



# NORTH DAKOTA DEPARTMENT OF **PUBLIC INSTRUCTION**

## *FISCAL REQUIREMENTS FOR FEDERAL PROGRAMS*

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# Fiscal Requirements for Federal Programs

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## Introduction

This document represents the general financial requirements that are applicable to **all** grantees receiving federal funds from the North Dakota Department of Public Instruction (NDDPI). *When subgrantees accept federal funds, they assume responsibility for ensuring that federal program funds have been expended and are accounted for according with the Uniform Grant Guidance (UGG), agency program regulations, and terms of subgrant agreements. It is the grantee's responsibility to know and comply with these requirements and to ensure that all program and fiscal staff responsible for administering the programs know what is contained in this document.* Adherence to the manual is certified by the grantee at the same time the application for federal funds is made. Since this document is not all-inclusive, the reader is encouraged to refer to specific program legislation and regulations as needed. In such instances where state statute is more restrictive than federal requirements, the state statute applies.

The updated Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards has new requirements for written procedures. If there is a written procedure required for the item, it is noted under the heading in this document.

Grantees will continue to have program specific requirements; however, they are addressed separately through the grant application process for the individual programs.

The legal citations included in this document are:

- **UGG** - Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards <http://www.ecfr.gov>
- **CFR** - Code of Federal Regulations: the codification of the general and permanent rules published in the Federal Register by the executive departments and agencies of the Federal Government
- **NDCC** - North Dakota Century Code
- **OMB** - Office of Management and Budget

Questions or comments regarding this manual may be directed to: Director of Fiscal Management, Department of Public Instruction at 701-328-2176 or [dpi@nd.gov](mailto:dpi@nd.gov)

Grant recipients assume responsibility for ensuring that federal program funds have been expended and accounted for consistent with program regulations, and approved applications.

**Direct Costs** are costs that can be identified specifically with a particular final objective, such as a federal award, or other internally or externally funded activity, or that can be directly assigned to activities relatively easy and with a high degree of accuracy.

Identification with a 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 program may include salaries, fringe benefits, purchased services, supplies, travel and equipment to be used to benefit the specific federal program.

Administrative or clerical staff [2 CFR 200.413(c)] should normally be treated as indirect costs. Direct charging of these costs may be appropriate only if all the following conditions are met:

1. Services are integral to a project or activity
2. Individuals involved can be specifically identified with the project or activity
3. Costs are explicitly included in the budget or have the prior written approval of the federal awarding agency; and
4. Costs are not also recovered as indirect costs.

**Indirect costs** are those costs which are not readily identified with the activities funded by the federal grant or contract but are nevertheless incurred for the joint benefit of those activities and other activities and programs of the sub recipient. Accounting, auditing, payroll, personnel, budgeting, purchasing, and operation/maintenance of plant are examples of services which typically benefit several activities and programs and for which appropriate costs may be attributed to the federal program by means of an indirect cost allocation plan. The indirect cost rate used by each local education agency is calculated by the state education agency and provided to each entity.

Allowability: [2 CFR 200.403]

In order for expenditures to be allowable under a federal award, costs must meet the following general criteria and be in *a written procedure*:

- Be necessary and reasonable for the performance of federal awards and be allocable thereto under these principles.
- Conform to any limitations or exclusions set forth in these principles, or in the federal award as to types or amounts of cost items.
- Be consistent with policies and procedures that apply uniformly to both federally financed and other activities of the subgrantee.
- Be accorded consistent treatment. Consequently, a cost may not be assigned to a federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to a federal award as an indirect cost.
- Be determined in accordance with generally accepted accounting principles appropriate to the circumstances.
- Not be included as a cost or used to meet cost sharing or matching requirements of any other federal activity in either the current or a prior period.
- Be net of all applicable credits
- Be adequately documented.

*See Appendix A for Selected Items of Cost*

Reasonableness: [2 CFR 200.404]

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 was made to incur the cost. In determining reasonableness of a given cost, consideration must be given to:

- Whether the cost is of a type generally recognized as ordinary and necessary for the operation of the non-Federal entity for the performance of the federal award.
- The restraints or requirements imposed by such factors as: sound business practices; arm's length bargaining; federal, state and other laws and regulations; and terms and conditions of the federal awards.
- 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 non-Federal entity, its employees, where applicable its students or membership, the public at large, and the federal government.
- Whether the non-Federal entity significantly deviates from its established practices and policies regarding the incurrence of costs, which may unjustifiably increase the federal award cost.

#### Allocable [2 CFR 200.405]

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

1. Is incurred specifically for the federal award;
2. Benefits both the federal award and other work of the non-federal entity and can be distributed in proportions that may be approximate using reasonable methods; and
3. Is necessary to the overall operation of the non-federal entity and is assignable in part to the federal award.

Any cost allocable to a particular federal award may not be charged to other federal awards to overcome fund deficiencies, to avoid restrictions imposed by a federal states, regulations, or terms and conditions of the federal awards or for other reasons. However, this prohibition would not preclude the non-federal entity from shifting costs that are allowable under two or more federal awards in accordance with existing federal statues, regulations, or the terms and condition of the federal awards.

Direct cost allocation principles state that 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 projects based on the proportional benefit. If a cost benefits two or more projects or activities in proportions that cannot be determined because of the inter-relationship of the work involved, then the costs may be allocated or transferred to benefitted projects on any reasonable documented basis.

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*Audit Requirements*  
*2 CFR 200.501*

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Federal audit requirements state that recipients that expend \$750,000 or more in federal funds during the entity's fiscal year are responsible for obtaining a single audit or program-specific audit conducted for that year. Federal assistance includes federal reimbursement payments and the value of donated commodities.

*Single Audit* A non-federal entity that expends \$750,000 or more during the fiscal year in federal awards must have a single audit performed.

*Program Specific Audit* When a grant recipient expends Federal awards under only one Federal program and the Federal program's statutes, regulations, or the terms and conditions of the Federal award do not require a financial statement audit of the auditee, the auditee may elect to have a program specific audit.

The audits shall be made by an independent auditor in accordance with generally accepted government auditing standards covering financial audits. If subgrantees expend less than \$750,000 annually, they still must maintain records of federal financial assistance or provide access to such records by state or federal agencies.

North Dakota state laws and regulations require school districts to have an audit at least once every two years (NDCC 54-10-14). The State Auditor may in lieu of conducting an audit every two years require annual reports from school districts with less than 100 students enrolled. The reports must contain the financial information required by the State Auditor.

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*Budgets and Budget Revisions*  
*2 CFR 200.308*

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The approved budget for the federal award summarizes the financial aspects of the project or program as approved during the federal awarding process. Subgrantees must follow an approved application budget and authorized activities when expending funds. They are permitted to revise budgets to meet unanticipated requirements and may make limited program changes to the approved project. Recipients are required to report deviations from budget or project scope or objective, and request prior approval from the state agency for budget and program plan revisions. Prior approval on budget revisions are required for the following:

- Change in the scope or objective of the project (even if there is no associated expenditure change)
- Change in key person specified in the application.
- Disengagement from the project for more than three months, or a 25% reduction in time devoted to the project, by the approved project director.
- If more than 10 percent transfer is anticipated between the object lines
- Any revision that would require additional federal funds.
- The need to extend the period of availability of funds.
- Costs incurred in new budget categories that haven't been previously approved.

It is imperative the budget revision is submitted to and approved by the state agency prior to making the changes in the award. If cost are incurred without an approved budget revision, they may be disallowed reimbursement from the federal grant.

*See also 2 CFR 200.407 for Prior Approvals.*

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### *Cash Management*

*2 CFR 200.305*

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The Cash Management Improvement Act (CMIA) was created to prevent interest earnings on federal funds. For federal grant recipients, payment methods must minimize the time elapsing between the transfer of funds from the United States Treasury to the State and ultimately the grant recipient. Therefore, NDDPI must make sure that payments to grant recipients are on a reimbursement basis only. Grant recipients must incur the expenses before requesting reimbursement for any grant payments.

Interest earned on any federal funds by a grant recipient is required to be submitted at least annually to the Department of Health and Human Services (through NDDPI). Up to \$500 per year may be retained by the grant recipient for administrative purposes. (Check specific program requirements).

If a grant recipient inadvertently claims reimbursement on federal funds prior to actual expenditure of these funds, the grant recipient may be responsible for paying interest on those claimed federal funds. Contact the NDDPI to assist in calculating the interest charges.

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*Compensation*  
*2 CFR 200.430*

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Compensation for personal services includes all remuneration paid currently or accrued, for services of employees rendered during the period of performance under the federal award including but not necessarily limited to wages and salaries. Compensation for personal services may also include fringe benefits (2 CFR 200.431). Costs of compensation are allowable to the extent that they satisfy the specific requirements noted below and that the total compensation for individual employees:

- Is reasonable for the services rendered and conforms to the established written policy of the non-federal entity consistently applied to both federal and non-federal activities.
- Is determined and supported by appropriate documentation.

### **Documentation of Personnel – Time and Effort Reporting**

Charges to federal awards for salaries and wages must be based on payroll records that accurately reflect work performed. Records are required for all employees, including teachers, paraprofessionals, Title I coordinators, and other staff that are paid with federal funds to document the actual time spent working in the program. The portion of federally paid salary should be reflective of the actual activity, not budgeted, the individual put forth for that federal program. Therefore, budget estimates or other distributions percentages determined before the services are performed do not qualify as support for charges to federal awards.

- Charges for employee salaries and wages must be based on payrolls documented in accordance with generally accepted practices of the government unit and approved by an official of that unit.
- Charges for salaries and wages for all employees who work on only one program or cost objective must be supported by semi-annual certifications signed by each employee that 100% of their time was spent on that program.
- Charges for salaries and wages for all employees who work on more than one program or cost objective must be supported by personnel activity reports or equivalent documentation (time and effort records) that shows the distribution of the employee's time among the programs for which the employee works. The documentation must:
  - Reflect an after-the-fact distribution of the actual activity of each employee;
  - Account for the total activity for which the employee is compensated;

- Be prepared at least monthly and coincide with one or more pay periods; and
- Be signed by each employee.

### **Standards for Documentation of Personnel**

- Be supported by a system of internal controls which provide a reasonable assurance that the charges are accurate, allowable and properly allocated.
- Be incorporated into the official records of the non-federal entity.
- Reasonably reflect the total activity for which the employee is compensated by the non-federal entity, not exceeding 100% of compensated activities.
- Encompass both federally assisted and all other activities compensated by the non-federal entity on an integrated basis, but may include the use of subsidiary records as defined in the non-federal entity's written policy.
- Comply with the established accounting policies and practices of the non-federal entity.
- Support the distribution of the employee's salary and wages among specific activities or cost objectives if the employee works on more than one federal award; a federal award and non-federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which were allocated using a different allocation bases.
- Budget estimates alone do not qualify as support for charges to federal awards, but may be used for interim accounting practices.
- Records may reflect categories of activities as a percentage distribution of total activities.

### **Time and Effort Documentation**

Records are required for all employees, including teachers, paraprofessional, administrator and other staff that is paid with federal funds to document the time and effort they spend within the program. The portion of the federally paid salary should be reflective of the actual activity, not budgeted, the individual has put forth for that federal program. Time and effort reporting is required when any part of an individual's salary is charged to a federal program or used as match for a federal program.

### **Semi-Annual Certification**

When employees are expected to work solely on a single federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications

are required to be prepared at least semi-annually. A sample form can be found on the NDDPI website at <https://www.nd.gov/dpi/Administrators/FTP/Resources/timeandeffort/>

### **Monthly Personnel Activity Report (PAR)**

Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports (PARs). Salaries and wages of employees used in meeting cost sharing or matching requirements of federal awards must be supported in the same manner as those claimed as allowable costs under federal awards. A sample form can be found on the NDDPI website at:

<https://www.nd.gov/dpi/Administrators/FTP/Resources/timeandeffort/>

### **Stipends and Extra Duty Pay (2 CFR 200.430)**

When a non-Federal entity pays for extra work beyond an employee's regular contract, then the non-Federal entity must develop beforehand written documentation that indicates the extra work to be performed, the dates of performance, and the amount or rate to be paid to the employee. A contract, if established must also be signed by the non-Federal entity and the employees to show acceptance of the terms.

In addition, the employee must complete time and effort documentation that supports the extra work beyond the employee's regular contract. This documentation could be a semi-annual time certification or monthly personnel activity report.

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### *Conferences / Meetings* *2 CFR 200.432*

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A conference is defined as a meeting, retreat, seminar, symposium, workshop or event whose primary purpose is the dissemination of technical information beyond the non-Federal entity and is necessary and reasonable for successful performance under the Federal award. Allowable conference costs paid by the non-Federal entity as a sponsor or host of the conference may include rental of facilities, speakers' fees, cost of meals and refreshments, local transportation, and other items incidental to such conferences unless further restricted by the terms and conditions of the Federal award. Conference hosts/sponsors must exercise discretion and judgement in ensuring that conference costs are appropriate, necessary and managed in a manner that minimizes costs to the Federal award.

In May 2013, the U.S. Department of Education issued *Frequently Asked Questions to Assist U.S. Department of Education Grantees to Appropriately Use Federal Funds for Conferences and Meetings (FAQs)* which can be accessed at <http://www2.ed.gov/policy/fund/guid/gposbul/gposbul.html> As a general rule, there is a very high burden of proof to show that paying for food and beverages with federal funds is necessary. Only in unique circumstances could a compelling case be made that food and beverage purchased with federal funds are justifiable. This burden of proof lies with the school district or grant sub recipient.

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*Cost Sharing (Matching) Programs*  
*2 CFR 200.306*

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Some federal programs require that grant funds be matched proportionately with non-federal funds or that the subgrantee participate to some extent in the cost of the project. Sources of costs used for cost sharing may be from allowable non-federal costs incurred by the subgrantee and/or the value of third-party in-kind contributions. Neither of these sources may be used to meet matching requirements unless they can be verified by the subgrantee records.

**No school districts may count tuition and fees collected from students toward meeting matching, cost sharing, or maintenance of effort requirements of a program.**

Third-Party In-Kind Contributions. Third party in-kind contributions must be necessary, reasonable and allowable to accomplish program activities. A third-party in-kind contribution of entertainment, for example, would not count because entertainment is not an allowable cost.

The most common problem with third-party in-kind contributions is lack of documentation. Subgrantees should ensure that all in-kind contributions are documented through records that show how the valuation is determined. The quantity and allocability of volunteer services must be supported, to the extent feasible, by the same methods that the subgrantee uses for its own employees. For instance, if employees use a time clock, volunteers should do the same. Attendance at meetings by volunteers should be documented by signature records that substantiate the date and nature of the meeting and the amount of time spent at the meeting.

The rule for valuation of third-party contributions is “what it would have cost if the subgrantee had paid for the time or service itself.” Several rules apply to the various types of services:

- **Volunteer Services.** Services provided to a subgrantee by volunteers are valued at rates consistent with those paid to employees performing similar work. If the subgrantee does not have employees performing similar work, the applicable rates are those paid by other employers for similar work in the labor market. In either case, a reasonable amount of fringe benefits may be included in the valuation.
- **Employees of Other Organizations.** When an employer other than the subgrantee furnishes at no cost the services of an employee, these services are valued at the employee’s regular rate of pay, provided they are in the same line of work for which the employee normally is paid. The employer’s overhead costs cannot be made a part of the valuation. Donated services are valued at the rate for “similar work.” Therefore, if a doctor volunteers to drive a bus on a weekend, the services are valued at the rate of a bus driver, not a doctor.
- **Donated Supplies, Equipment, Space.** If a third party donates supplies, the contribution is valued at the market value of the supplies at the time of the donation. Use of equipment or building space is also valued at the fair market rental value of equipment or space.
- **Donated land and buildings must be valued by an appraiser.**

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*Debarment and Suspension*  
*2 CFR 200.213*

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Non-federal entities and contractors are subject to the non-procurement debarment and suspension regulations implementing Executive Order 12549 and 12689, 2 CFR Part 180. These regulations restrict awards, subawards, and contracts with certain parties that are debarred, suspended, or otherwise excluded from or ineligible for participation in federal assistance programs and activities. Non-federal entities must go to [www.sam.gov](http://www.sam.gov) or <http://exclusions.oig.hhs.gov/> to verify the status of contractors/vendors with the federal government. To search a contractor/vendor, follow the steps below.

- Click on “Search Records”
- Click on “Advanced Search-Exclusions”
- Enter the social security number / tax identification number in the SSN/TIN search field

If the results indicate “No Records Found” then the contractor/vendor is in good standing with the federal government. The non-federal entity should print a copy of this search results for procurement record documentation purposes.

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*Financial Management Standards*  
*2 CFR 200.302*

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Sub grantees of federal funds must establish accounting procedures and records that are sufficient to permit preparation of required reports and permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes.

The financial management systems must meet the following standards:

- Identification, in its accounts, of all federal awards received and expended and the federal programs under which they were received:
  - CFDA Title and number
  - Federal award identification number (FAIN)
  - Year of the award
  - Name of the Federal Agency (i.e. US Dept of Education, US Dept of Agriculture)
  - Name of the Pass through entity (NDDPI)
- Accurate, current and complete disclosure of the financial results of each federal award or program.
- Records that identify adequately the source and application of funds for federally funded activities. These records must contain information pertaining to federal awards, authorizations, obligation, unobligated balance, assets, expenditures, income and interest and be supported by source documentation. (**Source documentation.** Accounting records must be supported by source documentation, such as cancelled checks, paid bills, payrolls, time and attendance records, contract and subgrant award documents, etc.).
- Effective control over, and accountability for, all funds, property, and other assets. The non-federal entity must adequately safeguard all assets and assure they are used solely for the authorized purpose.
- Comparison of expenditures with budget amounts for each federal award.

- Written procedures to implement the requirements of minimizing the time elapsing between receipt and expenditure of federal funds.
- Written procedures for determining the allowability of costs.
- Grant revenues, expenditures, etc. must be separately identified with codes and must not be comingled with other state, federal, or local funds. For information on coding for local education agencies, see the ND School District Financial Accounting and Reporting Manual (NDSFARM) published on the NDDPI website.  
<https://www.nd.gov/dpi/Administrators/SchoolFinance/Resources/>

The financial management system must also have adequate internal controls. [2 CFR 200.303]  
Effective control and accountability must be maintained for all funds, property and assets.

- Control over the federal award that provides reasonable assurance that the non-federal entity is managing the federal award in compliance with federal statutes, regulations, and terms and conditions of the award.
- Subgrantees must adequately safeguard all such property and must assure that it is used solely for authorized purposes.
- Take prompt action when instances of noncompliance are identified in audit findings.
- Take reasonable measures to safeguard protected personally identifiable information and other information the federal awarding agency or pass through agency designates as sensitive or the non-federal entity considers sensitive, consistent with applicable federal, state, local and tribal laws regarding privacy and obligations of confidentiality.

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*Fiscal Closeout*  
*2 CFR 200.343*

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Federal programs are closed out after all applicable programmatic and financial work has been completed. All financial, performance, and other required reports must be submitted within 90 days after the expiration of the grant. Closeout of a grant does not affect the federal agency's right to disallow costs and recover funds on the basis of a later audit or other review; the subgrantee's obligation to return any funds due as a result of later refunds, corrections, or other transactions; records retention; property management requirements; or audit requirements. Some grants may be given less than the 90 days for closeout due to the timing of the funds. These grants will be notified of the shortened close out period with the grant notification.

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### *Fraud and Abuse*

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To report fraud, waste and abuse of federal funds, contact the Officer of Inspector General (OIG) at:

Phone: 1-800-MIS-USED

Fax: 1-202-260-0230

Email: [OIG.Hotline@ed.gov](mailto:OIG.Hotline@ed.gov)

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### *Grant Recipient Risk Assessment* *2 CFR 200.331(b)*

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A risk assessment for all federal grant sub recipients is performed with each new grant and for formula grants at a minimum annually, during the grant award process. Risk factors include, but are not limited to:

- Prior Experience / Performance
- New Personnel
- Prior Monitoring Findings
- Late Reporting
- Data Submission Errors
- Grant Award Amount
- Audit Findings
- Lapsed Funds
- Maintenance of Effort Violations

The risk assessment is performed by state agency staff. If a grant recipient is found to be High Risk, the grant may have additional conditions imposed on the award up to and including:

- Requiring submission of accounting ledger with every request for funds for state agency review.
- Requiring additional program compliance monitoring
- State may establish additional prior approvals (e.g. prior approval on expenditures)
- State agency staff may perform a desk audit of the financial activity of the grant recipient.
- Requiring the non-federal entity to obtain technical or management assistance or technical assistance.

If a grant recipient is deemed moderate to high risk, they will be notified with the grant award of any special conditions placed upon the award and what type of action is required to remove the special conditions and the time period for improving the risk level of the entity.

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### *Lobbying*

*2 CFR 200.450*

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Federal funds cannot be used for partisan political purposes of any kind including advocacy by any person or organization in the administration of federally assisted programs. Reference Hatch Act.

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### *Maintenance of Effort*

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### **No Child Left Behind Grants (NCLB)**

NCLB require that school districts must maintain either the combined fiscal effort per student or the aggregate expenditures of the agency and the state with respect to the provision of free public education by the agency for the preceding fiscal year of at least 90 percent of the combined fiscal effort or aggregate expenditures for the second preceding fiscal year. If this 90 percent effort is not maintained, the federal allocation amounts must be reduced in the exact proportion of the failure to maintain effort. For example, if a school district maintains only 85 percent effort, the federal title allocations must be reduced by 5 percent (90%-85%).

DPI annually calculates this maintenance of effort based on the financial information that school districts submit to DPI on the North Dakota School District Financial Report and notifies school districts that have not met this 90 percent maintenance of effort requirement.

## **IDEA B**

The Maintenance of Effort requirements for IDEA-B stipulate that Special Education Units must maintain or increase their local (or a combination of state + local) expenditures for the education of children with disabilities each school year. If an LEA fails to meet the MOE standard, it must return to the State an amount equal to the amount by which it failed to maintain its level of expenditures. This recovery must be paid using non-Federal funds.

The four methods that an LEA may choose to meet MOE:

- total local fund expenditures
- local expenditures per special education student
- total local + State expenditures
- local + State expenditures per special education student

The four exceptions that are allowable reasons to reduce local/State spending on special education:

- voluntary staff departures
- decrease in special education enrollment
- termination of a high-cost student
- termination of a long-term contract

IDEA-B maintenance of effort is more fully described on our website at:

<https://www.nd.gov/dpi/SchoolStaff/SpecialEd/Fiscal/>, including instructions and references to the Federal guidance. Please also view the Training Module posted on this page.

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### *Object Codes*

*ND School District Financial Accounting and Reporting Manual (NDSFARM)*

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The most common object codes and corresponding descriptions that are used on budgets include the following:

- 110 Salaries of Regular Employees – Certified Personnel. Full time and part time position costs for work performed by permanent employees of the LEA.
- 120 Salaries of Regular Employees – Noncertified Personnel. Full time and part time position costs for work performed by permanent employees of the LEA that are not certified (i.e. paraprofessionals, secretaries, teachers’ aides, bus drivers).
- 130 Salaries of Temporary Employees. Full time and part time costs for work performed by employees who are hired on a temporary basis.
- 200 Employee benefits—payments made on behalf of employees that are not part of gross salary; i.e. insurance, Social Security, retirement, unemployment compensation, workers compensation, annual leave, sick leave.
- 300 Purchased professional and technical service—services performed by those with specialized skills and knowledge; i.e. school management support activities, data processing, management consultants, auditors, accountants, lawyers. If an LEA has an expense in this object code there must be a contract on file to support the expense.
- 430 Repair and Maintenance services not directly provided by LEA personnel.
- 580 Travel—Expenditures for staff travel, including mileage, airline tickets, taxi fares, meals, lodging.
- 600 Materials/Supplies—Expendable items that are consumed, worn out, or deteriorated in use; includes general supplies, freight, books, school supplies, etc.
- 730 Equipment that costs more than \$750 per unit, including all technology equipment and furniture regardless of the purchase price (i.e. computers, monitors, iPads, iPods, digital cameras, etc.) Any item coded to the equipment line must be added to the school’s equipment inventory list and monitored. (see Property Management Systems)
- 800 Other—dues, memberships, registration fees
- 900 Indirect costs—Costs that cannot be directly attributed to a program but are essential in operating a school; indirect cost is a percentage of total operating costs for object codes 110 through 800 (excluding 730); percentage is determined on an individual basis.

For a more detailed explanation of all object codes, reference the ND School District Financial Accounting & Reporting Manual (NDSFARM) located on the NDDPI website at: <https://www.nd.gov/dpi/SchoolStaff/SchoolFinance/Resources/>

A coding example sheet has been created to assist LEAs in tracking federal funds. It can be found on the Department’s website at: <https://www.nd.gov/dpi/uploads/173/trackfunds.pdf>

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*Period of Performance / Period of Availability*  
*2 CFR 200.309*

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Each federal grant has a period for which funds can be obligated and expended. When a grant is awarded, it is important to note what the approved project period is and the time frames for which obligations may be incurred and liquidated. Where a funding period is specified, a grant recipient may charge to the award only costs resulting from obligations incurred during the funding period. Also, if authorized by the applicable federal program, unobligated balances may be carried over and charged for obligations of the subsequent funding period.

NDDPI will not provide fund advances or reimbursement for expenditures until the application is approved.

If the obligation is for:	The obligation is made:
1. Equipment or supplies	On the date the subgrantee makes a binding written commitment to acquire the equipment or supplies
2. Personal services by an employee of a subgrantee	When the services are performed
3. Personal services by a contractor who is not an employee of the subgrantee or performance of work other than personal services	On the date the subgrantee makes a binding written commitment to obtain the services
4. Public utility services	When the subgrantee receives the services
5. Travel	When the travel is taken
6. Rental of building or equipment	When the subgrantee uses the building or equipment

Sub grantees may not obligate funds (order materials, supplies, or equipment) for the following school year prior to the date the funds become available to them, which is July 1, unless the subgrantee has carryover funds available from the previous year. If materials, supplies, or equipment are ordered before July 1, the items must be received and paid for before July 1. The final invoice may not include unliquidated obligations.

Obligations in Carryover Period. Subgrantees that do not obligate all of its funds by the end of the fiscal year may obligate remaining funds during a carryover period of one additional fiscal year, only if allowed under the specific grant regulations. The subgrantee may be required to submit an application or plan for the carryover period. The federal statutes and regulations that apply to the program are still in effect for the carryover period.

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### *Procurement Standards*

*2 CFR 200.318-326*

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### ***Written Procedures Required***

General Procurement Standards: Procurement standards apply to the purchase of supplies, equipment and other services funded in whole or in part by federal grant funds. These standards include:

- Non-Federal entity must use its own documented procurement procedures which reflect applicable state and local laws and regulations, provided that the procurements conform to applicable federal law.
- Non-Federal entities must maintain oversight to ensure that contractors perform in accordance with the terms, conditions, and specifications of their contracts.
- The non-federal entity must maintain written standards of conduct covering conflicts of interest and governing the actions of its employees engaging in the selection, award and administration of contracts.
  - No employee, officer, or agent may participate in the selection, award, or administration of a contract supported by a Federal award if he or she has a real or apparent conflict of interest.
  - Such a conflict of interest would arise when the employee, officer, or agent, any member of his or her immediate family, his or her partner, or an organization which employee 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 non-Federal entity may neither solicit nor accept gratuities, favors, or anything of monetary value from contractors or parties to subcontracts.

- If the non-Federal entity has a parent, affiliate, or subsidiary organization that is not a state or local government, the non-Federal entity must also maintain written standards of conduct covering organizational conflicts of interest.
- The non-Federal entity must avoid acquisition of unnecessary or duplicative items.
- The non-Federal entity is encouraged to enter into state and local intergovernmental agreements for use of common or shared goods and services
- The non-Federal entity is encouraged to use Federal excess and surplus property.
- The non-Federal entity must award contracts only to responsible contractors possessing the ability to perform successfully under the terms and conditions of a proposed procurement.
- The non-Federal entity must maintain records sufficient to detail the history of procurement. The 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, and the basis for the contract price.
- The non-Federal entity must be responsible for the settlement of all contractual and administrative issues arising out of procurements.

## Competition

All procurement transactions must be conducted in a manner providing full and open competition. 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.
- Any arbitrary action in the procurement process.

The non-Federal entity must have written procedures for procurement transactions. These procedures must ensure that all solicitations:

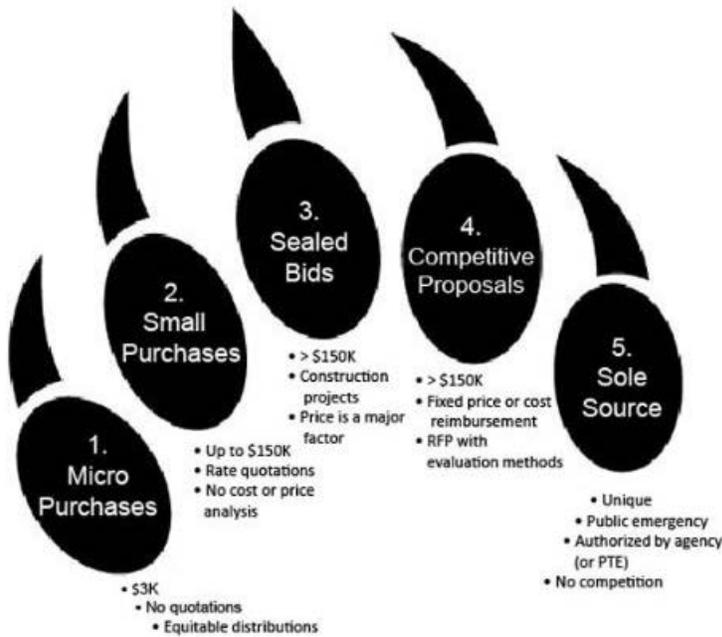
- Incorporate a clear and accurate description of the technical requirements for the material, product, or service to be procured.
- Identify all requirements which the offerors must fulfill and all factors to be used in evaluating bids or proposals.

The non-Federal entity must ensure 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.

Methods of Procurement: The non-Federal entity must use one of the following methods of procurement (see Procurement Claw below) or be more restrictive with their policies:

- Micro-Purchases. Procurement by micro-purchasing is the acquisition of supplies or services which are less than \$3000. This purchase may be awarded without soliciting competitive quotations.
- Small purchase procedures. Small purchase procedures are those simple and informal procurements for securing services, supplies or other property that cost between \$3000 and \$150,000. Price and rate quotations must be obtained from at least two qualified sources.
- Sealed bids (formal advertising). Bids are publicly solicited and a firm fixed price contract is awarded. The sealed bid method is preferred for procuring construction.
- Competitive Proposals. The technique of competitive proposals is normally conducted with more than one source submitting an offer and either a fixed price or cost-reimbursement type of contract is awarded.
- Noncompetitive proposals. This is the solicitation of a proposal from only one source and may be used only when one or more of the following applies: The item is available only from a single source; the public emergency for the requirement will not permit a delay; the pass-through entity authorizes noncompetitive proposals in response to a written request; and/or after solicitation of a number of sources, competition is determined inadequate.

## Procurement "Claw" (Section 200.320)



### Awarding Agency Review

Upon request of the awarding agency, sub grantees must make available technical specifications on proposed procurements where the awarding agency believes such review is needed to ensure that the items and/or services specified is the one being proposed for purchase.

### Contracting with Small and Minority and Women's Businesses

The non-Federal entity must take all necessary affirmative steps to assure that minority, women, and labor surplus area firms are used when possible.

2 CFR 200.321

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*Program Income*  
*2 CFR 200.307*

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Program income means gross income earned by the non-federal entity that is directly generated by a supported activity or earned as a result of the federal award during the period of performance. Program income shall be deducted from reimbursements unless the federal awarding agency regulations or grant agreement specify another alternative.

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*Property Management System*  
*2 CFR 200.313*

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Equipment means tangible personal property (including information technology systems) having a useful life of more than 1 year and a per unit acquisition cost which equals or exceeds \$750. The following items are subject to the inventory management and control requirements:

1. Equipment items with an acquisition cost of \$750 or more per unit, and
2. Technology equipment and furniture regardless of the cost including, but not limited to:
  - a. Computers
  - b. Monitors
  - c. iPad
  - d. iPod
  - e. Digital cameras

*Note: while the federal government maintains an acquisition cost of \$5000 or more per unit for inventory management and control, state agency policy is more restrictive at the \$750 level and therefore supersede the federal government amount.*

Acquisition cost is defined as the cost of the asset including the cost to ready the asset for its intended use. Acquisition cost for equipment means the net invoice price of equipment including the cost of any modifications, attachments, accessories or auxiliary apparatus necessary to make it usable for the purpose for which it was acquired. Acquisition costs for software includes those development costs capitalized in accordance with generally acceptable accounting practices (GAAP). Ancillary charges such as taxes, duty, protective in transit insurance, freight, and

installation may be included or excluded in the acquisition cost in accordance with the non-federal entity's regular accounting practices.

Equipment must be used in the project or program for which it was acquired as long as needed, whether or not the project or program continues to be supported by federal funds. When no longer needed for the original project or program, the equipment may be used in other projects or programs currently or previously sponsored by a federal agency. If the equipment is being used less than full time in the project or program for which it was originally acquired, the equipment may be made available for use in other projects or programs currently or previously sponsored by the federal government, provided such use will not interfere with the work of the original project or program.

Minimum management requirements for equipment include:

- Inventory records must be maintained that include 1) description of equipment; 2) serial number or other identification number; 3) source of funding for property and equipment; 4) who holds title; 5) acquisition date; 6) cost of equipment; 7) percent of federal participation in cost of equipment; 8) location; 9) use and condition of equipment; and 10) any disposition data including date of disposal and sale price of equipment.
- Physical inventory must be taken and results reconciled with inventory records at least once every two years.
- Control system must be developed to ensure adequate safeguards against loss, damage, or theft.
- Adequate maintenance procedures must be developed to keep the property in good condition.
- If sub grantee is authorized or required to sell equipment, proper sales procedures must be established to ensure the highest possible return.

**Disposition of Equipment.** Disposition of equipment shall be made if the equipment is no longer to be used in projects or programs currently or previously sponsored by the federal government. Equipment with a current per unit fair market value of less than \$5,000 may be retained, sold, or otherwise disposed of, with no further obligation.

Equipment with a current per unit fair market value in excess of \$5,000 may be retained or sold. However, the federal government has a right to an amount calculated by multiplying the current market value or the proceeds from the sale by the federal share of the equipment. The federal share of equipment shall be the same percentage as the federal share of the total cost under the grant.

When acquiring replacement equipment, the sub grantee 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, subject to the approval of the awarding agency.

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*Record Retention*  
*2 CFR 200.333*

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Financial records, supporting documents, statistical records and all other non-federal entity records pertinent to a federal award must be retained for a period of three years from the date of submission of final expenditure report or for federal awards that are renewed quarterly or annually, from the date of the submission of quarterly annual financial report.

If any litigation, claim, or audit is started before the expiration of the three year period, the records must be retained until all litigation, claims or audit findings involving the records have been resolved and final action taken.

Records for real property and equipment acquired with federal funds must be retained for three years after final disposition.

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*Supplement / Supplant Requirements*

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Under the federal “supplement, not supplant” requirement, non-federal entities may use federal funds only to supplement and, to the extent practical, increase the level of funds that would, in the absence of the federal funds, be made available from non-federal sources for the education of participating students. Unless directed by your grant award, non-federal entities may not use federal program funds to supplant (take the place of) funds from non-federal sources.

Supplement, not supplant provisions generally operate the same way for all programs. Supplanting is presumed to occur in the following instances:

- The non-federal entity uses federal funds to provide services that it is required to make available under other federal, state, or local laws.
- The non-federal entity uses federal funds to provide services that were provided with non-federal funds in the prior year. (Not applicable to IDEA-B funds).
- The non-federal entity uses Title I funds to provide services for eligible children that it provides with non-federal funds to other children. The law does permit subgrantees/recipients to exclude state and local funds expended for any entity that operates as a school-wide program under section 1114, and for any school or school attendance area as part of a state or local program that is very similar to Title I (comparable program provision).

These presumptions may be rebuttable in certain circumstances. See your program guidance for more detailed information.

When using this rebuttable exception it is very important that the non-federal entity maintains good fiscal records and documentation from the Management (School Board, Board of Directors, Authorized Representatives, etc.) that will permit an auditor or program monitor to conclude that they have not supplanted.

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*Travel*  
*2 CFR 200.474*

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### ***Written Procedure Required***

Travel costs are the expenses of transportation, lodging and subsistence, and related items incurred by employees who are in travel status on official business of the non-federal entity. Such costs may be charged on an actual cost basis, on a per diem 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 to selected days of the trip and results in charges consistent with those normally allowed in like circumstances.

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 entity in its regular operations as the result of the non-federal entity's written travel policy. Costs charged to federal programs must justify that:

1. Participation of the individual is necessary to the federal award; and
2. The costs are reasonable and consistent with non-federal entity's established travel policy.

In general, local education entities may find it easier to follow the state rates established by the Office of Management and Budget. The current rates can be found in the Fiscal and Administrative Policy Manual on OMB's website: <http://www.nd.gov/fiscal>

## Appendix A

Selected Items of Cost (See 2 CFR 200.420 for full list)

Sub grantees are responsible for ensuring that expenditures charged to a program are allowable. The following items are listed in alphabetical order.

- Advertising and public relations. Costs solely for the recruitment of personnel required for performance of the grant, procurement of goods and services for the performance of the grant, and costs of communicating with the public and press pertaining to specific activities of the grant are allowable.
- Advisory councils. Costs incurred by advisory councils or committees are unallowable unless authorized by statute, the federal awarding agency, or as an indirect cost.
- Alcoholic beverages. The costs of alcoholic beverages are unallowable.
- Alumni/ae activities. Costs incurred by IHEs for, or in support of, alumni-ae activities are unallowable.
- Audit Services. A reasonably proportionate share of the Single Audit Act (A-133) costs are allowable if the audit is required.
- Bad Debts. Bad debts, including losses, are unallowable.
- Bonding Costs to assure against financial loss are allowable.
- Compensation for personal services (see section under Compensation)
- Contributions and Donations. Costs of contributions and donations, including cash, property, and services, from the non-Federal entity to other entities, are unallowable.
- Employee health and welfare costs. Costs incurred in accordance with the non-Federal entity's documented policies for the improvement of working conditions, employer-employee relations, employee health, and employee performance are allowable. Such costs will be equitably apportioned to all activities of the non-Federal entity.
- Entertainment Costs. Costs of entertainment including amusement, diversion and social activities and any associated costs are unallowable.
- Equipment and other capital expenditures (see section under Property Management System).
- Insurance and indemnification required or approved and maintained pursuant to the federal award. Actual losses that could have been covered by permissible insurance are unallowable.
- Materials and supplies necessary to carry out a federal award are allowable.

- Memberships, subscriptions, and professional activity costs, except to those entities whose primary purpose is lobbying, are allowable.
- Pre-award costs are allowable only to the extent that they would have been allowable if incurred after the date of the award and only with prior written approval of the awarding federal agency.
- Professional and consultant services rendered by people who possess a special skill, who meet the independent contractor's rules, and who are not officers or employees of the sub grantee are allowable.
- Proposal costs of successful and unsuccessful bids and proposals normally should be treated as indirect costs and allowable to all activities of the grantee.
- Publication and printing costs for electronic and print media and general handling are allowable, if they are identifiable to a particular cost objective.
- Rental costs of Real Property and Equipment are allowable to the extent that the rates are reasonable.
- Taxes that are legally required are allowable.
- Training and Education Costs. The cost of training and education provided for employee development is allowable.
- Transportation Costs. Costs for transportation, lodging, subsistence, and related items incurred by the sub grantee's employees on official business are allowable.