

CHAPTER 9 – Federal Grants Management

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INTRODUCTION

Federal agencies are contributors of a variety of grants to school districts. Federal grantor agencies include, but are not limited to the U.S. Department of Education, U.S. Department of Agriculture, and the U.S. Department of Health and Human Services. Some federal grants, such as Impact Aid, may be received directly from the federal agency. Other federal grants, such as Title I, Part A, are “passed through” to the district from the primary grantee recipient within the state such as the Office of Superintendent of Public Instruction (OSPI) or an educational service district (ESD).

Each grantor has its own set of rules and regulations governing the grants that it makes. Districts must comply with the most restrictive grant rules and regulations - this chapter will focus on federal fiscal regulations, which are typically the most stringent. Accounting systems and procedures that meet federal guidelines will usually be sufficient to meet state and local requirements.

FEDERAL LAWS AND REGULATIONS

There are three main categories of requirements applicable to federal programs: 1) statutes, 2) regulations, and 3) nonregulatory guidance. In addition to those requirements, OSPI issues bulletins and memos that further clarify those requirements, as well as discuss processes required to comply with those requirements.

Statutes

Statutes have the highest level of authority. There are some statutes that apply to all federal programs such as the Single Audit Act and some that apply to only the Department of Education (ED) program such as the General Education Provisions Act (GEPA). Then there are those that apply only to specific programs such as the Every Student Succeeds Act.

Regulations—Uniform Grant Guidance

Regulations are issued by agencies to answer questions regarding unclear areas in the statutes. Just like statutes, regulations are legally binding by law. The *Federal Register* is where all of the final regulations are published. The Code of Federal Regulations (CFR) contains all regulations. ED program regulations are published in Title 2 of the CFR. Education General Administrative Requirements (EDGAR) is a compilation of administrative requirements that are also published in the CFR.

The federal Office of Management and Budget (OMB) rules titled “Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards” are in Title 2, Part 200. This guidance is commonly referred to as Uniform Grant Guidance in the Accounting Manual.

Nonregulatory Guidance

Nonregulatory guidance is less binding as legal authority, but it reflects the department’s interpretation in a more user friendly format, typically Q and A’s.

OSPI Bulletins

Bulletins provide additional instructions, examples, and procedures for implementing the various requirements.

BASIC FEDERAL FISCAL REQUIREMENTS

Allowable Costs

Expenditures under federal programs are governed by the Federal cost principles contained in 2 CFR Part 200 Subpart E—Cost Principles. Districts must ensure that costs claimed under Federal awards follow these cost principles as well as any special terms and conditions contained in the award. Additionally, grantees are required to follow the more restrictive of the federal, state, and district policies.

When applying these cost principles, districts must:

- Maintain responsibility for the efficient and effective administration of the Federal award through the application of sound management practices.
- Assume responsibility for administering federal funds in a manner consistent with underlying agreements, program objectives and the terms and conditions of the federal award.
- Apply accounting practices that are consistent with the cost principles, support the accumulation of costs as required by the principles, and provide for adequate documentation to support costs charged to the federal award.

Districts must maintain a system of internal controls over federal expenditures to provide reasonable assurance that Federal awards are expended only for allowable

activities and that the costs of goods and services charged to Federal awards are allowable and in accordance with the above referenced cost principles.

Those controls must meet the following general criteria:

- Be necessary and reasonable for the performance of the Federal award 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 amount of cost items.
- Be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the district.
- Be accorded consistent treatment.
- Be determined in accordance with generally accepted accounting principles.
- Not be included as a cost or used to meet cost sharing or matching requirements of any other federally-financed program in either the current or a prior period.
- Be adequately documented.

Direct and Indirect Costs

Since there is no universal rule for classifying costs as either direct or indirect, districts must be consistent in treating each item of cost incurred for the same purpose as either a direct or indirect cost to avoid possible double-charging.

Direct costs are those costs that can be specifically identified with particular cost objectives such as a grant, contract, project, function or activity with relative ease and with a high degree of accuracy. Typical direct costs are salaries of employees working specifically on objectives of a grant or contract (including vacations, holidays, sick leave, and other excused absences); employee fringe benefits allocable on direct labor employees; consultant services contracted to accomplish specific grant or contract objectives; and materials, supplies and equipment purchased directly for use on a specific grant or contract.

Indirect costs are those costs that either benefit the cost objective or activity in an indirect manner, or directly benefit the cost objective or activity but the complexity of adequately identifying the costs in such a manner outweigh the benefit of charging them directly. Typical indirect costs include accounting, human resources, and the superintendent's office.

Indirect Cost Rates

The application of indirect costs to a grant (or other program) is done through the application of an indirect cost rate. An indirect cost rate represents the ratio between the total indirect costs and benefiting direct costs, after excluding and or reclassifying unallowable costs, and extraordinary or distorting expenditures (i.e., capital expenditures and major contracts and subgrants). This rate is expressed as a percentage of the costs that have been directly charged to the program. School districts have three different rates calculated for them: state indirect rate (also called the “state recovery rate”), federal restricted rate, and federal unrestricted rate.

Rates are calculated annually by School Apportionment and Financial Services for all districts based on information in the F-196 annual financial statements (the rates are posted on the OSPI website and loaded into iGrants). The rates determine the allowable costs for a given rate, and divide those costs by the total costs of the district. The information is lagged by two years: the rate that is calculated in 2020–21 will not be used until the 2022–23 school year.

When indirect rates are charged to a grant and reimbursed, they basically become part of the district’s general operating revenue, and districts don’t have to be accountable for those funds from a federal perspective.

Indirect rates are the *maximum* amount of indirects that may be charged to a program or grant. A district may choose to utilize a lower amount of indirects—by charging more direct costs—but it may not use a rate higher than the one that has been calculated.

The *federal restricted rate* is calculated on a specific, small set of costs that a district incurs compared to their overall expenditures. This rate is then used for any federal program that has a “supplement, not supplant” requirement. This requirement means that the federal money is used to supplement the amount of money that a district has to spend on a particular program, and not “in place of” the local money. The Title I, Part A grant is an example of a grant that uses the restricted rate, although most federal programs in school districts use this rate.

The *federal unrestricted rate* is calculated for programs that do not have a “supplement, not supplant” requirement. The primary example for school districts of a federal program that uses the unrestricted rate is the federal school lunch program.

A few programs may have their own limitations on indirect rates. Districts should work with their program staff to ensure they are using the proper information for that program.

Cash Management

Districts must minimize the time between the receipt of federal funds and disbursement of those funds to no longer than three days. As provided in 2 CFR 200.305, districts may draw federal funds using a reimbursement or advance payment method. However, districts usually request reimbursement for expenditures for federal grants passed through OSPI instead of requesting advances.

Reimbursement Payment Method

For reimbursements of federal funds, districts must:

- Monitor the fiscal activity (payments and reimbursements) under each grant on a continuous basis, and request timely reimbursement only for expenditures that have already been disbursed and comply with all applicable award requirements.
- Maintain source documentation and accounting records that reconcile to the reimbursement request at a level adequate to establish that funds have not been used in violation of any applicable statutory restrictions or prohibitions.
- If the district transfers expenditures previously charged to a federal award for which reimbursement has been claimed to a non-federal fund source, the district will calculate the interest earned on the federal funds for possible submittal. Refer to Interest Earned section below.

Advance Payment Method

For advances of federal funds, districts must:

- Monitor the fiscal activity (drawdowns and payments) under each grant on a continuous basis and maintain source documentation and accounting records at a level adequate to establish that funds have not been used in violation of any applicable statutory restrictions or prohibitions.
- To the extent available, disburse funds available from program income, rebates, refunds, contract settlements, audit recoveries, and interest earned on such funds before requesting additional cash payments.
- Plan for cash flow in the grant project during the budget period and review project cash requirements before each drawdown.

- Draw down only the amount of funds necessary to meet the immediate needs of the program or project (including the proportionate share of any allowable indirect costs), and minimize the time between receiving and disbursing those funds.
- Pay out federal funds for expenditures that comply with all applicable grant requirements as soon as administratively feasible (a rule of thumb is no more than three business days after receiving the funds).
- Deposit advance payments into insured accounts whenever possible.
- Unless conditions listed in CFR Title 2 Part 200 Subpart D §200.305(b)(8) apply, districts must maintain advance payments in interest-bearing accounts.
- Remit interest earned over \$500 annually. Refer to Interest Earned section below.

Interest Earned

Federal regulations allow districts to retain interest earned amounts up to \$500 per year for administrative expenses. Any additional interest earned on those funds must be remitted annually to the Department of Health and Human Services (HHS) Payment Management System (PMS) through an electronic medium or by check to the HHS Program Support Center. Districts should refer to the federal or pass-through agency for pertinent information about the remittance.

Budget Revisions

Unless prohibited by federal or state statute(s) governing a particular grant program, OSPI allows districts to increase or decrease expenditures for any budgeted activity total or object total by an amount of up to 10 percent of the total "Budgeted Direct Expenditures" for that grant award without submitting a budget revision.

If a budget revision is required due to exceeding that amount, allow enough time for the request to go through the approval process in iGrants prior to the claim submission cutoff date. Districts will not be able to submit a claim until the budget revision is approved.

Equipment

Equipment means tangible nonexpendable property, including exempt property, charged directly to the award having a useful life of more than one year and an acquisition cost of \$5,000 or more per unit. However, lower limits may be established in a district's policy.

Use and Disposition of Equipment

Districts must use equipment purchased with federal funds in the program or project for which it was originally purchased, regardless of whether or not the program continues to be supported with federal funds. Thus, if a district receives a grant to start an afterschool program, any equipment purchased for that program shall be used for the program even after the grant expires.

In addition, such equipment may be used in other federally funded programs, as long as the use does not interfere with the work on the original program or project for which it was purchased. In such situations, first priority for additional use must be given to other programs or projects that are sponsored by the awarding agency.

Subject to approval by the awarding agency, districts may acquire replacement equipment by trading in the original equipment, or selling the original equipment and using the proceeds to offset the cost of the new equipment. Proper sales procedures shall be used that provide for competition to the extent practicable and result in the highest possible return.

If the equipment is no longer needed for the original program or project for which it was originally acquired, or for other activities that are supported with federal money, the equipment may be disposed of.

The rules for disposing of equipment purchased with federal money are as follows:

- If the per-unit market price of the equipment is less than \$5,000, it may be retained, sold or otherwise disposed of without any further obligation to the awarding agency.
- If the per-unit market price of the equipment is greater than \$5,000, it may be retained by the district or sold. In these cases, the district will need to remit to the awarding agency an amount equal to the federal share of the original cost of the equipment.

Equipment Management

Districts must have appropriate controls to safeguard and adequately maintain equipment. A physical inventory of equipment must be conducted at least once every 2 years (district policy may require an annual inventory) and reconciled to the equipment records (any differences between the physical inventory and records must be resolved).

Records must contain the following information about the equipment: description (including serial number or other identification number), source, who holds title, acquisition date and cost, percentage of Federal participation in the cost, location, condition, and any disposition data including, the date of disposal and sales price or method used to determine current fair market value.

Matching, Level of Effort, Earmarking

The specific requirements for matching, level of effort, and earmarking are unique to each Federal program and are found in the statutes, regulations, and the terms and conditions of awards pertaining to the program.

Matching

Matching (also known as cost sharing) is a requirement to provide contributions of a certain amount to match Federal awards. Some federal programs require that a district provide matching funds in order to receive the federal funds.

The following criteria should be considered when determining whether an expenditure is an acceptable match:

- Must be able to be verified from the districts records.
- Cannot be included as contributions for other federal programs (unless specifically allowed by Federal program laws and regulations).
- Must be able to show how it is necessary and reasonable to the accomplishment of the program objectives.
- Must be allowable under applicable cost principles.
- Must not be federal funds from another program (unless specifically authorized by federal statute).
- Must be included in the approved budget when required.
- Must conform to other provisions of federal laws, regulations, and contracts or grant agreements applicable to the program.

Level of Effort and Maintenance of Effort (MOE)

Level of effort is a requirement for: a) providing a specified level of service from one period to another, b) maintaining a specified level of expenditures from non-Federal or Federal sources for specified activities from period to period, and c) Federal funds to supplement and not supplant non-Federal funding of services.

A district must meet maintenance of effort requirements under certain programs. If a district is found to fail the MOE test, their subsequent years grant award will be reduced by the amount of failure.

Cross Cutting Requirement

There is a calculation based on a districts F-196 financial information to determine whether the combined fiscal effort per student or the aggregate expenditures of the district from State and local funds for free public education for the preceding year was not less than 90 percent of the combined fiscal effort or aggregate expenditures for the second preceding year, unless specifically waived by the Department of Education.

The MOE calculation is performed by School Apportionment and Financial Services (SAFS) at OSPI. The cross-cutting MOE test is generally completed and issued in January of each year.

Special Education Requirement

The special education MOE calculation is also calculated by SAFS based on F-196 data to determine whether a district spent an amount of local funds, or a combination of State and local funds, for the education of children with disabilities that is at least equal, on either an aggregate or per capita basis, to the amount of local funds, or a combination of State and local funds, expended for this purpose by the district in the prior fiscal year.

One major difference with Special Education MOE is the 50% provision. For any fiscal year that a district's allocation of special education funds exceeds the allocation for the previous fiscal year, the district may reduce the level of local or State and local expenditures by up to 50% of the excess. If a district chooses this option, it must use an amount of local funds equal to the reduction for activities authorized under ESEA.

Districts that fail the initial test calculated by SAFS will receive a letter from SAFS notifying the district of the process for submitting additional documentation for review by the OSPI Special Education department.

The exceptions considered during this review process are:

- The voluntary departure, by retirement or otherwise, of special education staff
- A decrease in the enrollment of children with disabilities
- The termination of the obligation to serve an exceptionally costly program for a particular child with a disability

- The termination of costly expenditures for long-term purchases
- The assumption of costs by the state safety net fund

The special education MOE test is generally completed and issued in February of each year.

Supplement, Not Supplant

The phrase “supplement, not supplant” arises in federal programs, where the intent is for the federal funding to be an addition to existing program funding, not a replacement. Generally, the “supplement, not supplant” requirements are found in grant programs that utilize the district’s restricted rate for applying indirect expenditures.

The official terminology, as borrowed from the Elementary and Secondary Education Act, is:

“A state educational agency or local educational agency shall use federal funds received under this part only to supplement the funds that would, in the absence of such federal funds, be made available from non-federal sources for the education of pupils participating in programs assisted under this part, and not to supplant such funds” (20 U.S.C. §6321(b)(1)).

The methodology prescribed for SNS evidence testing under ESSA is different for Title I, Part A and is describe later in this section. There are three presumptions of supplanting which affect most federal programs other than Title 1, Part A.

1. Whether the activity is required by law. Using federal funds for an activity the district is required to provide by local, state, or other federal law raises a presumption of supplanting. The assumption is that the district would use non-federal funds (or, in certain circumstances, other federal funds) to provide the services it is required by law to provide.
2. Whether the activity was provided in prior years with non-federal funds. Using federal funds for an otherwise allowable activity which was provided in prior years with non-federal funds raises a presumption of supplanting. Presumably, those funds were deemed by the district to be sufficiently important to support with non-federal funds in prior years, and is a reliable predictor of how the district will likely spend its non-federal funds in the current year.

This presumption may be rebutted, however, if the district can document contemporaneously that it would not have continued to provide the same activities with non-federal funds, perhaps because of a decline in the resources used for this purpose. This must be documented with board minutes or the equivalent.

3. Whether the activity is provided to non-Title I, Part A or C students with non-federal funds. Unlike the prior two presumptions, this presumption applies only to Title I, Part A or C funds. Using such funds for an activity the district is providing to non-Title I, Part A or C students with state or local funds raises a presumption of supplanting. It is assumed that if a district deems an activity sufficiently important to provide it to non-Title I, Part A or C students, it would also provide that same activity to the Title I, Part A or C students in the absence of such funds.

This presumption of supplanting may also be rebutted, if the services would be allowable under Title I, Part C and are provided with supplemental state or local resources meeting the same requirements as the Title I, Part C program.

Supplement Not Supplant (SNS) for Title 1 Part A

ESSA revised the Title I, Part A supplement not supplant (SNS) requirement. Under ESSA, compliance with SNS under Title I, Part A will no longer be tested through individual costs. School Districts no longer have to consider the “three presumptions of supplanting.”

Under ESSA, School Districts meet compliance under SNS by demonstrating that the methodology they use to allocate state and local funds to schools provides each Title I, Part A school with all of the state and local money it would receive if it did not participate in the Title I, Part A program.

School Districts are responsible for developing and documenting a methodology to distribute state and local funding and staffing to schools without taking Title I, Part A funds into account. School Districts will **not** be submitting their methodology to OSPI for approval. This SNS methodology must be in place prior to the school year and before the allocation of the federal award. School District documentation must be available for Program review and for auditing purposes.

For additional fiscal information on Title 1, Part A, a Program Fiscal Handbook is available on the OSPI website at [Fiscal Guidance Documents](#).

Presumption of Supplanting in Title I, Part A Schoolwide Programs

If the district has schools that operate schoolwide programs under Title I, Part A, the district must ensure and demonstrate that such schools receive all of the state and local funds to which they are entitled and are necessary to operate services required by state and local law. This includes those required services to students with disabilities and English language learners.

Earmarking

Earmarking is a requirement to use a specified minimum or maximum amount of program funds for specified activities. Some federal grant programs have some form of earmarking requirements. That is, specific amounts must be set aside and spent only for specified purposes. Districts that receive funds in grants that have earmarking requirements will need to demonstrate that they have expended the money necessary to meet those requirements.

Program Income

The federal government encourages entities that receive grants to earn income relating to the grants to defray program costs where appropriate (2 CFR §200.307).

Program income means gross income that is generated by a supported activity or earned as a result of the federal award. It includes income from fees for services, the use or rental of equipment acquired with federal funds, and the sale of commodities or items fabricated under a federal award (for example, item or services generated in a CTE class and sold for profit). Unless otherwise stated in the grant terms and conditions or other federal regulations, program income does not include rebates, credits, discounts, and refunds or interest earned on any of them.

Generally, program income must be deducted from allowable grant expenditures. With prior federal approval, program income may be added to the federal award or used for a cost sharing or matching requirement.

Period of Performance (2 CFR section 200.309)

Period of performance means the time during which the district may incur new obligations to perform the work authorized under the federal award. In general, the period of performance is 15 months. This period starts on July 1 of a particular year, and runs through September 30 of the following year. For example, a federal grant that becomes available July 1, 2020, is available until September 30, 2021. Please note that this crosses three school district fiscal years.

For competitive grants, districts may incur costs prior to the start date of the period of performance (pre-award costs - costs directly associated with the negotiation and in anticipation of the federal award and are necessary for efficient and timely performance of the scope of work). Pre-award costs are only allowable if they would have been allowable if incurred after the start date of the period of performance and only with written approval from the federal grantor or pass-through entity.

For formula grants, districts that do not spend their entire grant award in a particular year may be eligible for carryover of the remaining balance on their grant. Such carryover is available for an additional twelve (12) months, running through September 30 of the second year following the awarding of the grant. Using the example above, this additional period would expire September 30, 2022. This period is known as the Tydings period (not applicable to grants received directly from a federal agency).

Carryover Limitations

Districts may be limited in the amount of grant money that may be carried over into the Tydings period. These limitations are based on the individual programs. For example, a district that receives \$50,000 or more in Title I, Part A funds may not carry over beyond the initial 15 months of availability more than 15 percent of its Title I, Part A funds. OSPI may grant a waiver of the percentage limitation under certain circumstances.

For information about any carryover provisions for a specific program, review the iGrants profile page for each program or contact the program supervisor.

Obligation

Federal grants utilize the concept of 'obligation' when it comes to the use of grant money. Simply, an obligation is created when a district has a binding commitment to pay federal funds. The determination of when an obligation is created is dependent upon the nature of the cost being incurred.

Nature of Cost	Obligation Created
Acquisition of real or personal property	On the date the subgrantee makes a binding written commitment to acquire the property.
Personal services by an employee	When the services are performed.

Nature of Cost	Obligation Created
Personal services by a contractor who is not an employee	On the date on which the subgrantee makes a binding written commitment to obtain the services.
Performance of work other than personal services	On the date on which a subgrantee makes a binding written commitment to obtain the work.
Travel	When the travel is taken.
Rental of real or personal property	When the subgrantee uses the property.
Approved pre-agreement cost	On the first day of the grant performance period.

The date on which a school district may begin to obligate funds depends on the type of award. There are two types of awards: formula and discretionary.

If the authorizing statute for a program requires the state to make subgrants on the basis of a formula, the state may not authorize a school district to obligate funds until the latter of the following two dates:

- The date that the state may begin to obligate funds (typically July 1); or
- The date that the school district submits its application to the state in substantially approvable status (SAS).

Reimbursement for obligations is subject to final approval of the application.

Formula Programs include, but are not limited to:

- Title I, Part A
- Title I, Part C
- Title II, Part A
- Title III LEP
- Title IV, Part A
- Title V, Part A
- Title VI, Part B Rural, Low-Income Schools
- Perkins
- IDEA

If the authorizing statute for a program gives the state discretion to select subgrantees, the state may not authorize an applicant for a subgrant to obligate funds until ***the subgrant is awarded***.

Obligations need to be liquidated no more than 90 days beyond the end of the funding period.

Procurement

Procurement transactions must be conducted in a manner providing full and open competition to avoid real or perceived unfair advantages. Districts must comply with the most stringent laws and regulations; so, it is important to know federal regulations (2 CFR §200.317–.326), state law (RCW 28A.335.190) and the district procurement policy.

Micro-Purchase Self-Certification

Effective November 12, 2020, the Uniform Grant Guidance will allow non-federal entities to self-certify that they are low risk and use higher micro purchase thresholds (CFR 200.320(a)(1)). In order to use the higher threshold, the school district must meet either:

1. Qualify as a low-risk auditee for your most recent audit, or
2. Perform an annual internal institutional risk assessment to identify, mitigate, and manage financial risks.

School districts that qualify to self-certify could go up to \$50,000 for services and books and \$40,000 for other purchases of furniture, equipment, or supplies (RCW 28A.335.190). If the school district policy wants to go above these limits, it must receive approval from its cognizant agency of indirect costs, which is the Office of Superintendent of Public Instruction (OSPI). However, for the other purchases of furniture, equipment or supplies, OSPI cannot approve a district's request to go above \$40,000 due to the bid threshold for these items in state law.

In order to qualify as a low-risk auditee, the school districts must meet the criteria for a low risk auditee found in the Code of Federal Regulations (CFR) 200.520. The auditor makes the determination as to whether or not the auditee qualifies as a low-risk auditee. The determination is cited in the federal single audit report under Identification of Major Federal Programs in Section I – Summary of Auditor's Results of the Schedule of Findings and Questioned Costs.

Self-certification must take place on an annual basis; we recommend at the start of each school year starting September 1st. The district's procurement policies must be updated prior to using the new thresholds. It is also recommended the policy include the self-certification procedures. District are encouraged to contact the Washington State School Directors' Association (WSSDA) regarding updated procurement policies.

Procurement Thresholds

When federal funds are used to purchase goods (furniture, supplies, equipment, and textbooks):

- Micro-Purchases of \$10,000 or less do not require quotes. However, districts must consider price to be reasonable based on research, experience, purchase history or other information and must be documented. Purchase cards can be used for micro-purchases if written procurement procedures are approved. To the maximum extent practical, purchases should be distributed equitably among suppliers.
 - Districts that qualify to self-certify could go up to \$40,000 for the purchases of furniture, equipment, or supplies (RCW 28A.335.190).
 - Districts that qualify to self-certify could go up to \$50,000 for the purchase of books.
 - If the school district wants to go above \$50,000 for the purchase of books, it must receive approval from OSPI.
- Small-Purchases between \$10,000 and \$75,000 must be procured using price or rate quotations from an adequate number of qualified sources (state law requires three sources).
 - When a district self-certifies, the range changes to between \$40,000 and \$75,000 for the purchases of furniture, equipment, or supplies.
 - When a district self-certifies, the range changes to between \$50,000 and \$75,000 for the purchases of books.
- Purchases of \$75,000 or more must be publicly solicited using sealed bids.

When federal funds are used to purchase services:

- Purchases of \$10,000 or less do not require quotes. However, districts must consider price to be reasonable, and, to the extent practical, distribute equitably among suppliers.
 - Districts that qualify to self-certify could go up to \$50,000 for services.
 - If the school district wants to go above \$50,000, it must receive approval from OSPI.

- Purchases between \$10,000 and \$250,000 must be procured using price or rate quotations from an adequate number of qualified sources.
 - When a district self-certifies, the range changes to between \$50,000 and \$250,000.
- Purchases of \$250,000 or more must be publicly solicited using sealed bids.

Other Procurement Guidelines

Procurement by noncompetitive proposals may only be used when one of the following four circumstances applies. The district must maintain documentation supporting the applicable circumstance for noncompetitive proposals.

1. The item is only available from a single source;
2. The public exigency or emergency for the requirement will not permit a delay resulting from competitive solicitation;
3. The awarding agency (e.g., OSPI) authorizes noncompetitive proposal in response to a written request from the district; or
4. After solicitation of a number of sources, competition is determined inadequate.

Suspension and Debarment

Certain non-federal entities have been prohibited from participating in or receiving federal assistance for various reasons such as prior mismanagement of funds or non-compliance with laws and regulations. This prohibition may be temporary (suspension) or indefinite (debarment; until specifically allowed by the federal government). When performing this purchase, the recipient must verify that the vendor, supplier, provider or their respective principals (e.g., owners, top management, etc.) are not suspended, debarred or otherwise excluded by the federal government.

Districts must comply with suspension and debarment requirements for the following federal transactions:

- Vendor contracts for goods and services that are expected to equal or exceed \$25,000
- All subawards (no dollar threshold)

There are three options to ensure that vendors and subgrantees are not suspended or debarred from receiving federal money:

First, districts can check the System for Award Management (SAM) at www.sam.gov, which is an official website of the federal government. Districts must maintain evidence that SAM was checked (for example, a print-out from the system), and the information should be verified on a periodic basis.

Second, districts can collect a certification from the person or company that they are not suspended or debarred from receiving federal funds. This certification needs to be documented and maintained for the auditors, and reviewed on a periodic basis.

Third, language can be added to the contract covering the transaction that states that the vendor is neither suspended nor debarred from receiving federal dollars, and that they will remain that way throughout the duration of the contract.

Time and Effort

The Uniform Grant Guidance offers new flexibilities for time and effort tracking in an effort to reduce burden. Although specific documentation such as personnel activity reports or semi-annual certifications are not mentioned in the Uniform Grant Guidance, districts must have strong internal controls program to ensure accountability. It should also be noted that the Uniform Grant Guidance does not require any grantee to change their current system for time and effort reporting.

OSPI provides guidance to districts on time and effort requirements. In addition to technical assistance, OSPI issues a Bulletin that discusses the requirements and provides examples for districts.

AUDITS OF FEDERAL GRANTS

Audit Requirements

The Single Audit Act of 1984 (with amendments in 1996) and 2 CFR §200.500 (superseded OMB Circular A-133) provide audit requirements for ensuring that federal funds are expended properly. A single audit is intended to provide a cost-effective audit for non-Federal entities in that one audit is conducted instead of multiple audits of individual programs.

A single audit encompasses a district's:

- Financial statements

- Schedule of Expenditures of Federal Awards
- Internal controls over federal programs
- Compliance with direct and material laws and regulations applicable to federal programs

Grantees that expend \$750,000 or more in a year in total federal awards are required to have a single audit. Grantees that expend less than \$750,000 in federal awards are exempt from federal audit requirements that year, but records must be available for review or audit by appropriate officials of the federal agency, pass-through entity, and Government Accountability Office (GAO).

Compliance Supplement

The Compliance Supplement is issued every year by the Office of Management and Budget. It is used by auditors to understand a federal program's objectives, procedures, and compliance requirements relevant to the audit. The Compliance Supplement also provides audit objectives and suggested audit procedures.

Audit Follow-Up and Resolution

Single audit reports are reviewed by federal granting agencies and OSPI. Any findings related to an award provided directly by a federal agency must be resolved to the satisfaction of the granting agency. In Washington State, the audit resolution process is handled by OSPI for both state and federal findings related to awards passed through OSPI. The audit resolution process includes recovering any disallowed costs.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

All school districts receiving federal funds must prepare a Schedule of Expenditures of Federal Awards (SEFA), regardless of the minimum federal award threshold to receive a single audit. The SEFA lists expenditures for individual federal programs by federal agency and is used by auditors to help determine which federal programs will be audited. It is important that it is complete and accurate. The SEFA is included in the audit report, and the auditor must opine on whether it is fairly stated in all material respects.

The SEFA is *not* submitted to OSPI. It is submitted to the State Auditor's Office, and it is included as a part of the district's financial statements. For more information on the SEFA, refer to the Administrative, Budgeting, and Financial Reporting (ABFR) Handbook.

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