

MEMO

TO: Board Members and Central Office Administrators

FROM: John Simpson

DATE: September 22, 2016

RE: BOE Policy Subcommittee Item of Consideration

Following are an item of consideration and recommendations from the BOE Policy Subcommittee. These changes will be presented during our September 26th meeting and then placed on the agenda for approval at the October 10th meeting. Please feel free to contact one of the committee members with any questions.

Policy	Title	Type of Change	Recommended Change
DIE-AP1	Audits (Audit Process)	Current	Accept MSBA recommendations
DJFA-AP1	Federal Programs and Projects (Managing Federal Funds – Allowable Expenses)	Current	Accept MSBA recommendations
DJFA-AP2	Federal Programs and Projects (Managing Federal Funds – Cash Management)	Current	Accept MSBA recommendations
DJF-AP1	Purchasing	N/A	Additional time needed for internal review during 16-17 school year
DID-AP1	Inventory Management	N/A	Additional time needed for internal review during 16-17 school year

Types of Changes:

Grammar: Grammatical

Minor: Minimal word changes not impacting current practice

Major: Major change that impacts current practice
Current: Changes that better reflect current practice

RECOMMENDED BOARD ACTION....None at this time.

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FILE: DIE-AP1
Critical

EXPLANATION: AUDITS (Audit Process)

This is a NEW procedure, written to conform with the revisions to 5 C.S.R. 30-4.030, titled "Audit Policy and Requirements." The regulation can be found at:

<http://s1.sos.mo.gov/cmsimages/adrules/csr/current/5csr/5c30-4.pdf>.

MSBA recommends that copies of this document be routed to the following areas because the content is of particular importance to them. The titles on this list may not match those used by the district. Please forward copies to the district equivalent of the title indicated.

	Board Secretary	X	Business Office		Coaches/Sponsors
	Facility Maintenance		Food Service		Gifted
	Human Resources		Principals		Library/Media Center
	Health Services		Counselor		Special Education
	Transportation		Public Info/Communications		Technology

FILE: DIE-AP1
Critical

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AUDITS (*Audit Process*)

1. The district shall cause an audit examination ("audit") to be conducted annually as directed in Board policy. The audit must include the district's:
 - ▶ General, Special Revenue, Debt Service and Capital Projects funds.
 - ▶ Fiduciary funds.
 - ▶ Proprietary funds.
 - ▶ Component units that do not issue their own financial statements.
 - ▶ Transportation records.
 - ▶ Attendance records.
 - ▶ Food service records.
 - ▶ Other programs, funds or processes as specified by the Board or required by law.

Component units are organizations that warrant inclusion as part of the school district's audit because of the nature and significance of their relationship with the district, including ongoing financial support. Whether an entity is a component unit of the school district is determined by the auditor based on input from the district.

2. The audit report shall contain:
 - ▶ A statement of the scope of the audit.
 - ▶ A statement as to whether the audit was conducted in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.
 - ▶ The independent auditor's opinion as to whether the financial statements included in the audit report present fairly the results of the operations during the period audited.
 - ▶ A statement as to whether the financial statements accompanying the audit report were prepared in accordance with generally accepted accounting principles or another comprehensive basis for accounting.
 - ▶ The reason or reasons an opinion is not rendered in the event the independent auditor is unable to express an opinion with respect thereto.
 - ▶ The independent auditor's opinion as to whether the district's budgetary and disbursement procedures conform to the requirements of Chapter 67, RSMo.

- ▶ The independent auditor's opinion as to whether attendance and transportation records are so maintained by the district as to disclose accurately average daily attendance and average daily transportation of students during the period of the audit.
 - ▶ The schedule of selected statistics, as specified annually by the Department of Elementary and Secondary Education (DESE).
 - ▶ Financial statements presented in such form as to disclose the operations of each fund of the district and a statement of the operations of all funds.
3. The independent auditor shall provide a copy of the audit report to each member of the Board and the superintendent.
4. As directed by Board policy, the superintendent will transmit to DESE a copy of the final audit report, the related management letter if prepared by the auditor, and a copy of the final, approved and signed Board minutes or Board resolution approving the audit report no later than December 31.

When a district has a single audit performed on federal funds and has federal findings or questioned costs, the district must submit the district's corrective action plan with the audit report and management letter. The corrective action plan must be in a separate document from the audit report.

5. As directed in Board policy, the superintendent shall prepare a summary of the audit report within 30 days of receiving the report. The summary shall include:
- ▶ A summary statement of fund balances and receipts and disbursements by major classifications of each fund and all funds.
 - ▶ A summary statement of the scope of the audit.
 - ▶ The auditor's opinion on the financial statements included in the audit report.
 - ▶ Any other matter the Board deems appropriate.
6. Immediately upon the completion of the summary, the superintendent shall publish it once in a newspaper within the county in which all or a part of the district is located that has general circulation within the district. If no such newspaper exists, the Board shall post the summary in at least five public places within the district. The publication shall state where

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the audit report is available for inspection and examination. The report shall be kept available in the superintendent's office for inspection.

Federal Funds Audits

Federal Awards – Federal financial assistance and federal cost-reimbursement contracts the district receives directly from federal awarding agencies or indirectly from pass-through entities.

Federal Program – All federal awards assigned a single number in the Catalog of Federal Domestic Assistance or federal awards from the same agency for the same purpose.

Program-Specific Audit – An audit of one federal program.

Single Audit – An audit that includes the district's financial statements and the federal awards.

If the district spends a total amount of federal awards equal to or in excess of the amount specified by the Office of Management and Budget (OMB) as the single audit threshold, the district shall either have a single audit or a program-specific audit made for such fiscal year in accordance with the Single Audit Act, *Government Auditing Standards* and the requirements of federal law.

If the district spends a total amount of federal awards that is less than the amount specified by the OMB, the district will be exempt from a single audit or program-specific audit under federal law, but the district will still have a general audit of district funds conducted, which may include an audit of federal funds.

Upon request, the district will make records available for review or audit by appropriate federal officials.

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Note: The reader is encouraged to review policies and/or forms for related information in this administrative area.

Implemented:

Webster Groves School District, St. Louis, Missouri

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FILE: EGCDJFA-AP21
Critical

EXPLANATION: FEDERAL PROGRAMS AND PROJECTS (Managing Federal Funds—Allowable Expenses)

MSBA has recoded this procedure and changed the title to match new policy DJFA. The new training materials for the Uniform Grant Guidance (UGG) include a provision that recipients of federal awards must have a written policy governing compensation and leave for employees who are paid with federal funds to ensure that compensation is allowable. Because school districts already have written policies governing hiring, compensation and leave, and because the federal regulations require those same policies to apply to employees who are paid with federal grant money, MSBA has included the required "policy" language in this procedure relating to allowability.

MSBA recommends that copies of this document be routed to the following areas because the content is of particular importance to them. The titles on this list may not match those used by the district. Please forward copies to the district equivalent of the title indicated.

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	Transportation		Public Info/Communications		Technology

FILE: EGE **DJFA-AP21**
Critical

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~~STATE AND FEDERAL PROGRAMS ADMINISTRATION AND PROJECTS~~ *(Managing Federal Funds—Allowable Expenses)*

The purpose of this procedure is to ensure that federal funds received by the district are used in a manner consistent with underlying agreements, program objectives, the terms and conditions of federal awards, and federal law. The superintendent may delegate the responsibility for implementation of all or parts of this procedure to other appropriately trained employees. The superintendent or designee will utilize available resources from the Missouri Department of Elementary and Secondary Education (DESE) and the U.S. Department of Education to determine allowable costs and appropriate cost allocations.

Grant Development and Budget Process

During the development of any federal grant proposal and the accompanying budget, the superintendent or designee will include only those costs considered allowable as defined below. The superintendent or designee will determine the indirect cost rate and, to the extent possible, identify each item in the proposed budget as either direct or indirect, in accordance with law.

Allowable Costs

In order to be allowable, costs must be necessary and reasonable for successful implementation of the federal award. In addition, all costs must:

1. Be allocable to the federal award pursuant to the cost principles established by law;
2. Conform to any limitations or exclusions in law and specific to the award as to the type or amount of cost items;
3. Be consistent with state and district policies and procedures that apply uniformly to both federally financed and other district activities;
4. Be applied consistently (a cost that is applied as an indirect cost cannot be applied later as a direct cost for the same purpose under like circumstances);
5. Be determined in accordance with generally accepted accounting principles to the extent that those principles are applicable to school districts in Missouri;
6. Not be included as a cost or to meet the cost-sharing or matching requirements of any other federally financed program in either the current or a prior period; and
7. Be adequately documented.

Costs that are not allowable include, but are not limited to, alcoholic beverages, entertainment, goods or services for personal use, and payment of interest on the use of district funds.

Reasonable Costs

A cost is reasonable if it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost, in both nature and amount. When determining whether a cost is reasonable, the superintendent or designee will consider the following:

1. Whether the cost is of a type generally recognized as ordinary and necessary for the operation of the district or the proper and efficient performance of the federal award;
2. The restraints and requirements of sound business practices, arm's-length bargaining, applicable laws and regulations, and the terms and conditions of the federal award;
3. Market prices for comparable goods or services for the geographic area;
4. Whether the individuals concerned acted with prudence in the circumstances considering their responsibilities to the district, its employees, the students and the public at large; and
5. Whether the district significantly deviates from its established practices and policies regarding the incurrence of costs, which may unjustifiably increase the cost of the federal award.

Allocable to the Federal Award

A cost is allocable to the particular federal award if the goods or services involved are chargeable or assignable to the federal award in accordance with the relative benefits received. This standard is met if the cost:

1. Is incurred specifically for the federal award;
2. Benefits both the federal award and other district work and can be distributed in proportions that may be approximated using reasonable methods; and
3. Is necessary to the overall operation of the district and is assignable in part to the federal award in accordance with federal law.

If the federal award benefits from indirect costs of the district, the district will receive an appropriate allocation for those indirect costs in accordance with law.

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Multiple Federal Awards

Any cost allocable to a particular federal award may not be charged to other federal awards to overcome fund deficiencies, to avoid restrictions in federal law or the terms and conditions of the award, or for other reasons. However, the district may shift costs that are allowable under two or more federal awards in accordance with law and the terms and conditions of the federal awards.

If a cost benefits two or more projects or activities in proportions that can be determined without undue effort or cost, the cost must be allocated to the project based on the proportional benefit. If the work is so interrelated that the proportional benefit cannot be determined, the cost may be allocated on any responsible documented basis. If the contract is subject to the Cost Accounting Standards, those standards will apply when allocating costs.

Direct and Indirect Costs

Federal funds may be used to pay direct costs, but may only be used to pay indirect costs to the extent that the indirect costs are within the established indirect cost rate and can be allocated to the federal award. The degree to which the cost is specifically identified with the federal award is the determining factor in distinguishing direct and indirect costs.

Costs incurred for the same purpose in like circumstances will be treated consistently as either direct or indirect. Salaries claimed as a direct cost may not also be claimed as an indirect cost.

Direct Costs

To determine whether a cost is direct, the superintendent or designee will consider the following factors:

1. Whether the cost can be identified with a specific federal award or other internally or externally funded activity;
2. Whether the cost can be directly assigned to such awards or activities relatively easily with a high degree of accuracy;
3. Whether the purchase was specifically authorized by the federal award in circumstances where the cost is for the purchase of equipment or other capital assets that may be used by the district for purposes not related to the federal award after the project or activity funded by the federal award has ended; and

4. When the cost is for the salaries of administrative or clerical staff, whether the:
 - ▶ Services of the administrative and clerical staff are integral to the project activity;
 - ▶ Services of the administrative and clerical staff can be specifically identified with the project or activity;
 - ▶ Costs were explicitly included in the budget; and
 - ▶ District received prior written permission from the federal awarding agency to include the costs.

Examples of direct costs are the compensation and fringe benefits of employees who work on the federal award or the costs of materials and supplies incurred for the federal award.

Indirect Costs

Indirect costs are those that do not meet the definition of a direct cost because they have been incurred for common or joint purposes and cannot be identified with a particular final cost objective without an effort that is disproportionate to the results achieved. Common indirect costs include general administrative costs, the cost of operating facilities, and depreciation on buildings and equipment. Federal funds may be used to pay for some indirect costs through an indirect cost allocation plan. The rate used to calculate the indirect costs depends on the type of grant.

Expenditures

All federal funds must be spent in accordance with the approved plan, budget and expenditure report. Invoicing and approval of expenditures of federal money are governed by the district's policy and procedure for purchasing, including the requirement that all requests for payment be accompanied by documentation supporting the request.

Purchases using federal funds will not be approved without written confirmation from the superintendent or designee that the intended purchases are allowable.

Allowability of Compensation and Leave

Employee compensation will be paid using a federal award only if the compensation is reasonable for the services rendered and meets all other federal requirements for allowability. All employees who are paid with federal funds will be hired, compensated and provided leave in accordance with the policies and procedures applicable to employees who are paid through nonfederal funds. If the services provided by the employee being compensated through a federal award are not comparable

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to any other position in the district, then that compensation, including benefits and leave, shall be in accordance with local market standards for the type of service performed.

The superintendent or designee will maintain accurate records of all compensation, including benefits, provided to employees who are paid with federal funds. If an employee is paid partially through a federal award, the records will specify the amounts paid through the federal award and those paid from other sources.

Certification

All proposals, reports or requests for payment pertaining to any project or activity financed by federal funds shall be accompanied by a certification signed and dated by the superintendent or designee, in accordance with law.

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Note: The reader is encouraged to review policies and/or forms for related information in this administrative area.

Implemented: 10/26/2015

Revised:

Webster Groves School District, St. Louis, Missouri

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FILE: EGCDJFA-AP32
Critical

EXPLANATION: FEDERAL PROGRAMS AND PROJECTS (Managing Federal Funds—Cash Management)

MSBA has recoded this procedure and changed the title to match new policy DJFA.

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STATE AND FEDERAL PROGRAMS ADMINISTRATION AND PROJECTS ***(Managing Federal Funds—Cash Management)***

The purpose of this procedure is to promote proper stewardship of taxpayer dollars by using fiscal control and fund accounting procedures that ensure proper disbursement of and accounting for federal funds. The superintendent may delegate the responsibility for implementation of all or parts of this procedure to other appropriately trained employees. The superintendent or designee will maintain a financial management system that meets the standards for fund control and accountability as required by federal law for the use of federal funds.

Requesting Federal Funds and Payment

The district will request a drawdown of federal funds using the system required by the Missouri Department of Elementary and Secondary Education (DESE) only after payment for the expenditure has been made or for expenditures anticipated to be made within three days of receipt of the federal funds. Authorized district personnel who submit a request for a disbursement of federal funds must identify the specific funds to be accessed, the type of expenditure and the date on which payment was made or, if payment has not already been made, the expected date of payment.

To the extent available, funds from program income will be disbursed before additional cash drawdowns are requested. In situations where the district receives federal funds that are not disbursed within three days or that do not reimburse the district for previous expenditures, those funds must be deposited and maintained in insured, interest-bearing accounts in accordance with law. Interest earned on those funds will be remitted to the federal government, through DESE, as required by law.

Financial Management

The district's financial management system will be sufficient to permit the preparation of reports required by the terms and conditions of the program and to establish that funds have been used according to federal statutes, regulations, and the terms and conditions of the federal award.

Identification

The superintendent or designee will, in all district accounts, identify all federal awards received and expended and the federal programs under which they were received. Revenues and expenditures will be separately identified with codes and must not be commingled with other state, federal or local funds. Federal funds maintained in district accounts will be identified by the:

1. Catalog of Federal Domestic Assistance (CFDA) title and number;
2. Federal Award Identification Number (FAIN);

3. Fiscal year of the award;
4. Name of the federal agency; and
5. Name of any pass-through entity involved.

Disclosure

The superintendent or designee will provide for accurate, current and complete disclosure of the financial results of each federal award or program in accordance with federal reporting requirements.

Source and Application of Funds

The superintendent or designee will maintain records that clearly identify the source of federal funds and the application of the funds for federally funded activities. These records must contain information pertaining to federal awards, authorizations, obligations, unobligated balances, assets, expenditures, income and interest, and they must be supported by source documentation.

Control and Accountability

The superintendent or designee will maintain effective control over, and accountability for, all funds, property and other assets. The district will adequately safeguard all assets and ensure that they are used solely for authorized purposes, using effective internal controls as discussed below.

Budget and Expenditure Comparison

The superintendent or designee will routinely compare expenditures with the budgeted amount for each federal award. In addition, the superintendent or designee will submit a Final Expenditure Report (FER) to DESE on or before September 30 each year. The FER will reconcile what was submitted in the approved budget with the actual expenditures and obligations incurred for the school year. Expenditures will be reported by both object and function codes. Expenditures in approved object codes will not exceed ten percent of the total amount budgeted within each of the approved programs.

Internal Controls

The superintendent or designee will establish and maintain effective internal controls over federal awards received that provide reasonable assurance that the district is managing the federal award in compliance with law and the terms and conditions of the award. The superintendent or designee will consult with DESE for compliance assistance when applicable.

The superintendent or designee will evaluate and monitor the district's compliance. If the superintendent or designee identifies instances of noncompliance, including noncompliance

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identified in audit findings, he or she will take prompt action and take steps to rectify the situation and bring the district into compliance.

As part of its internal control system, the superintendent or designee will establish reasonable measures to safeguard protected personally identifiable information and other information the federal awarding agency or pass-through entity designates as sensitive or that the district considers sensitive consistent with applicable federal, state and local laws regarding privacy and obligations of confidentiality, including the Family Educational Rights and Privacy Act (FERPA).

Budget

The approved budget for the federal award summarizes the financial aspects of the project or program as approved in the federal award process. The budget must be related to performance for program evaluation purposes whenever appropriate.

Once the budget for any federal award has been approved, the district will report deviations from the budget, project scope or objective and request prior approvals from federal awarding agencies for revisions as listed below.

Non-Construction Awards

For non-construction awards, prior approval or a waiver of that approval from the awarding agency is required for one or more of the following reasons:

1. There is a change in scope or the objective of the project or program, even if there is no budget revision.
2. A key person specified in the award application changes.
3. The project is suspended for more than three months or there is a 25 percent reduction in time devoted to the project by the project director or, in the case of research awards, the principal investigator.
4. Costs that require prior approval are added.
5. Funds will be transferred that were budgeted for participant support costs such as stipends or travel expenses.
6. The district subcontracts out, transfers or contracts out for any work under the award that was not described in the application for the award, other than the acquisition of supplies, materials, equipment or general support services.

7. There are changes to previously approved matching or cost-sharing provisions.
8. Additional federal funds are required to complete the project.-

Construction Awards

For construction awards, prior approval by the awarding federal agency is required for one or more of the following reasons:

1. The revision results in a change in the scope or objective of the project or program.
2. The need arises for additional federal funds to complete the project.
3. The revision involves specific costs for which prior written approval requirements may be imposed consistent with federal Office of Management and Budget (OMB) cost principles.

Reporting

The superintendent or designee will monitor activities under each program, function or activity funded by federal awards for compliance with applicable federal requirements and to ensure performance expectations are being achieved. Part of these monitoring activities includes providing performance reports as required by law, including accurate, current and complete disclosure of the financial results.

All reports will be submitted by required due dates and must be supported by appropriate documentation when necessary. The district will cooperate with state and federal authorities when monitoring or evaluating the district's performance.

Non-Construction Performance Reports

The superintendent or designee will submit performance reports at the interval required by the federal awarding agency or pass-through entity and in the manner directed under federal law. A copy of the reports will be provided to the Board of Education. Unless other information collections are approved by OMB, these reports, for each federal award, will contain brief information:

1. Comparing actual accomplishments to the objectives of the federal award established for the period, including quantified cost information and trend data when requested;
2. Explaining the reasons established goals were not met, if appropriate; and

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3. Providing additional pertinent information including, when appropriate, analysis and explanation of cost overruns or high unit costs.

Construction Performance Reports

Construction performance reports will include on-site technical inspections, certified data showing the percentage of completion, and any other information requested by the awarding agency.

Significant Developments

The district may be required to make additional reports when events that have a significant impact on the federal award occur between the scheduled reporting dates. In addition to scheduled and requested performance reports, the superintendent or designee will report the following to the federal awarding agency as soon as the conditions become known:

1. Problems, delays or adverse conditions that will materially impair the ability to meet the objective of the federal award. This disclosure must include a statement of the action taken or contemplated and any assistance needed to resolve the situation; and
2. Favorable developments that enable meeting time schedules and objectives sooner or at less cost than anticipated or producing more or different beneficial results than originally planned.

Records

The district will maintain all required records in accordance with law for a minimum of three years following submission of the FER. The district will provide DESE access to all records regarding state and federal funds and will readily make records available to parents/guardians and the public upon request.

Audits

The district will conduct audits of federal funds when required by law or when an audit is required as a condition of the funds received.

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Note: The reader is encouraged to review policies and/or forms for related information in this administrative area.

FILE: EGE **DJFA-AP32**
Critical

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Implemented: 10/26/2015

Revised:

Webster Groves School District, St. Louis, Missouri