. The letters provide the following information to each subrecipient:

* CFDA Number
* Grantor’s Number
* Award Amount
* Project Start and End Dates
* Amount Paid (cash basis) in Fiscal Year

Every subrecipient that is required to have a single audit (meets the threshold) is required to send the Intermediate Unit a copy of their financial statements for the previous fiscal year, which includes the single audit information. The Accounting Manager at the Intermediate Unit is responsible for reviewing the statements for each subrecipient to verify the information reported on their Schedule of Federal Awards (SEFA) agrees with our information, and to verify if they had any findings reported on their single audit. If no findings are noted and the information agrees with the Intermediate Unit no further action is required and the contract is considered closed. If there are any findings noted and/or the information does not agree with the Intermediate Unit then the Accounting Manger follows up with the subrecipient via a letter.

The Accounting Manager stays in contact with the subrecipient until the discrepancies are resolved or until the Intermediate Unit receives appropriate documentation from the subrecipient (a corrective action plan).

When monitoring activities identify issues of noncompliance that are not addressed through corrective action plan, the IU may take the following actions: (2 CFR 200.331, 200.338)

* + Impose specific conditions on the subrecipient, in accordance with applicable law and regulations. (2 CFR 200.207)
  + Temporarily withhold cash payments, in accordance with applicable law and regulations.
  + Disallow or deny use of funds for all or part of the cost of the activity or action not in compliance.
  + Wholly or partially suspend or terminate the agreement for the federal award.
  + Recommend that the federal agency initiate suspension and debarment proceedings.
  + Withhold further awards or agreements for the project or program.
  + Take other remedies legally available, in consultation with the school solicitor or other qualified counsel.

This manual is designed to include the procedures and guidelines important to ensuring compliance with Uniform Grant Guidance and is not intended to be all inclusive of the understanding necessary to effectively administering federal funds. It will be important for program staff and fiscal staff responsible for federal programs to have a thorough understanding of all specific grant compliance supplements and guidelines as with as the universal requirements of UGG.

To ensure that Intermediate Unit staff has the understanding needed to ensure compliance with requirements and performance of grant goals, the Intermediate Unit will provide on-going support through written guidelines and procedures, meetings, and in-person and online trainings.