

# Operating Policies and Procedures for Implementation and Administration of Federal Education Programs

Aligned with the Requirements of the New Uniform Grants  
Guidance

Fiscal Year 2025

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## I. Introduction

This manual sets forth the policies and procedures used by the Tennessee Public Charter School Commission (“the District”) to administer federal funds. The manual contains the internal controls and grant management standards used by the District to ensure that all federal funds are lawfully expended. It describes in detail the District’s financial management system, including cash management procedures and procurement policies; inventory management protocols; procedures for determining the allowability of expenditures; time and effort reporting; record retention; and sub-recipient monitoring responsibilities.

New employees of the District, new employees of authorized charter schools in the District, and incumbent employees are expected to review this manual to gain familiarity and understanding of the District’s rules and practices. If you have any questions regarding the administration of federal education grants, including questions related to specific federal grant programs, please contact the applicable program office at the Tennessee Department of Education (TDOE).

## II. Financial Management System

The District maintains a proper financial management system in order to receive both direct and state-administered grants and to expend funds associated with a grant award. Certain fiscal controls and procedures must be in place to ensure that all financial management system requirements are met. Failure to meet a requirement may result in return of funds or termination of the award.

For the successful completion of a grant award, authorized schools must manage the expenditure and use of funds to ensure that grant award goals and terms and conditions are being met, projected milestones are being accomplished, quality materials and services are being received, and other performance goals are being achieved in accordance with the approved grant award. Expenditures must be aligned with approved budgeted items. Any changes or variations from the approved budget require prior approval from District staff.

### A. Financial Management Standards

The standards for financial management systems are found at 2 C.F.R. § 200.302. The required standards include:

#### ***Identification***

The District will identify, in its accounts, all federal awards received and expended and the federal programs under which they were received. Federal program and award identification will include, as applicable, the assistance listing, federal award identification number and year, name of the federal agency, and, if applicable, name of the pass-through entity. Each program code within the accounting system for federal reimbursements is linked to the proper assistance listing. The accounting system can run queries to ensure that funds are being paid from the correct program code linked to the assistance listing.

#### ***Financial Reporting***

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

#### ***Accounting Records***

The District will 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 sub-grant awards, authorizations, obligations, unobligated balances, assets, expenditures, income, and interest and be supported by source documentation. District accounting records will be kept in the state's Edison accounting system and supported by information located in the state's ePlan system. Each authorized charter school will be responsible for maintaining their own accounting system and keeping records that

comply with these requirements. For information on each individual school's accounting records, please see the school's finance policy manual, available upon request.

### ***Internal Controls***

Effective control and accountability will be maintained for all funds, real and personal property, and other district assets. The District will adequately safeguard all such property and ensure 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 property and money is spent in accordance with grant program and to further the selected objectives; and
- Compliance with applicable laws and regulations.

### ***District Internal Controls:***

The District's internal controls are largely managed by TDOE accounting and the Department of Finance and Administration, and are built into the state's Edison accounting system.

In addition to TDOE internal controls, the District's staff will implement a number of internal controls including the following:

- Review and approval duties for all Charter Commission/District budgets, invoices and expenses are split between the Federal Programs team staff, fiscal reviewers, and the Director of Finance and Operations, with final approval by the Executive Director. Invoices are also reviewed by multiple reviewers from the Department of Finance and Administration.
- Backup authority for approvals is assigned to the Director of Finance and Operations.
- Commission/District employees are prohibited from approving their own expense requests.

### ***School Internal Controls:***

For information on each individual school's internal controls, please see the school's finance policy manual, available upon request.

### ***Budget Control***

Actual expenditures and/or obligations will be compared with budgeted amounts for each federal award.

Federal grant reimbursements will only be processed if adequate budget dollars exist in each federal award for each expenditure and the expense is allowable. In addition, prior to processing any reimbursement, the District reimbursement reviewer (either the Fiscal Programs Manager or Grants



Coordinator) is required to verify there are sufficient funds in the proper account code to purchase the item and that the item being purchased has been approved in the grant application or revision.

All reimbursements must follow the procedures outlined by the District. For additional information about reimbursements, please see the section titled “Reimbursement Management”.

### ***Cash Management***

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

The District’s federal grants are reimbursable grants. Reimbursements must follow the procedures outlined by the Charter Commission and will only be made on allowable costs. Schools may submit for reimbursements on a monthly basis. For additional information about reimbursements, see the section titled “Reimbursement Management”.

### ***Reimbursement Management***

Specific procedures are designed to expedite payment to schools for out-of-pocket expenses related to each grant award. This section describes the steps for grant reimbursements. The source of grant funding for each award is indicated in the award letter.

#### ***Prerequisites to the Reimbursement of Funds***

Prior to making any grant-related expenditures or requesting a reimbursement of funds, the recipient must complete the following administrative prerequisites:

- All required grant application and budget documents provided must be completed and returned to District staff prior to the recipient’s initial reimbursement of funds request.

#### ***Purpose of Reimbursement Requests***

Federal regulations consider reimbursement the preferred basis for grant payments (2 CFR/UGG 200.305) and the Tennessee Department of Education makes grant payments via reimbursement only. A request for reimbursement of funds is necessary for the purpose of documenting that costs eligible for reimbursement have been obligated and expended, and thus the school is requesting to be reimbursed for those costs. Reimbursement of liquidated expenditures is made upon the acceptance/approval of a claim with the grantor (District).

#### ***Contents of a Complete Reimbursement Package***

The contents of a complete reimbursement package include the following:

- Signed coversheet/invoice
- Reimbursement workbook (identification of expenses by account and functional code)
  - Expenses must align to the approved budget

- Detailed explanation of expenses
- Supporting documentation (Payroll summary, paid invoice, etc.)
- PARs or semi-annual certifications as applicable
- Conflict of interest attestation
- Signed Contracts
- All reimbursements and supporting documentation should be uploaded to the Microsoft List Reimbursement Submission Tracker..

*\*\*All or nothing – Any reimbursement packet missing any of the above items or deemed to have unallowable programmatic or fiscal items will be immediately returned for revision and re-submission\*\**

*\*\*\*Please note the entire packet must be re-submitted for processing and the submission date updated\*\*\**

### Reimbursement Procedures

The District shall disburse funds to the grantee/school pursuant to the grant agreement on a reimbursement basis. The grantee/school shall submit reimbursement requests with required expenditure documentation, as defined in this document, and upload to Microsoft List titled Reimbursement Request Tracker. Reimbursement requests may be submitted monthly after the grantee/school has received grant application approval.

After conducting its review, including a review of any additional supporting documentation, the district finance team will reimburse grantee/school for only those expenditures in the reimbursement request that are adequately documented, reasonable, necessary, and allocable under applicable federal statutes, regulations, and aligned with the approved budget.

If any expenditures are deemed unallowable or are insufficiently documented, the grant reviewer will ask the grantee/school to adjust the financial records for the relevant grant to remove the expenditure, or the portion of the expenditure, that is unallowable. The reviewer will verify that the grantee/school has made these adjustments by requiring it to submit a revised reimbursement workbook. The grantee/school must complete any adjustments by the end of within seven (7) business days.

The following steps will be followed in the receipt, processing, and payment of grant reimbursement requests. For detailed procedures, please see the Federal Reimbursement Payment Checklist for TPCSC Staff, available upon request.

#### a. Submission of Packet by Operator

The operator will upload reimbursement requests for a particular grant (worksheet, supporting documentation) to the Commission through a link to the Microsoft List Reimbursement Request Tracker. The submitter will fill out all required fields in the list. As outlined below, the packet will also go through fiscal review, including a comparison of the requested line item expenditures to the approved budgets.

b. Financial Review by Fiscal Reviewer

All reimbursement requests will be reviewed by either the Fiscal Programs Manager or the Grants Coordinator. The applicable fiscal reviewer will review the requests for accuracy, including:

- Review Coversheet:
  - Ensure all proper signatures are present from the grantee/school
  - Ensure reimbursement dates on cover sheet align to intended window of expenses and period of availability
  - Signatures do not predate expense window
- Review Workbook: (Submit in PDF & Excel versions)
  - Ensure the budget represents the current approved version
  - Ensure all expense lines are in account code lines that have a budget present and available
  - Ensure expenses include in the workbook are aligned with the budgeted description
  - Ensure all formulas across request template have not broken
  - Ensure total on workbook matches total on coversheet

Ensure that required documentation for applicable expenses is provided. The fiscal reviewer will contact schools within one week of submission with questions or concerns regarding packets submitted. Requests will not be processed further until all requested information is received.

Once the fiscal review is complete, the reviewer will assign the request to the designated administrative reviewer in the List for administrative review.

c. Administrative Review (Director of Schools and/or Director of Finance and Operations)

- The Director of Schools, Director of Finance and Operations, or designee will review each packet. If approved, the Director of Schools or designee will sign the requests for payment.
- After the requests are signed on behalf of the Executive Director, the administrative reviewer will change the status of the request in the List to "Ready to Send to AP." The Fiscal Programs Manager will receive an email from the List to prepare the request to be sent to [Education.AP@tn.gov](mailto:Education.AP@tn.gov) to start the payment process.

Copies of the reimbursement requests that have been signed by the Director of Finance and Operations on behalf of the Executive Director will then be saved in each school's reimbursement request folder in TN Charter Commission Staff - Charter School Authorization\Finance\REIMBURSEMENT REQUESTS\FYxx. This will serve as the official document that will be submitted to [Education.AP@tn.gov](mailto:Education.AP@tn.gov).

d. AP Processing (Fiscal Programs Manager)

- Once the Director of Finance and Operations has signed the reimbursement packet and AP coversheet, the Fiscal Programs Manager (FPM) or Grants Coordinator (GC) will create a receipt in Edison. The receipt number will be added to the invoice portion of the reimbursement document.
- The FPM/GC will submit the AP coversheet and signed packet to [Education.AP@tn.gov](mailto:Education.AP@tn.gov) for payment (and cc- the Director of Finance and Operations), and label it as an immediate pay item.
- The FPM/GC will file the hard copy of the invoice in Sharepoint.
- The FPM/GC will log receipt of the packet and the date of the Director of Schools signature in the District's tracker.
- The FPM/GC will check Edison and note the voucher number of the invoice in the finance tracker.
- The FPM shall run a query every day and update the POWER BI Report to include all transactions for the District, including if the reimbursement has been paid. The information logged will including necessary information for entering the reimbursement request in ePlan.
- Once per week, the FPM will complete a query from Edison which includes information needed to see if and when requests were paid.
- The FPM will enter the date the requests/vouchers were paid in the tracker.

e. ePlan Entry (Fiscal Programs Manager or Grants Coordinator)

- When the voucher has been logged on the tracker as paid, the District FPM or GC will begin the reimbursement process for the District.
- The FPM/GC will request payments from ePlan by line item by rolling-up all approved packets for a grant and entering them into ePlan for reimbursement. The FPM/GC will also log the ePlan entry date of the packets on the District's tracker.
- Once the reimbursement has been entered into ePlan, the FPM/GC will send documentation from Edison (TN\_AP73H1\_PYMNTS\_4\_VNDR\_W\_CF) that the payment to the charter school has been reimbursed and documentation from ePlan (screenshot for the reimbursement request) to process the journal voucher.
- The FPM/GC will continuously track and monitor reimbursements submitted in ePlan and Edison.
- Once the reimbursement request has been paid, the FPM/GC will log completion/payment of the voucher on the District's tracker.

Grantees should expect to be reimbursed for funds within thirty (30) days of district staff approving the reimbursement request.

## ***Allowable Costs***

The District will maintain written procedures for determining allowability of costs in accordance with EDGAR. See the Spending Grant Funds section for additional information.

### B. Overview of the Financial Management/Accounting System

#### ***District Accounting System:***

The District's financial management system is the state's Edison accounting system coupled with the state's ePlan system. Approval structure and internal controls are maintained within the Edison system. Edison issues reports and tracks revenues, expenditures, balance sheets, budgeted items, etc.

### C. Budgeting

#### ***The Planning Phase: Meetings and Discussions***

##### ***Before Receiving the Grant Application:***

The district, as well as its authorized charter schools, will complete an annual needs assessment in InformTN. These needs assessments are determined by planning teams consisting of various district and school personnel which may include district staff, CMO personnel, school principals, teachers, and parents, as set forth in the ESSA. The needs assessments are based on an analysis of district and school data and serve as a decision-making guide to determine funding needs and priorities based on district and school goals. Early budget decisions are based on the prior year's award (if possible), and adjustments are made once final grant allocations are received and funding determined. Each school must undergo a budget process based upon the school's needs assessment and submit its proposed budget to the district in early spring (except for grant applications which open during other points in the year). District personnel responsible for budgeting include, but are not limited to: Director of Schools, Director of Finance and Operations, Director of School Programs and Supports, the Federal Programs and Exceptional Education Coordinators, and the Fiscal Programs Manager.

***Reviewing and Approving the Budget:*** After the proposed school budgets are submitted to the school's Microsoft Teams folder in early spring, the Federal Programs Coordinator designee will review the items in the budget to ensure programmatic allowability. District Federal Programs personnel will also work with the TDOE to determine federal allowability as needed. (See the Determining the Allowability of Costs section for a discussion on performing allowability determinations.) If district or TDOE personnel determine that a cost is not allowable, the budget will be sent back to the school leader for adjustments to meet allowability. Once it is determined that all expenditures are allowable, the budget will be sent to the Director of Finance and Operations and then to the Director of Schools for final review and approval. Once all school grant budgets are approved, they are compiled and uploaded into ePlan.

#### **[School Operating Budget 2200](#)**

### ***Amending the Budget***

It is expected that schools will make every attempt to adhere to their awarded grant budget. However, the TPCSC recognizes that changes to the budgets and timelines may become prudent or unavoidable. Anticipated budget amendment windows are in September/October and again in January/February. The district grants team will send schools an e-mail outlining specific budget amendment windows and the timeframe to return a request for a budget amendment. The process for requesting a budget amendment is as follows:

- A request for budget change must be submitted to the Federal Programs team by the deadline set forth in the e-mail sent to schools.
- Requests for budget change must include the following information: school's name, name/phone number/email address of contact person, summary description of the change requested to include budget line-items affected, description of alignment to the LEA plan and school plan (for applicable grants), and documentation supporting the change (if applicable).
- The Federal Programs team will review the request and provide a response to the school within one (1) week of receipt of request.
- If the request is approved by the District Federal Programs team, the amendment will be submitted to the state by the finance team via ePlan.
- If the state approves the requested budget amendment, a revised workbook will be provided to the school to include the approved revised budget.

Any changes or variations from the state-approved budget and grant application need prior approval from the district and state.

### ***Budget Controls***

The district monitors its financial performance by comparing and analyzing actual results with budgeted results. All schools will receive a monthly budget statement which will include detailed updates on the grant allocations, payments made, payments pending, and remaining balances for each award. Monthly budget reports will be provided to schools by the end of each month recurring through Grant Closeout. The information provided in the reports directly relate to the approved grant budget and lists information such as the following:

- Total grant dollars awarded;
- Total funds expended to-date (if applicable);
- Percentage of grant drawn down;
- Total funds remaining; and
- Comments (if applicable).

#### D. Accounting Records

The TPCSC and its schools will follow the Tennessee LEA Uniform Chart of Accounts. Please see the section titled Financial Management Standards for additional information on district and school accounting records.

[Accounting System 2700](#)

<https://www.tn.gov/tn-public-charter-school-commission/rules-and-policies/lea-policies1.html><https://www.tn.gov/tn-public-charter-school-commission/rules-and-policies/lea-policies1.html>**Direct and Indirect Costs Defined**

***Determining Whether a Cost is Direct or Indirect:*** Direct costs are 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 costs 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, and 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:*** TDOE approves indirect cost rates for one (1) year. If the District chooses to utilize indirect costs, it must follow the state indirect cost rate set by the TDOE.

***Applying the Indirect Cost Rate:*** Once the District 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 District 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***

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

When determining how the District and authorized charter schools will spend grant funds, District and school staff will review the proposed cost to determine whether it is an allowable use of federal grant funds *before* obligating and spending those funds on a proposed good or service. All costs supported by federal education funds must meet the standards outlined in EDGAR, 2 C.F.R. § 200.403, which are provided in the bulleted list below. District staff must consider these factors when making an allowability determination.

- *Be necessary and reasonable for the performance of the federal award.* District and school 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 district or authorized charter school 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 district, its employees, its students, the public at large, and the federal government.
- Whether the District 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 District can demonstrate that the cost addresses an existing need and can prove it. For example, the District may deem a language skills software program necessary for a limited English proficiency program.



When determining whether a cost is necessary, 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.
- *Be 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.
  - *Be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the District.*
  - *Conform to any limitations or exclusions set forth as cost principles in Part 200 or in the terms and conditions of the federal award.*
  - *Use 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.
  - *Be adequately documented.* All expenditures must be properly documented.
  - *Be determined in accordance with generally accepted accounting principles (GAAP), unless provided otherwise in Part 200.*
  - *Not be 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.
  - *Be 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)

Part 200's cost guidelines must be considered when federal grant funds are expended. As provided above, federal rules require state and District/school-level requirements and policies regarding expenditures to

be followed as well. For example, state and/or District/school policies relating to travel or equipment may be narrower than the federal rules, and the stricter state and/or District/school 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 fifty-five (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.

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

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

<u><i>Item of Cost</i></u>	<u><i>Citation of Allowability Rule</i></u>
Advertising and public relations costs	2 C.F.R. § 200.421
Advisory councils	2 C.F.R. § 200.422
Alcoholic beverages	2 C.F.R. § 200.423
Alumni/ae activities	2 C.F.R. § 200.424
Audit services	2 C.F.R. § 200.425
Bad debts	2 C.F.R. § 200.426
Bonding costs	2 C.F.R. § 200.427
Collection of improper payments	2 C.F.R. § 200.428
Commencement and convocation costs	2 C.F.R. § 200.429
Compensation – personal services	2 C.F.R. § 200.430
Compensation – fringe benefits	2 C.F.R. § 200.431
Conferences	2 C.F.R. § 200.432
Contingency provisions	2 C.F.R. § 200.433
Contributions and donations	2 C.F.R. § 200.434

Defense and prosecution of criminal and civil proceedings, claims, appeals, and patent infringements	2 C.F.R. § 200.435
Depreciation	2 C.F.R. § 200.436
Employee health and welfare costs	2 C.F.R. § 200.437
Entertainment costs	2 C.F.R. § 200.438
Equipment and other capital expenditures	2 C.F.R. § 200.439
Exchange rates	2 C.F.R. § 200.440
Fines, penalties, damages, and other settlements	2 C.F.R. § 200.441
Fund raising and investment management costs	2 C.F.R. § 200.442
Gains and losses on disposition of depreciable assets	2 C.F.R. § 200.443
General costs of government	2 C.F.R. § 200.444
Goods and services for personal use	2 C.F.R. § 200.445
Idle facilities and idle capacity	2 C.F.R. § 200.446
Insurance and indemnification	2 C.F.R. § 200.447
Intellectual property	2 C.F.R. § 200.448
Interest	2 C.F.R. § 200.449
Lobbying	2 C.F.R. § 200.450
Losses on other awards or contracts	2 C.F.R. § 200.451
Maintenance and repair costs	2 C.F.R. § 200.452
Materials and supplies costs, including costs of computing devices	2 C.F.R. § 200.453
Memberships, subscriptions, and professional activity costs	2 C.F.R. § 200.454
Organization costs	2 C.F.R. § 200.455
Participant support costs	2 C.F.R. § 200.456
Plant and security costs	2 C.F.R. § 200.457
Pre-award costs	2 C.F.R. § 200.458
Professional services costs	2 C.F.R. § 200.459
Proposal costs	2 C.F.R. § 200.460
Publication and printing costs	2 C.F.R. § 200.461
Rearrangement and reconversion costs	2 C.F.R. § 200.462
Recruiting costs	2 C.F.R. § 200.463
Relocation costs of employees	2 C.F.R. § 200.464
Rental costs of real property and equipment	2 C.F.R. § 200.465
Scholarships and student aid costs	2 C.F.R. § 200.466
Selling and marketing costs	2 C.F.R. § 200.467
Specialized service facilities	2 C.F.R. § 200.468
Student activity costs	2 C.F.R. § 200.469
Taxes (including value added tax)	2 C.F.R. § 200.470
Termination costs	2 C.F.R. § 200.471
Training and education costs	2 C.F.R. § 200.472
Transportation costs	2 C.F.R. § 200.473
Travel costs	2 C.F.R. § 200.474

Likewise, it is possible for the state and/or District to put additional requirements on a specific item of cost. Under such circumstances, the stricter requirements must be met for a cost to be allowable. Accordingly, employees must consult federal, state and district requirements when spending federal funds. For example, often the state's travel rules are more restrictive than federal rules, which means 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 (e.g., Title I of the Every Student Succeeds Act (ESSA), or the Carl D. Perkins Career and Technical Education Act (Perkins)), along with accompanying program regulations, non-regulatory guidance, and grant award notifications.

The state and/or District rules related to some specific cost items are discussed below. District employees must be aware of these state and District rules and ensure they are complying with these requirements.

[Bonded Employees 2600](#)

[Purchasing and Contracts 2805](#)

[Gifts and Bequests 2401](#)

[Insurance 3600](#)

[Revenue and School Fees 2400](#)

[Investment of Funds 2402](#)

[Audits 2703](#)

[Expenses and Reimbursements 2804](#)

### ***Frequent Types of Costs***

***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 school or District 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 District's or school's established policy. (2 C.F.R § 200.474(b))

***District Lodging, Travel, and Meal Expenses Policy:***

The District follows the State of Tennessee Department of Finance and Administration's Comprehensive Travel Regulations. A copy of the regulations is available [here](#).

### [Expenses and Reimbursements 2804](#)

#### *Authorized Charter School Travel Policies:*

Pursuant to Charter Commission policy, each authorized charter school shall develop its own policy regarding approval and authorization of travel. All employee travel shall comply with the authorized charter school's travel policy. Each authorized charter school's travel policies and procedures shall clarify that reimbursements for lodging, food, and mileage expenses will only be reimbursed up to the then-current GSA reimbursement rates.

When submitting reimbursement for travel/lodging expenses, District schools must:

- Ensure that the travel requested has already occurred (you may not submit for reimbursement prior to the date of travel)
- Include proof of travel (hotel invoice, boarding pass, rental car invoice, shuttle/cab receipts, etc.)
- Include proof of expenses (invoice and/or receipts)
- Include a copy of the agenda or related materials such as registration receipt, if the travel is for a conference or professional development
  - If requesting reimbursement for conference lodging that exceeds the GSA rate, schools must submit a statement outlining their justification for the lodging expense including whether the approved conference rate was used and how staying at the conference hotel maximized efficiency.

When submitting reimbursement for meal expenses:

- Meals cannot exceed the approved GSA per diem schedule
- Alcoholic beverages are not allowed for reimbursement
- Use separate bills for alcoholic beverages and meals (only submit receipts for meal expenses)

For information on each individual school's travel policy, please see the school's finance policy manual, available upon request.

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

In addition to the cost principles and standards described above, District and/or school personnel 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 District 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, District and/or school personnel 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. This means that, for instance, funds allocated under Title III of the Every Student Succeeds Act (ESSA) must only be spent on instruction programs for English Learner (EL) students and cannot be used to benefit non-EL students.

Also, funds should be targeted to address areas of weakness, as necessary. To make this determination, District and/or school personnel should review data when making purchases to ensure that federal funds meet these areas of concern.

#### E. Federal Cash Management Policy/Procedures

The District will comply with applicable methods and procedures for payment that minimize the time elapsing between the transfer of funds and disbursement by the District, in accordance with the Cash Management Improvement Act at 31 C.F.R. Part 205. Generally, the District receives payment from the TDOE on a reimbursement basis. (2 C.F.R. § 200.305) However, if the District receives an advance in federal grant funds, the District will remit interest earned on the advanced payment quarterly to the federal agency. The District may retain interest amounts up to \$500 per year for administrative expenses. (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, in any situation where the state draws from the G5 system in advance of the District using non-federal funds to pay vendors and/or employees, the only events and dates that are relevant are 1) the date on which the federal grant funds are drawn down by the state and 2) the date on which those funds are disbursed by the District. Any interest earned on those funds while on-deposit in the District's bank account after drawdown and before disbursement must be included in the interest earned calculation.

#### ***Payment Methods***

***Reimbursements:*** All reimbursements are based on actual disbursements, not on obligations. The District may initially charge federal grant expenditures to non-federal funds.

The District Coordinator of Federal Programs and Special Populations will request reimbursement for actual expenditures incurred under the federal grants **at least monthly**. Reimbursement requests will be submitted via ePlan.

All reimbursement requests must be approved prior to submission in ePlan in accordance with the reimbursement procedures outlined in the Reimbursement Management section of this document.

Consistent with state and federal requirements, the District will maintain source documentation supporting the federal expenditures such as invoices, time sheets, payroll stubs, etc. and will make such documentation available for TDOE review upon request.

Reimbursements of actual expenditures do not require interest calculations.

*Advances:* While not anticipated, to the extent the District receives advance payments of federal grant funds, the District will strive to expend the federal funds on allowable expenditures within 72 hours of receipt. The District will hold federal advance payments in interest-bearing accounts, unless an allowable exception applies. The District will calculate interest earned on cash balances after 72 hours of receipt of advance payments.

Interest will be calculated quarterly. Total federal grant cash balances will be calculated on cash balances per grant and applying the District’s actual/average interest rate. The District may retain up to \$500 of interest earned per year. Within thirty (30) days of the end of the quarter, the District will remit interest earned on ED grants in excess of \$500 to Department of Health and Human Services Payment Management System, Rockville, MD 20852.

F. 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:

<u><i>If the obligation is for:</i></u>	<u><i>The obligation is made:</i></u>
Acquisition of property	On the date which the District makes a binding written commitment to acquire the property
Personal services by an employee of the District	When the services are performed
Personal services by a contractor who is not an employee of the District	On the date which the District makes a binding written commitment to obtain the services
Public utility services	When the District receives the services
Travel	When the travel is taken

Rental of property	When the District uses the property
A pre-agreement cost that was properly approved by the Secretary under the cost principles in 2 C.F.R. 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 Availability of Federal Funds***

All obligations must occur on or between the beginning and ending dates of the grant project. (34 C.F.R. § 76.707) This period of time is known as the period of availability. The period of availability is dictated by statute and will be indicated in the grant award letter. 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 that Congress appropriates the funds for. However, given the unique nature of educational institutions, for many federal education grants, the period of availability is twenty-seven (27) months. Federal education grant funds are typically awarded on July 1 of each year. While the District 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 twenty-seven (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 fifteen (15) month period of initial availability, plus a twelve (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 grant award letter.

For both state-administered and direct grants, regardless of the period of availability, the District 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 District will closely monitor 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 fifteen (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 twelve (12) months. (34 C.F.R. § 76.709) Accordingly, the District may have multiple years of grant funds available under the same program at the same time.



The District Final Expenditure Report (FER) will be reconciled and submitted to TDOE via ePlan. Any carryover funds will be automatically transferred to the current grant application to be budgeted prior to expending. For programs with carryover limitations (i.e., ESSA Title I, Title III), a carryover waiver request letter will be submitted to TDOE if/when the carryover exceeds the cap.

Direct Grants: Grantees receiving direct federal grants are not covered by the twelve (12) month Tydings period (i.e., ESEA-Title VI, SRSA). However, under 2 C.F.R. § 200.308, direct grantees enjoy unique authority to expand the period of availability of federal funds. The District is authorized to extend a direct grant automatically for one twelve (12) month period. Prior approval is not required in these circumstances; however, in order to obtain this extension, the District must provide written notice to the federal awarding agency at least ten (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 District must seek prior approval from the federal agency when the extension would 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))

The District will provide written notice to the federal awarding agency at least ten (10) calendar days before the end of the period of performance specified in the award period. The Director of Schools, Director of Finance and Operations, and Coordinator of Federal Programs and Special Populations will make this decision, with the Director of Schools having final approval. Specific details per the awarding agency will be provided in a written notice from the Director of Schools.

#### G. 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 District 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 District is otherwise directed by the federal awarding agency or pass-through entity. (2 C.F.R. § 200.307(e)(1)) The District 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 District must always refer to the grant award letter prior to determining the appropriate use of program income.

Although unlikely, if a grant were to generate income, then the proceeds would be identified with special revenue codes in the sub-fund that identifies solely the federal grant involved.

### III. Procurement System

The District maintains the following purchasing procedures.

#### A. Responsibility for Purchasing

District policy Purchasing and Contracts 2805 requires each authorized charter school to develop its own purchasing procedures. As such, purchasing shall be handled in accordance with the policies and procedures of each school. Annually, schools will submit a copy of their purchasing policies and procedures for review by the District for compliance with these requirements.

#### [Purchasing and Contracts 2805](#)

#### B. Purchase Methods

The type of purchase procedures required depends on the cost of the item(s) being purchased. **Note: if state or local procurement policy is more restrictive than the federal purchase methods below, districts must always follow the most restrictive policy.**

#### [Purchasing and Contracts 2805](#)

#### **Purchase/ Procurement Procedure Minimum Requirements**

District policy Purchasing and Contracts 2805 requires each authorized charter school to implement a policy and create procedures for purchasing and procurement. Each authorized charter school's purchasing procedures should include the following information:

- Procurement Documents:
  - What type of procurement document is used? For example, is a purchase order or a requisition used?
  - How is procurement documentation generated? If paper copies, where are those kept and who has access? If electronic, how does the school ensure that only certain people have access? Are the documents pre-numbered?
  - When a purchase is made, what type of information must be contained on the purchase order or requisition?
    - Should include a description of the services to be performed or goods to be delivered, a location where the services are to be performed or goods to be delivered, and the appropriate dates of service or delivery
  - Where is the documentation kept once the purchase is made? What other documentation is maintained with it? Are they recorded in a log?
- Responsibilities:
  - If purchase order/requisition, what position requests the document?
  - What position fills it out, and what position provides approval?
  - If a contract, what position writes the contract? Provides approval?
- Required Number and Types of Quotations:

- How many bids are required for each purchase threshold?
- Are these bids oral or written?
- How are they received, if written?
  - Bids must be received before a purchase order, requisition, or contract is made.
- What position is responsible for obtaining the bids?
- What documentation is required, and where is it maintained?

***Purchases up to \$10,000***

Tennessee Code Annotated (T.C.A.) allows a district to choose to follow the prescribed purchasing procedures of the district’s local governing body or to develop its own policies and procedures and purchase all supplies, furniture, fixtures, and material of every kind through the executive committee.

T.C.A. § 49-2-203(a)(3)(B) states, “If the LEA chooses not to follow the local governing body’s purchasing procedures, all purchases of less than ten thousand dollars (\$10,000) may be made in the open market without newspaper notice, but shall, whenever possible, be based upon at least three (3) competitive bids.” Since the District does not have a local governing body, the latter portion of the statute shall apply, and all purchases less than less than ten thousand dollars (\$10,000) may be made in the open market without newspaper notice, but shall, whenever possible, be based upon at least three (3) competitive bids.

Please see the section of this document titled Purchase and Procurement Procedure Minimum Requirements for additional information regarding authorized charter school purchasing procedures.

[Purchasing and Contracts 2805](#)

***Purchases over \$10,000***

T.C.A. allows a district to choose to follow the prescribed purchasing procedures of the district’s local governing body or to develop its own policies and procedures and purchase all supplies, furniture, fixtures, and material of every kind through the executive committee.

Regarding purchases estimated to exceed twenty-five thousand dollars (\$25,000), T.C.A. § 49-2-203(a)(3)(A) states “All expenditures for such purposes may follow the prescribed procedures of the LEA’s respective local governing body, so long as that body, through its charter, private act or ordinance has established a procurement procedure that provides for advertisement and competitive bidding, except that, if a newspaper advertisement is required, it may be waived in case of emergency. If the LEA chooses not to follow the local governing body’s purchasing procedures, all expenditures for such purposes estimated to exceed twenty-five thousand dollars (\$25,000) or more shall be made on competitive bids, which shall be solicited by advertisement in a newspaper of general circulation in the county, except that the newspaper advertisement may be waived in the event of an emergency. School districts that have a purchasing division may use a comprehensive vendor list for the purpose of soliciting competitive bids; provided, further, that the purchasing division shall periodically advertise in a newspaper of general circulation in the county for vendors and shall update the list of vendors following the advertisement.”

Since the District does not have a local governing body, the latter portion of the statute shall apply, and all expenditures for such purposes estimated to exceed twenty five thousand dollars (\$25,000) or more shall be made on competitive bids, which shall be solicited by advertisement in a newspaper of general circulation in the county, except that the newspaper advertisement may be waived in the event of an emergency.

In addition, any purchase made with federal funds over ten thousand dollars (\$10,000) must be approved by the District prior to purchase. All contracts for goods less than \$10,000 shall be bid and shall be approved by the governing board of the school, if the charter school is in a county with a population less than forty thousand (40,000).<sup>i</sup> If the charter school is in a county with a population of more than forty thousand (40,000), all contracts for goods in excess of \$25,000 shall be bid and shall be approved by the governing board of the school.<sup>ii</sup> All contracts shall also meet all requirements of state and federal laws, rules, and regulations.<sup>1</sup> For purchases made with federal funds over \$10,000, (including purchases over \$10,000 via non-competitive proposals) the authorized charter school shall obtain approval by the Commission prior to purchase. Authorized charter schools must submit information to the Director of Finance and Operations outlining the proposed purchase, its alignment with the District and school Plan and approved budget, and how the purchase meets the District and school purchasing policies and procedures, using the [Purchase Prior Approval Form](#) located in the Appendix of this document. Authorized charter schools shall not proceed with a purchase over \$10,000 using federal funds without prior approval of the Director of C Finance and Operations. See the section of this document titled Purchase and Procurement Procedure Minimum Requirements for additional information regarding authorized charter school purchasing procedure requirements.

### [Purchasing and Contracts 2805](#)

*Competitive Proposals:* 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. It is generally used when conditions are not appropriate for the use of sealed bids. If this method is used, the following requirements apply:

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;

- Proposals must be solicited from an adequate number of qualified sources; and
- Contracts must be awarded to the responsible firm whose proposal is most advantageous to the program, with price and other factors considered.

For competitive proposals, EDGAR requires recipients to have a written method for conducting technical evaluations of the proposals received and for selecting recipients. Authorized charter schools shall develop this written method for competitive proposals. The written method should address the factors considered in the evaluation, what position/office performs the evaluation, the number of evaluations performed, the timeframe for conducting any evaluations and the selection of a vendor, and whether another position reviews the evaluation.

## [Purchasing and Contracts 2805](#)

**Architectural/Engineering Professional Services:** The District may use competitive proposal procedures for qualifications-based procurement of architectural/engineering (A/E) professional services whereby competitors' qualifications are evaluated and the most qualified competitor is selected, subject to negotiation of fair and reasonable compensation. The method, where price is not used as a selection factor, can only be used in procurement of A/E professional services. It cannot be used to purchase other types of services, though A/E firms are a potential source to perform the proposed effort.

**Contract/Price Analysis:** A cost or price analysis is performed in connection with every procurement action in excess of \$150,000, including contract modifications. (2 C.F.R. § 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 District/schools must come to an independent estimate prior to receiving bids or proposals. (2 C.F.R. § 200.323(a))

When performing a cost analysis, the school negotiates profit as a separate element of the price. To establish a fair and reasonable profit, consideration is given to the complexity of the work to be performed, the risk borne by the contractor, the contractor's investment, the amount of subcontracting, the quality of its record of past performance, and industry profit rates in the surrounding geographical area for similar work. (2 C.F.R. § 200.323(b))

Authorized charter schools purchasing and procurement procedures should address the following with regard to contract/price analysis: Which persons/positions are responsible? Are similar prior procurements analyzed? What other research is performed? Is there a review process?

## [Purchasing and Contracts 2805](#)

### ***Noncompetitive Proposals (Sole Sourcing)***

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

- The item is available only from a single source;
- The public exigency or emergency for the requirement will not permit a delay resulting from competitive solicitation;
- The federal awarding agency or pass-through entity expressly authorizes noncompetitive proposals in response to a written request from the District; or
- After solicitation of a number of sources, competition is determined inadequate.

**Educational Consultants and Similar Services:** In order to procure educational consultants in accordance with T.C.A. § 12-4-106(a)(1):

Contracts by counties, cities, metropolitan governments towns, utility districts and other municipal and public corporations of the state, for legal services, fiscal agent, financial advisor or advisory services, educational consultant services and similar services by professional persons or groups of high ethical standards, shall not be based upon competitive bids, but shall be awarded on the basis of recognized competence and integrity. The prohibition against competitive bidding in this section shall not prohibit any entity enumerated from interviewing eligible persons or groups to determine the capabilities of such persons or groups.

Each authorized charter school's purchasing/procurement procedures should include a description of when and how the school uses the noncompetitive proposal method, with regard to sole source proposals. This should include who is required to provide approval and what documentation is maintained to justify sole sourcing. Additionally, the policy may define "public exigency or emergency."

However, any contracts for professional services of \$150,000 or more which are supported by federal funds and do not meet the criteria for non-competitive procurement must follow requirements for competitive proposals. (2 C.F.R § 200.320; 2 C.F.R. § 200.88)

#### Sole Source Purchases Over \$10,000

Any purchase using federal funds over \$10,000 via noncompetitive proposal must be approved by the District prior to purchase. Authorized charter schools must submit information to the district finance team using the [Purchase Prior Approval Form](#) located in the Appendix, which requires the school to outline the proposed purchase, including a detailed justification for the sole source procurement and how the purchase meets the district and school purchasing policies and procedures. The justification shall include evidence supporting the need for the procurement of the goods/services, the contractor's experience providing the goods/services, as well as the selection process and efforts undertaken to identify reasonable, competitive procurement alternatives. Examples of justification for sole source procurements include, but are not limited to the following:

- Only one company has the good or service that will meet the school's needs;
- Compatibility of existing equipment or products is at issue;
- The good or service is covered by one or more patents or copyrights;
- Continuity of results is absolutely dependent upon the specific good or service;
- The supplier possesses exclusive capabilities for the good or service at issue that are not obtainable from similar suppliers;
- An unusual or compelling urgency exists; or
- School users have extensive training or experience and use of similar goods or services would require significant reorientation and training.

Authorized charter schools shall not proceed with a non-competitive purchase over \$10,000 without prior approval of the Director of Finance and Operations or their designee.

### ***Cost Price Analysis and Sole Source***

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

### C. Purchase Cards

Each authorized charter school shall have a policy or procedure outlining whether or not it will use purchase cards. If it determines purchase cards will be allowed, the policy or procedure should:

- Describe what positions are provided with a procurement card, provide detail on what types of purchases can be made (e.g., gas, hotels or other travel expenses), and state the maximum amount that can be charged.
- Describe the documentation that must be maintained for purchases made with purchase cards.
- Describe what controls are in place to ensure that procurements made with purchase cards are compliant with federal cost principles.
  - For example, are card statements reviewed by another individual? If this individual finds a suspicious purchase, what is the protocol? What is the mechanism to obtain refunds from individuals who do not use a purchase card correctly?

### [Purchasing and Contracts 2805](#)

### D. Full and Open Competition

All procurement transactions must be conducted in a manner providing full and open competition consistent with 2 C.F.R § 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:

- Placing unreasonable requirements on firms in order for them to qualify to do business;
- Requiring unnecessary experience and excessive bonding;
- Noncompetitive pricing practices between firms or between affiliated companies;
- Noncompetitive contracts to consultants that are on retainer contracts;
- Organizational conflicts of interest;
- 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; and
- Any arbitrary action in the procurement process.

EDGAR further requires the following to ensure adequate competition:

### ***Geographical Preferences Prohibited***

The District and its authorized charter schools must conduct procurement 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.

### ***Prequalified Lists***

The District and its authorized charter schools 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 District and its authorized charter schools must not preclude potential bidders from qualifying during the solicitation period.

### ***Solicitation Language***

The District and its authorized charter schools 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 procurement, 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 offers must fulfill and all other factors to be used in evaluating bids or proposals. (2 C.F.R § 200.319(c))

### E. Federal Procurement System Standards

#### ***Avoiding Acquisition of Unnecessary or Duplicative Items***

The District and its authorized charter schools 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.

#### [Purchasing and Contracts 2805](#)

#### ***Use of Intergovernmental Agreements***

To foster greater economy and efficiency, the District shall enter 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 District and its authorized charter schools shall consider 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 District and its authorized charter schools shall award 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.

The District and its authorized charter schools may not subcontract with or award sub-grants to any person or company who is debarred or suspended, and the District/schools are required to check for excluded parties at the System for Award Management website before any procurement transaction. This list is located at: <https://www.sam.gov/SAM/>.

### **[Purchasing and Contracts 2805](#)**

### ***Maintenance of Procurement Records***

The District and its authorized charter schools 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. Each authorized charter school shall maintain such records for the time specified by law and be able to produce such records to the District upon request.

### **[Purchasing and Contracts 2805](#)**

### ***Time and Materials Contracts***

The District and its authorized charter schools may use a time and materials type contract only if (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 District 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 District and its authorized charter schools must assert a high degree of oversight in order to obtain reasonable assurance that the contractor is using efficient methods and effective cost controls.

### ***Settlement of Issues Arising Out of Procurements***

The District and its authorized charter schools alone are 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 District or its authorized charter schools 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***

Authorized charter schools shall maintain protest procedures to handle and resolve disputes relating to procurements and, in all instances, disclose information regarding the protest to the awarding agency.

Authorized charter school protest procedures must be in accordance with state and local law. Issues that should be addressed include, but are not limited to: how potential vendors receive notice of ability to protest, what position/office receives the protest, what position/office reviews the protest, whether a report of the review is provided to the complainant, and timeframes for both making the protest and reviewing the protest. The position/office that reviews the protest should be different than the one that awarded the contract.

### F. Conflict of Interest Requirements

#### ***Standards of Conduct***

In accordance with 2 C.F.R. § 200.18(c)(1), the District and its authorized charter schools should maintain the following standards of conduct covering conflicts of interest and governing the actions of employees engaged in the selection, awarding, and administration of contracts.

No employee, officer, or agent may participate in the selection, award, or administration of a contract supported by a federal award if he or she has a real or apparent conflict of interest. Such a conflict of interest would arise when the employee, officer, 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 District and its authorized charter schools 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.

[Code of Ethics and Conflict of Interest 1106](#)

[Purchasing and Contracts 2805](#)

### ***Organizational Conflicts***

Organizational conflicts of interest mean that because of relationships with a parent company, affiliate, or subsidiary organization, the non-federal entity is unable or appears to be unable to be impartial in conducting a procurement action involving a related organization. (2 C.F.R § 200.318(c)(2))

[Code of Ethics and Conflict of Interest 1106](#)

[Purchasing and Contracts 2805](#)

### ***Disciplinary Actions***

Each authorized charter school shall develop a grievance and complaint policy which shall apply to complaints against individual(s) who violate the standards of conduct.

[Code of Ethics and Conflict of Interest 1106](#)

[Grievances and Complaints 1200](#)

### ***Mandatory Disclosure***

Upon discovery of any potential conflict, the authorized charter school shall notify the District, who will disclose in writing the potential conflict to the federal awarding agency in accordance with applicable federal awarding agency policy.

#### G. Contract Administration

The authorized charter schools shall maintain oversight to ensure that contractors perform in accordance with the terms, conditions, and specifications of their contracts or purchase orders. (2 C.F.R. § 200.318)

For property, each authorized charter school's purchasing and procurement procedures should discuss what position/office(s) receives any purchased property, how a receiving report is generated, and what information is included. The procedures should ensure that there is a proper segregation of duties. For example, the person who signs the contract or issues the purchase order should be different from the person who ensures the proper goods were received. (See the Property Management section of this document for additional information.)

For services, each authorized charter school's purchasing and procurement procedures should discuss what position/office ensures that the services are provided and discuss how this position will do so. Again, proper segregation of duties is important.

## IV. Property Management Systems

### A. Property Classifications

Equipment The federal definition of equipment means tangible personal property (including information technology systems) having a useful life of more than one (1) year and a per-unit acquisition cost which equals or exceeds the lesser of the capitalization level established by the District for financial statement purposes, or \$5,000. (2 C.F.R. § 200.33) The State of Tennessee definition of *equipment* applies as follows: *equipment* is “all items (machinery, implements, tools, furniture, livestock, vehicles, and other apparatus) with a unit cost of \$5,000.00 or more and a minimum useful life expectancy of three (3) years.” *(Please note that the definition in EDGAR includes a useful life expectancy of one (1) year or more—because the state definition is more restrictive it must be used.)* Freight charges and installation cost should be included as cost of equipment.

Sensitive minor equipment is defined as “items purchased with a cost between \$100.00 and \$5,000.00.” It includes sensitive items such as computers, external computer peripherals, weapons, etc., as determined by the State Personal Property Section as well as all items subject to special education guidelines.

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 the lesser of the capitalization level established by the District for financial statement purposes or \$5,000, regardless of the length of its useful life. (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 (1) 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)

### B. Inventory Procedure

Each authorized charter school shall develop an inventory procedure that describes the process that is performed when inventory is received, including answers to the following questions:

- Where is new inventory received?

- What position inspects the property to make sure it's in good condition and that it matches what is listed on the purchase order and invoice?
- Is a receiving report produced? What information is included? Where is the receiving report kept and with what other documentation?
- Who logs into the property management system?
- What type of property is tagged, and what position/office performs the tagging?
  - All equipment and sensitive items including computing devices, such as laptops, smartphones, and tablets, should also be tagged.
- What positions are responsible for configuring or installing certain types of equipment and/or computing devices?

### [Inventory and Equipment 2702](#)

#### C. Inventory

For each equipment and computing device purchased with federal funds, including sensitive minor equipment, the following information shall be maintained by each authorized charter school:

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

A sample inventory tracking record is included in the Appendix to these procedures. Each authorized charter school shall develop a process to maintain and adjust the inventory records in the event the property is sold, lost or stolen, or cannot be repaired. A separate inventory form shall be kept for purchases made with IDEA funds.

### [Inventory and Equipment 2702](#)

#### D. Physical Inventory

Annually, each authorized charter school must conduct a physical inventory of the property, and the results must be reconciled with the property records at least once a year. The school's inventory procedure should outline how the physical inventory is performed.

- What position/office performs the physical inventory?
- Is there a specific time period when the inventory is performed?
- How is the reconciliation performed between the physical inventory and the property records?

## [Inventory and Equipment 2702](#)

### E. Property/Equipment Maintenance

In accordance with 2 C.F.R. § 313(d)(4), each authorized charter school shall create maintenance procedures to ensure that property is maintained in good condition. Procedures should describe what restrictions are placed on the use of equipment and/or computing devices and what position and/or office should be contacted if it appears an item is broken.

## [Inventory and Equipment 2702](#)

### F. Lost or Stolen Items

The District's authorized charter schools shall maintain a control system that ensures adequate safeguards are in place to prevent loss, damage, or theft of property. Equipment that is stolen shall be reported to the local jurisdiction of law enforcement, and a police report shall be filed.

## [Inventory and Equipment 2702](#)

### G. 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 District will not encumber the property without prior approval of the federal awarding agency and the pass-through entity. When no longer needed for the original program or project, the equipment may be used in other activities supported by the federal awarding agency, in the following order of priority: (1) activities under a federal award from the federal awarding agency which funded the original program or project; then (2) activities under federal awards from other federal awarding agencies.

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

## [Inventory and Equipment 2702](#)

### H. 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 authorized charter school shall notify the District, who shall 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 District may use the equipment to be replaced as a trade-in or sell the property and use the proceeds to offset the cost of the replacement property.

Authorized charter schools shall establish sales procedures, including responsible persons/positions to ensure the highest possible return, what position/office handles the sale of unneeded equipment, and the number of offers that must be received.

[Property Sales 2403](#)



## V. Written Compensation Policies

### A. 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. (C.F.R. § 200.430(i)(1)) In addition, employees who are paid from state and local funds, but whose salaries are used for cost sharing or matching, must also keep time and effort documentation. (2 C.F.R. § 200.430(i)(4))

Charges to federal awards for salaries and wages must be based on records that accurately reflect the work performed. In accordance with 2 C.F.R. § 200.430(i)(1), these records must:

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

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. (200.430(i)(1)(viii))

#### ***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 desired and for 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 whose work is funded fully (100%) by a single cost objective or grant award must complete a semi-annual certification. The semi-annual certification must be:

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

A PAR must be completed if an employee is funded partially on one (1) or more grant cost objective(s). It provides a written record of an employee's work activities used to document that employee's time to grants or projects. It must be completed monthly and supported by a daily calendar of activities. 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, not budget estimate;
2. Account for the total work activity for which each employee is compensated;
3. Are prepared at least monthly (A separate PAR for each month) & coincide with one (1) or more pay periods; and
4. Are signed by the employee.

All employees who are paid in full or in part with federal funds must keep specific documents to support the amount of time they spent on grant activities as reflected in each month's PAR. 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, should be maintained in order to charge the costs of personnel compensation to federal grants. Examples of records used to support the time entered in each month's PAR include desk calendars or written records of activity for each day/week, etc.

Charges to federal awards for salaries and wages must be based on records that accurately reflect the work performed. (2 CFR 200.430-431) 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 school on an integrated basis;
- Comply with the established accounting policies and practices of the school; and,
- Support the distribution of the employee's salary or wages among specific activities or costs objectives.

### [Expenditure of Funds 2800](#)

See Appendix for [Sample PAR](#) and [Semi-Annual Certification](#) Forms

### ***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.

If using budget estimates for interim accounting purposes, EDGAR requires recipients to identify and enter into the records in a timely manner any significant changes in the corresponding work activity. Additionally, the recipient must have a system of internal controls to review after-the-fact interim charges made to a federal award based on budget estimates. All necessary adjustments must be made such that the final amount charged to the federal award is accurate, allowable, and properly allocated.

In order to reconcile actual costs to budgeted distributions, the District FPM will conduct quarterly reconciliation of PAR forms with budgeted distributions. This will include review of PAR forms as well as supporting documentation. The District FPM will track PAR form ratios versus budgeted distributions on a form which will be provided to authorized charter schools after each quarterly review. For District employees required to fill out a PAR, the employee's supervisor will conduct quarterly reviews of the employee's PAR forms.

At the end of the fiscal year, all the time and effort certifications are collected by the District FPM and reviewed for accuracy and appropriate signatures and dates.

#### Monthly Budget Statements

All schools will receive a monthly budget statement which will include detailed updates on the grant allocations, payments made, payments pending, and remaining balances for each award. Monthly budget reports will be provided to schools by the 15<sup>th</sup> day of each month. Monthly budget reports will be provided each month beginning the month following grant acceptance and recurring through grant closeout.

The information provided in the reports will directly relate to the approved grant budget included with the grant award notification and list information such as the following:

- Total grant dollars awarded
- Total funds expended to-date (if applicable)
- Total funds remaining
- Comments (if applicable)

#### Grant Closeout Procedures

Award closeout procedures are initiated ninety (90) days prior to the award end date, and an award closeout notice and a closeout checklist will be sent to the grantee/school. The notice is a reminder of the reporting requirements and due dates, and the checklist outlines items that need to be addressed prior to the award end date. After receipt of the award closeout notice, the grantee/school should review the project closeout checklist and begin to finalize all project activities.

The grant closeout is a critical piece in the life cycle of a grant. Preparation for closeout should begin three (3) months prior to the end date of the grant in order to accurately forecast expenses and any adjusted entries that need to be made.

## Roles and Responsibilities

As the primary responsible entity, the school:

- Certifies the effort expended on the grant for those personnel charged to his/her award;
- Determines that all charges to his or her grants are proper and accurate under the terms and conditions of the award;
- Ensures that final expenditures do not exceed the budget of the award;
- Reviews monthly reports of charges and budget transactions associated with the grants; and
- Notifies the Federal Programs team of any errors so they can be corrected.

Grant award closeouts will begin within sixty (60) days of the end date of the award. Any allowable budget revisions or corrections must occur during this period or they cannot be processed. Federal or federal pass-through awards with either a surplus or a deficit will be closed within ninety (90) days of the end date or after all project, financial, and technical reports have been submitted to the Federal Programs team. This is in keeping with the federal requirement that all reporting be completed within ninety (90) days of the project's end date. Unspent federal funds will be handled as directed by the federal guidelines.

### ***Employee Exits***

Each authorized charter school shall develop policies or procedures outlining employee separation practices. Such policies and procedures shall include the requirement that upon termination, any leave balance paid to a federally-funded employee above the amount of leave earned in the current project shall not be paid from federal funds.

### [Accountability and Responsibility of the Charter Commission and Charter Schools 1900](#)

#### B. Human Resources Policies

Authorized charter schools shall have human resource policies which at minimum cover:

- (1) How employees are hired (2 C.F.R. § 200.430(a)(2));
- (2) The extent to which employees may provide professional services outside the District (2 C.F.R. § 200.430(c));
- (3) The provision of fringe benefits, including leave and insurance (2 C.F.R. § 200.431);
- (4) The use of recruiting expenses to attract personnel (2 C.F.R. § 200.463(b)); and
- (5) Reimbursement for relocations costs. (2 C.F.R. § 200.464)

### [Accountability and Responsibility of the Charter Commission and Charter Schools 1900](#)

#### [Application and Employment 5106](#)

## VI. Record Keeping

### A. Record Retention

The District and its authorized charter schools shall maintain all records that fully show: (1) the amount of funds under the grant or sub-grant; (2) how the sub-grantee 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 District also shall maintain 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 five (5) years before the receipt of a program determination letter. (34 C.F.R. § 81.31(c)) Consequently, the District and its authorized charter schools must 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 retained until all litigation, claims, or audit findings involving the records have been resolved and final action taken. (2 C.F.R. § 200.333)

When records are no longer needed, they will be disposed of in a manner as to ensure complete destruction.

#### [Financial Records 2701](#)

### B. Collection and Transmission of Records

Authorized charter schools shall have a procedure or policy addressing how records are maintained.

The majority of District records will be kept electronically, unless otherwise required to be kept in paper form. For records that are kept electronically, 2 C.F.R. § 200.335 allows recipients to transmit them electronically, meaning there is no need to make paper copies. Records are transmitted by the District electronically via ePlan to the state for monitoring, as well as provided physically when requested. Records for all federal reimbursements are scanned by TDOE accounting into Edison and are kept in paper form as well.

#### [Record Retention](#)

#### [Financial Records 2701](#)

### C. Access to Records

The District and its authorized charter schools will provide 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 District or authorized charter school 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 District's and authorized charter school's personnel for the purpose of interview and discussion related to such documents.

D. Privacy

The District and its authorized charter schools will maintain policies and procedures to ensure that personal information of both students and employees is protected.

[Public Records 1407](#)

[Personnel Records 5114](#)

[Attendance 6200](#)

[Student Records and Confidentiality 6600](#)

## VII. Sub-recipient Monitoring

In the event that the district awards sub-grants to other entities, it is responsible for monitoring those grant sub-recipients 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 sub-grant must have its own monitoring policy. This policy must ensure that any monitoring findings are corrected.

According to CFR 200.331, the district as a pass-through non-federal entity must monitor its sub-recipients to assure compliance and performance goals are achieved. The Federal Programs team annually will determine which schools are monitored based on the Risk Assessment Procedures. Monitoring must include:

1. Review of programmatic implementation and fiscal components of specific grant programs (via online document collection and on-site review);
2. Corrective action (follow-up activities ensuring sub-recipients take timely, appropriate action to cure deficiencies); and
3. Issuance of a “management decision” on audit findings.

Examples of required monitoring artifacts:

- Tennessee School Improvement Plan (TSIP)
- Professional development plan
- Family engagement plan
- Agendas and sign-in sheets for professional development, Title I meetings, etc.
- Conflict of interest policies
- Procurement procedures/policies
- Time and effort procedures/policies
- Audit reports
- Accounting procedures/processes
- Record retention procedures/policies

Schools will receive a monitoring guidebook from the District outlining the specific monitoring process, including required documentation and information. In addition, at any time during the grant award period, the District Federal Programs team may pre-arrange a visit to any grant-related school for the purpose of assessing grant compliance or for validating those special conditions, if any, are appropriately met. The District Federal Programs team will follow standard notification procedures for arranging an on-site visit and expects the assistance of school representatives with this endeavor.

### **Fiscal Compliance**

For the successful completion of a grant award, schools must manage the expenditure and use of funds to ensure that grant award goals and terms and conditions are being met, projected milestones are being accomplished, quality materials and services are being received, and other performance goals are being

achieved, in accordance with the approved grant award. Expenditures must be aligned with approved budgeted items. Any changes or variations from the approved budget will need prior approval from the district Federal Programs team.

### Allowability

As a measure of compliance, schools must ensure that all costs supported by federal education funds are allowable and meet the standards outlined in EDGAR, 2 CFR Part 3474, and 2 CFR Part 200 (Subpart E).

When determining allowability, the cost must:

- Be necessary, reasonable, and allocable. District and school 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. Reasonableness also means that sound business practices were followed, and purchases were comparable to market prices. 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.
- Conform with federal law & grant terms.
- Be consistent with state and local policies.
- Use consistent treatment.
- Be determined in accordance with generally accepted accounting principles (GAAP).
- Not be included as match or cost-share, unless the specific federal program authorizes federal costs to be treated as such.
- Be 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)
- Be adequately documented. All expenditures must be properly documented.

### **Non-Compliance**

Whenever the district Federal Programs or Finance team determines that a recipient of any award funds has failed to comply with the requirements of the grant program, the Federal Programs team will notify the primary contact for the school with notice of non-compliance and will request appropriate compliance action. Non-compliance may include failure to manage the grant funds according to the approved grant award or violation of applicable federal and/or state laws or regulations. If, within a reasonable period,



the school fails or refuses to comply, the District may take any of the following actions in accordance with CFR 200.207, 200.338:

- Withhold payments to the grantee/school
- Require repayment of funds improperly spent
- Reduce payments to the grantee/school by an amount equal to the amount of such payments that were not expended in accordance with the requirements of the grant
- Require more detailed reporting
- Require additional monitoring
- Require grantee/school to obtain technical or management assistance
- Establish additional prior approvals
- Take such other action as may be provided by law or regulation

Opportunity for Consultation- Prior to a sanction (reduction, withdrawal, or adjustment of an award or other appropriate action taken) related to noncompliance, the grantee/school will be notified of such proposed action and given an opportunity, within a reasonably prescribed time period, to have an informal consultation with the Federal Programs team.

[Accountability and Responsibility of the Charter Commission and Charter Schools 1900](#)

[Financial Records 2701](#)

[Expenditure of Funds 2800](#)

## VIII. Frequently Asked Questions

[Reserved for future use]

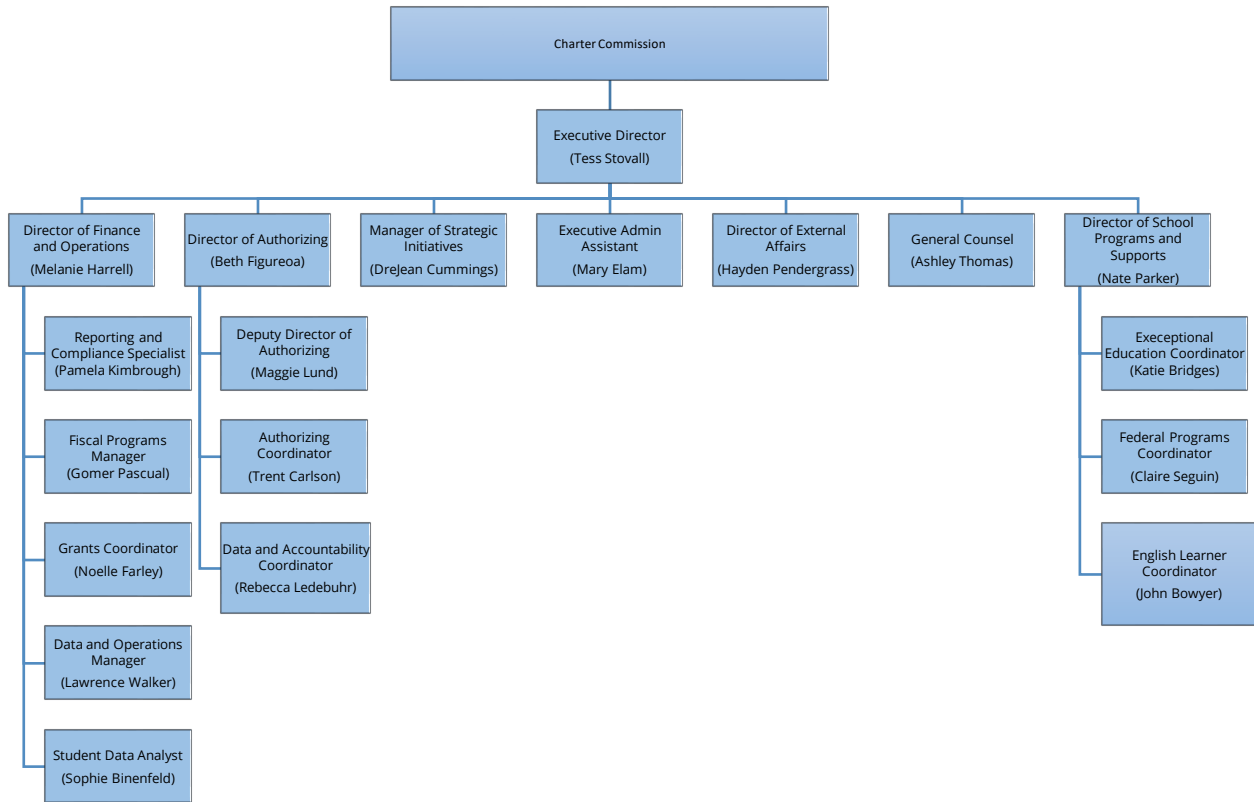
## IX. Legal Authorities and Helpful Resources

The following documents contain relevant grants management requirements. Staff should be familiar with these materials and consult them when making decisions related to a federal grant.

- [Education Department General Administrative Regulations \(EDGAR\)](#)
- [Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards \(2 C.F.R. Part 200\)](#)
- [USDE's Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards \(2 C.F.R. Part 3474\)](#)
- [Federal program statutes, regulations, and guidance](#)
- State regulations, rules, and policies
  - [TN State Board of Education Rules and Regulations](#)
  - [TN State Board of Education Policies, Standards, and Guidelines](#)
- District regulations, rules, and policies
  - [Charter Commission LEA Policies](#)

# X. Appendix

## District Organizational Chart



Property Inventory Sample Form

Description of the Property	Serial Number or Other Identification Number	Source of Property	Who Holds Title	Acquisition Date	Cost of the Property	% of Federal Participation in the Cost of the Property	*Original Purchase Price/Fair Market Value	Location of the Property	Use of the Property And the Condition of the Property	Ultimate Disposition Data Date and Sale Price—to be added after disposition

\* Fair market value only if original cost was \$5,000 or greater.

Personnel Activity Report Sample Form

## Personnel Activity Report (PAR)

Employee Name: \_\_\_\_\_

Employee Identification No: \_\_\_\_\_

		Percentage of Time Worked by Activity								
Month	Year	Title I School Wide Plan %	Title II %	IDEA %	Pre K Expansion %	County Commission %	Volunteer Pre K %	Safe School %	BEP	TOTAL % of Time Worked

The signatures below certify this employee performed activities reflected in the attached log as distributed by the above percentages during the month specified.

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

\_\_\_\_\_  
Date

\_\_\_\_\_  
Position Title

\_\_\_\_\_  
School Name

\_\_\_\_\_  
Signature of Supervisor *(optional)*

\_\_\_\_\_  
Date

*\*Only provide information/percentages for the grants in which you are awarded.*



## Purchase Prior Approval Form

Authorized charter schools shall use this form to request prior approval of purchases made using federal funds over \$10,000. Authorized charter schools must submit information to the Director of Finance and Operations outlining the proposed purchase, its alignment with the district and school plan and approved budget, and how the purchase meets the District and school purchasing policies and procedures.

In addition, authorized charter schools shall use this form to request prior approval of purchases made using federal funds over \$10,000 via sole source procurement. Authorized charter schools must submit a detailed justification for the sole source procurement and how the purchase meets the district and school purchasing policies and procedures.

For additional information regarding use of this form, please see the Charter Commission's Operating Policies and Procedures for Implementation and Administration of Federal Education Programs, section on Purchase Management.

Forms must be submitted to the Director of Finance and Operations at [Melanie.Harrell@tn.gov](mailto:Melanie.Harrell@tn.gov).

**Requestor Name:**

**Requestor Title:**

**Date:**

**School Name:**

**Description of Proposed Purchase:**

**Location within Approved Budget (line item and account number):**

**Description of How the Purchase Meets District and School Purchasing Policies and Procedures:**

**Is This a Sole Source Procurement?    \_\_\_ YES    \_\_\_ NO**

**If Yes, Provide a Detailed Justification for the Sole Source Procurement (including evidence supporting the need for the procurement of the goods/services, the contractor’s experience providing the goods/services, as well as the selection process and efforts undertaken to identify reasonable, competitive procurement alternatives):**

<b>Charter Commission Office Use Only</b>
<b>Date Received:</b>
<b>Approved/Denied</b>
<b>Reason for Denial:</b>
<b>Director of Finance and Operations/Designee Signature:</b>
<b>Date:</b>

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<sup>i</sup> T.C.A. § 49-13-111(e)

<sup>ii</sup> *Id.*