

## SUGAR VALLEY RURAL CHARTER SCHOOL

POLICY NUMBER: 626.4

SECTION: FINANCES

TITLE: **FEDERAL PROGRAMS – COST OBLIGATIONS AND PROPERTY  
MANAGEMENT**

DATE ADOPTED: JANUARY 2017

DATE LAST REVISED: FEBRUARY 2020

### **FEDERAL PROGRAMS – COST ONBLIGATIONS AND POPERTY MANAGEMENT**

#### PURPOSE

The Sugar Valley Rural Charter School shall adhere to all applicable cost principles governing the use of federal and non-federal grants and contracts. This policy addresses the importance of properly classifying costs, both direct and indirect, charged to grant funded projects and that proposed and actual expenditures ate consistent with the grant agreement and all applicable federal rules embodied in the Uniform Grant Guidance at 2CFR (UGG). School personnel who are responsible for administering, expending or monitoring grant funded programs should be will versed with categories of costs that are generally allowable and unallowable.

#### AUTHORITY

The school establishes and maintains Board policies, administrative regulations and procedures on administration of federal funds in federal programs as required by the Uniform Grant Guidance and other federal, state and local laws, regulations and requirements. The district's financial management system includes internal controls and grant management standards in the following areas.

#### Direct and Indirect Costs

**Direct costs** – 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.

**Indirect costs** – costs incurred for a common or joint purpose benefiting more than one (1) cost objective, and not readily assignable to the cost objectives specifically benefitted, without effort disproportionate to the results achieved.

Costs incurred for the same purpose in like circumstances must be treated consistently as either direct or indirect costs. (2 CFR Sec. 200.405, 200.413)

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.

Direct and indirect costs shall be determined in accordance with law, regulations, the terms and conditions of the federal award, and the district's negotiated indirect cost rate.

The school shall develop an indirect cost rate proposal and cost allocation plan in accordance with law, regulations and the terms and conditions of the federal award.

Timely Obligation of Funds

**Obligations** – orders placed for property and services, contracts and subawards made, and similar transactions during a given period that require payment by the district during the same or a future period.

The following table illustrates when funds must be obligated under federal regulations:

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

All obligations must occur between the beginning and ending dates of the federal award project, which is known as the period of performance. The period of performance is dictated by law and regulations and will be indicated in the federal award. Specific requirements for carryover funds may be specified in the federal award and must be adhered to by the district. (2 CFR Sec. 200.77, 200.309)

The school will handle obligations and carry over of state-administered and direct grants in accordance with state and federal law and regulations, and the terms and conditions of the federal award. Carryover will be calculated and documented by the Superintendent or designee.

The school may exercise an extension of the period of performance under a direct grant in accordance with law, regulations and the terms and conditions of the federal award when written notice is provided to the federal awarding agency at least ten (10) calendar days prior to the end of the period of performance. (2 CFR Sec. 200.308(d)(2))

The CEO or designee will decide when an extension of the period of performance is necessary and will recommend that the Board approve this process.

The CEO or designee will develop the required written notice, including the reasons for the extension and revised period of performance; the notice will be issued no later than ten (10) calendar days prior to the end of the currently documented period of performance in the federal award.

The school must seek approval from the federal awarding agency for an extension of the period of performance when the extension is not contrary to federal law or regulations, and the following conditions apply:

1. The terms and conditions of the federal award prohibit the extension;
2. The extension requires additional federal funds; or
3. The extension involves any change in the approved objectives or scope of the project. (2 CFR Sec. §200.308)

The CEO or designee will determine when an extension must be requested for approval by the federal awarding agency, draft the written request and notify the Board of the requested extension.

#### Management of Property Acquired with Federal Funds

##### *Contract and Purchasing Administration -*

The school maintains internal controls, administrative regulations and procedures to ensure that contractors deliver goods and services in accordance with the terms, conditions and specifications of the designated contract, purchase order or requisition.

##### *Property Classifications -*

Property shall be classified as **equipment, supplies, computing devices and capital assets** as defined and specified in accordance with law, regulations and Board policy. (Pol. 622)

##### *Inventory Control/Management -*

All property purchased with federal funds, regardless of cost, will be inventoried as a safeguard.

Inventory will be received by the department or program requesting the item; designated staff will inspect the property, compare it to the applicable purchase order or requisition, and ensure it is appropriately logged and tagged in the district's property management system. Items acquired will be physically labeled by source of funding and acquisition date.

Inventory records of equipment and computing devices must be current and available for review and audit, and include the following information:

1. Description of the item, including any manufacturer's model number.
2. Manufacturer's serial number or other identification number.
3. Identification of funding source.
4. Acquisition date and unit cost.
5. Source of items, such as company name.
6. Percentage of federal funds used in the purchase.
7. Present location, use, condition of item, and date information was reported.
8. Pertinent information on the ultimate transfer, replacement or disposition of the item and sale price of the property.

Inventory will be updated as items are sold, lost or stolen, or cannot be repaired, and new items are purchased.

#### *Physical Inventory -*

Physical inventory of property will be completed by designated school staff in accordance with applicable federal and state law and regulation and Board policy. (Pol. 622, 706)

The physical inventory of items will be conducted annually, and the results will be reconciled with the inventory records and reported to the federal awarding agency.

#### *Maintenance -*

The school establishes adequate maintenance procedures to ensure that property is maintained in good condition in accordance with law, regulation and Board policy. (Pol. 704, 708, 710)

#### *Safeguards -*

The school ensures that adequate safeguards are in place to prevent loss, damage or theft of property:

1. Any loss, damage or theft will be reported to the CEO or designee, and investigated and fully documented, and may be reported to local law enforcement.
2. If stolen items are not recovered, the school will submit copies of the investigative report and insurance claim to the federal awarding agency.
3. The district may be responsible for replacing or repairing lost, damaged, destroyed or stolen items.
4. Replaced equipment is property of the originally funded program and should be inventoried accordingly.
5. School property may only be loaned in accordance with Board policy and administrative regulations. (Pol. 707, 708, 710)

#### *Disposition of Property Acquired with Federal Funds –*

When the school determines that real property, including land, land improvements structures and accessories thereto, acquired under a federal award is no longer needed for the originally authorized purpose, the school must obtain disposition instructions from the federal awarding agency or pass-through entity administering the program, in accordance with applicable law and regulations. (2 CFR Sec. 200.311)

When the school determines that equipment or supplies acquired under a federal award are no longer needed for the original project or program or for other activities currently or previously supported by a federal awarding agency, the CEO or designee will contact the federal awarding agency or pass-through entity administering the program to obtain disposition instructions, based on the fair market value of the equipment or supplies.

Generally, items with a fair market value of \$5,000 or less that are no longer effective may be retained, sold, purged, or transferred to the district. For items with a fair market value greater than \$5,000, the federal awarding agency is entitled to the federal share of the current market value or sales proceeds.

If the school will be replacing the equipment or supplies, the district may use the existing equipment or supplies as a trade-in or sell the property and use the proceeds to offset the cost of the replacement property.

The CEO or designee will be responsible for contacting the federal awarding agency and determining the process for disposition of equipment or supplies.

The school may dispose to trash for equipment or supplies with not value use of unnecessary equipment or supplies acquired with federal funds.

The Federal Programs Coordinator will be responsible for maintaining records of obsolete and surplus property disposed of, and will report to the federal awarding agency when required.

