

**CHAPTER 13: FISCAL RESOURCES AND REPORTING STANDARDS**

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**INTRODUCTION TO FISCAL RESOURCES AND REPORTING STANDARDS****Use of Special Education Funds**

All children who participate in public education in Minnesota, including children and youth with disabilities, generate general education revenue. In addition to the general education revenue, the state provides state special education aid to partially reimburse school districts for the special instruction and related services provided to children and youth with disabilities. In general, this state special education aid partially pays for the special education teachers, paraprofessionals and related services providers. It also pays for a percentage of contracted services, student placements, supplies and equipment. There is also state special education aid for other specific circumstances, such as "special transportation."

**Reimbursement Percentages**

- Salaries: 68 percent of the salary of staff providing special instruction or related services
- Supplies and Equipment: 47 percent of the cost of specialized supplies and equipment, not to exceed an average of \$47 per service provider for each student
- Contracted Services: 52 percent of the amount of contracts for specialized instruction or related services or 52 percent of the difference between the cost of out-of-district placement and the general education revenue received for the student

**State Special Education Funds**

State special education aids are appropriated by the Legislature each biennium. The special education revenue paid to school districts each year is based on current year expenditures.

The use of special education funds is restricted to specific needs of children with disabilities and may not be used to provide services identical or similar to those provided general education students. A student with a disability may be impacted by a particular service or material yet not necessarily qualify for special education funding.

Examples of expenditures eligible for reimbursement for various activities are shown below:

- Child find and student identification;
- Necessary short-term indirect or consultative services provided in conjunction with regular education pre-referral activities to an individual suspected of having a disabling condition to determine whether referral for assessments shall be made;
- Evaluation of IEP planning for individual students;
- Teachers, related services, and support services staff providing direct services to students who have IEPs;
- School psychological services, school counselor services and school social worker services as outlined in the student's IEP;
- Other related services provided in conjunction with the instructional program as outlined in the student's IEP;
- Paraprofessional services provided under the direction of a regular or special education teacher;
- Program coordination and due process facilitation;
- Individualized instructional supplies and equipment;
- Cultural liaison;
- IEP clerical support;
- Home-based travel for ECSE.

Activities *not eligible* for state special education aid are listed below:

- Ongoing services for at-risk students such as truancy, suicide prevention, child abuse prevention, or child protection;
- Salaries for persons serving in supervisory assignments such as directors of special education and assistant directors of special education;
- Professional development activities;
- Travel for staff except for early childhood home-based travel;
- Substitute teachers, when the regular payroll teacher is ill or on other paid leave or the substitute is not appropriately licensed;
- Fringe benefits – for state funded payroll personnel;
- Office and teacher supplies, materials and equipment;
- Construction and remodeling;
- Equipment for student transportation;
- Conferences and conventions;
- Professional dues and publications.

#### Other State Funding

*Excess cost aid* was first available to school districts in 1994-1995. It was introduced by the Legislature as a “safety net” so districts could generate extra revenue in any year in which special education costs greatly increased.

*Special transportation revenue* reimburses school districts for up to 100 percent of the costs of transporting children and youth with disabilities when the transportation necessary is different from, or in addition to, the transportation provided for all students.

*Compensatory revenue* is part of the general education revenue, and is revenue generated based on the poverty index of each school district. Compensatory revenue may be used to cover some of the costs of special education that are not covered by other sources.

#### State Aid Matched to Federal Aid

It is not permissible to pay the non-reimbursed cost of state aided personnel with federal funds with the following exceptions:

- *Migrant Education Programs*: Federal funds may be used to pay the non-reimbursed cost of special education for purposes of providing summer school programs for migrant children with disabilities.
- *Indian Education Act Program*: Federal funds may be used to pay the non-reimbursed costs of state aided cultural liaison aides serving American Indian students with disabilities.
- *Regional Low Incidence Projects*: Federal Low Incidence Discretionary funds may be used to pay the non-reimbursed costs of state aided low incidence staff working for the low incidence projects.
- *Special Education – 50% Rule Dollars*: Fifty percent of the increase in federal flow-through funding from one year to the next may be treated as local funds.
- *Local Collaborative Time Study Funds (LCTS)*: These federal funds are made available for counties and school districts to use for services, which may include children with disabilities. These funds may be considered local funds.

## **Federal Special Education Aid**

The U.S. Congress determines the total amount of federal funding available for special education each year. Federal grants to states for special education are based on a formula that takes into account the number of students with disabilities in a state, the poverty index of a state and the total K-12 public school enrollment. Minnesota also receives federal special education funds for preschool and for children ages Birth-2.

These funds are less plentiful than state aid, but more flexible. Federal funds can be used for almost anything a district determines to be necessary in their obligations to provide a free appropriate public education (FAPE) to children and youth with disabilities. The Division of Special Education retains a small percentage of the federal funds. Some of these funds go to support the administration of special education and some are designated for discretionary purposes based on priorities set by stakeholders.

Districts have more latitude in using federal funds than they do with state special education funds. Federal funds can be used to provide any special education services the IEP team deems appropriate which are typically not available to general education students.

Federal funds cannot be used to displace or supplant state and local funds. Districts cannot move staff to federal funding in order to save state and local costs. Federal funds have traditionally been used in Minnesota to supplement programs that have been paid for with state and local funds. This is the concept described in IDEA as "supplement, not supplant."

Federal funds can only pay for the excess cost of serving students with disabilities.

**If a school district does not maintain the same level of state and local special education expenditures from one year to the next, it may put itself in violation of the non-supplanting requirement as stated in the Individuals with Disabilities Education Improvement Act of 2004.** The federal maintenance of effort clause requires school districts to spend in a current year, from state and local special education funds, the same or greater amount spent in the previous year. A school district cannot arbitrarily reduce its special education program costs without putting its federal special education funds in jeopardy.

It is not permissible for a school district to reduce special education program expenditures without an actual reduction in program costs.

Other major differences between state and federal funding are found in the way in which they are targeted, in the amounts provided, and in the formula relating to payments. State legislation carefully prescribes the use of state funds to emphasize the provision of direct services to children and to de-emphasize related expenses such as administration, fringe benefits for personnel, staff travel, staff training, and so on. Federal funds recognize a much broader array of eligible expenses, but provide a much more limited appropriation.

Federal funds are assigned to districts on the basis of the unduplicated count of students they served on December 1 of their base year (as well as poverty and enrollment numbers for the school district). Federal funds reimburse 100 percent of the reported expenditures up to the amount of funds available.

## **Annual Application**

The Special Education Cooperative will submit to the Commissioner, an application for approval of the special education programs and the budgets for the next fiscal year before June 1 of each year. The annual application will be the responsibility of the Director of Special Education for the Cooperative districts. The application must include an enumeration of the costs proposed as eligible for state aid and the estimated number of grade level children with a disability in the district who will receive special education services during the regular school year and in summer programs during the next fiscal year. The application will also include any other information deemed necessary by the Commissioner for the calculation of state aid and for the evaluation of the necessity of the program, the personnel employed in the program, the amount the program will receive from grants from federal funds or special grants from other state sources and the programs' compliance with the rules and standards of the Department of Education.

## **Federal Part B and C Funds**

Federal Part B and Preschool Incentive funds will be held by Special Education Cooperative. These funds will be distributed to member districts after expenditures have been made, accepted and finalized through to the State EDRS System. New federal funds will be used to supplement, not supplant local funds used in the provision of services to students with disabilities. Federal funds may be used solely to pay the excess costs of providing special education and related services to children with disabilities.

District expenditure plans will be developed by the Director of Special Education in conjunction with the Superintendent of Schools for each member district and/or each district's business manager. All expenditures must have the final approval of the Director of Special Education to ensure the expenditures are directly attributable to the education of a child with a disability and meet the requirements of the Act.

## **Maintenance of Efforts**

Districts will not expend federal funds to reduce the level of expenditures for the education of children with disabilities made from local funds below the level of those expenditures for the preceding fiscal year, unless one of the following criteria has been met:

- Voluntary departure by retirement or otherwise, or for just cause, of a special education or related service provider;
- Decrease in enrollment of children with disabilities;
- Termination of the obligation of the agency to provide a program of special education to a particular student with a disability that is exceptionally costly because:
  - the child left the jurisdiction of the agency,
  - reached the age of the obligation of the agency to provide FAPE and child's program was terminated,
  - child no longer needs special education
- Termination of costly expenditures for long-term purchases; or
- The assumption of the high cost fund operated by the state education agency.

## **Adjustments to Local Fiscal Efforts**

Districts will use 15% of the Section 611 entitlement for Early Intervening Services (EIS), as long as the data does not demonstrate a significant disproportional representation by race/ethnicity within the district's special education child count.

EIS funds will be utilized for provision of services to students and for staff development purposes related to the provision of services to students. Early Intervening funds will be used to deliver scientifically based

academic instruction and/or behavioral interventions to students not yet identified as needing special education services.

### **Allocation of Expenditures and Aids**

The Special Education Cooperative allocates state and local expenditures and aids to member districts for staff employed by the Cooperative to serve its member districts according to the percentage of the member district's general student population. Staff are proportionately recorded on the Electronic Data Reporting System (EDRS) for the member districts served.

### **Third Party Payments**

The district seeks reimbursement from insurers and similar third parties for the costs of services provided by the district when these services are otherwise covered by the student's health coverage. For children enrolled in medical assistance (MA) and who have no other health coverage, districts provide initial written notice to the enrolled student's parents or legal representative of the intent to seek reimbursement from medical assistance or MinnesotaCare for the individual education plan's health-related services provided by the district. Annual written notice is provided to parents through a letter in the fall and through the Procedural Safeguards provided at the annual IEP meeting. Districts include the following information in the annual notice:

- (1) the district's intent to seek reimbursement from medical assistance or MinnesotaCare for individual education plan health-related services provided by the district;
- (2) the right of the parent or legal representative to request a copy of all records concerning individual education plan health-related services disclosed by the district to any third party; and
- (3) the right of the parent or legal representative to withdraw consent for disclosure of a child's records at any time without consequence.

Districts will seek access to private health care coverage. Annual written informed consent will be obtained from the parent or legal representative to inform the parent/legal representative that refusal to permit the district or private health care coverage does not relieve the district of its responsibility to provide all services necessary to provide FAPE at no cost to the parent or legal representative. When obtaining informed consent to bill health plans for covered services, districts will notify the parent/legal representative that:

- (1) the cost of the person's private health insurance premium may increase due to providing the covered services in the school setting,
- (2) the school district may pay certain enrollee health plan costs, including but not limited to, co-payments, co-insurance, deductibles, premium increases or other enrollee cost-sharing amounts for health and related services required by an individual service plan, or individual family service plan,
- (3) the school's billing for each type of covered service may affect service limits and prior authorization thresholds, and
- (4) the informed consent may be revoked in writing at any time by the person authorizing the billing of the health plan.

Districts will not deny or delay any service that must be provided under an individual education plan because a family has refused to provide informed consent to bill a health plan for services or a health plan company has refused to pay any, all or a portion of the cost of services billed.

Districts will disclose only information contained in the student's individual education plan, including records of the student's diagnosis and treatment to the health plan company, only with signed and dated

consent of the parents or legal representative and then, only information required to make a decision regarding coverage and payment.

With regard to services required by FAPE to eligible students covered by public insurance, districts will:

- not require parents to sign up for or enroll in public insurance programs in order for their child to receive FAPE under Part B of the Act;
- not require parents to incur an out-of-pocket expense such as the payment of a deductible or co-pay amount incurred in filing a claim for services provided and the district may pay the cost that the parent otherwise would be required to pay;
- not use a child's benefits under a public insurance program if that use would –
  - decrease available lifetime coverage or any other insured benefit;
  - result in the family paying for services that would otherwise be covered by the public insurance program and that are required for the child outside of the time the child is in school;
  - increase premiums or lead to the discontinuation of insurance; or
  - risk loss of eligibility for home and community-based waivers, based on aggregate health related expenditures; and
- obtain parental consent.

With regard to services required by FAPE to eligible students covered by private insurance, districts will:

- obtain parental consent; and
- inform the parents that their refusal to permit the public agency to access their private insurance does not relieve the public agency of its responsibility to ensure that all required services are provided at no cost to the parents.

### **Treatment of Charter Schools**

The Special Education Cooperative member districts in carrying out their responsibilities of Part B of IDEA with respect to charter schools will;

- serve children with disabilities attending those schools in the same manner as the member districts serve children with disabilities in its other schools, including providing supplementary and related services on site at the charter school to the same extent to which the districts have policies or practices of providing such services on the site to its other public schools; and
- will provide funds under Part B of the Act to those charter schools:
  - on the same basis as the districts provide funds to the district's other public schools, including proportional distribution based on relative enrollment of children with disabilities; and
  - at the same time as the district distributes other federal funds to the district's other public schools, consistent with the state's charter school law.
- If the public charter school is a school of the district that receives funding under IDEA and includes other public schools –
  - the district will be responsible for ensuring that the requirements of IDEA are met.

### **Minnesota State Academies**

When it is determined that a resident student is entitled to attend either of the Minnesota State Academics, districts will pay the academy's unreimbursed costs of providing an instructional aide assigned

to the student, if required. Special education transportation to and from the Academies on a weekly basis will be provided by the resident district at no cost to the parent/guardian.

### **Choice Options/Open Enrollment**

The Special Education Cooperative member districts in accordance with the Statutory Education Choice Enrollment Act, will be responsible for the excess costs of the educational program for students placed outside of the district of residence by the parent for the purpose of educational programming. It is the responsibility of the providing district to assure an appropriate program is available to the student including the notice and hearing procedures.

The Special Education Cooperative member districts will provide transportation for resident students enrolled in the options program within the resident district borders, if requested by the parent of the student. Member districts will provide transportation for a resident student in the options program to the program/building outside of the district's borders only when doing so is required as a provision of FAPE to the student.

### **Transportation of Students with Disabilities**

When a member district resident student is placed in a temporary care and treatment day program, the Special Education Cooperative resident district will provide transportation to and from the care and treatment facility during the regular operating hours of the district only.

## NORTHERN LAKES SPECIAL EDUCATION COOPERATIVE PRACTICES AND PROCEDURES RELATED TO FEDERAL IDEA EXPENDITURES

The Northern Lakes member districts will follow the principles and the standards established in OMB Circular A-87 – Revised, for determining cost for Federal awards carried out through grants, cost reimbursement contracts, and other agreements. These principles will be used to determine allowable costs only.

### GENERAL PRINCIPALS FOR DETERMINING ALLOWABLE COSTS

To be allowable under a Federal award, cost must meet the following federal cost principles:

1. Costs must be necessary and reasonable for proper and efficient performance and administration of Federal awards. A cost is reasonable if it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost. Consideration should be given to:
  - whether the cost is a type generally recognized as ordinary and necessary for the operation of the district or the performance of the Federal award;
  - the restraints or requirements imposed by such factors as: sound business practices; arms length bargaining; federal, state and other laws and regulations; and, terms and conditions of the Federal award;
  - market prices for comparable goods or services;
  - whether the individuals concerned acted with prudence in the circumstances considering their responsibilities to the school district, its employees, the public at large, and the Federal Government;
  - significant deviations from the established practices of the district which may unjustifiably increase the federal cost.
2. Costs must be allowable to Federal awards. In determining an allowable cost, the Northern Lakes member districts will consider:
  - if the goods or services involved are chargeable or assignable to such objective in accordance with relative benefits received;
  - all activities which benefit from the district's indirect cost, including unallowable activities and services donated to the school district by third parties, will receive an appropriate allocation of indirect costs;
  - any cost allocable to a particular Federal award or cost objective under the principles will not be charged to other Federal awards to overcome fund deficiencies, to avoid restrictions imposed by law or terms of the award for other reasons;
  - when an accumulation of indirect costs results in charges to a Federal award, a cost allocation plan will be provided.
3. Costs must be authorized and not prohibited under state and local laws and regulations.
4. Costs must conform to any limitations or exclusions set forth in federal laws, terms and conditions of the award or other governing regulations as to type or amount.
5. Costs must be consistent with policies, regulations, and procedures that apply uniformly to both Federal awards and other activities of the district. Costs must be accorded consistent treatment. A cost will 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 the Federal award as an indirect cost.
6. Cost will be determined in accordance with generally accepted accounting principles (GAAP).

7. Costs will not be included as a cost or used to meet cost sharing or matching requirements of any other Federal award in either the current or a prior period, except as specifically provided by Federal law or regulation.
8. Cost will be the net of all applicable credits. Applicable credits refer to those receipts or reduction of expenditure-type transaction that offset or reduce expense items allowable to Federal awards as direct or indirect costs. Examples of such transactions are: purchase discounts, rebates or allowances, recoveries or indemnities on losses, insurance refunds or rebates, and adjustments of overpayments or erroneous charges. To the extent that such credits accruing to or received by the district relate to allowable costs, they shall be credited to the Federal award either as a cost reductions or cash refund, as appropriate.
9. Cost will be adequately documented.

## **COMPOSITION OF COSTS**

The total cost of Federal awards is comprised of the allowable direct cost of the program, plus its allocable portion of allowable indirect costs, less applicable credits.

Each item of cost will be treated consistently in like circumstances either as a direct or an indirect cost. Guidelines for determining direct and indirect costs charges to Federal awards are provided below.

### **Direct Costs**

Direct costs are those that can be identified specifically with a particular final cost objective. Typical direct costs chargeable to Federal awards include:

- compensation of employees for the time devoted and identified specifically to the performance of those awards;
- cost of materials acquired, consumed, or expended specifically for the purpose of those awards;
- equipment and other approved capital expenditures; and/or
- travel expenses incurred specifically to carry out the award.

Any direct cost of a minor amount may be treated as an indirect cost for reasons of practicality where such accounting treatment for that item of cost is consistently applied to all cost objectives.

### **Indirect Costs**

Indirect costs are those: (a) incurred for a common or joint purpose benefiting more than one cost objective, and (b) not readily assignable to the cost objectives specifically benefited, without effort disproportionate to the results achieved. The term "indirect costs," applies to costs of this type originating in the grantee department, as well as those incurred by other departments in supplying goods, services, and facilities.

### **Certification**

Each cost allocation plan or indirect cost rate will comply with the following:

- all proposals to establish a cost allocation plan or an indirect cost rate will be certified by the district (see [Certificate of Cost Allocation Plan](#) or [Certificate of Indirect Costs](#)). Certificate will be signed by the school district's Business Manager or Superintendent in Northern Lakes Cooperative member districts without a business manager.
- Indirect cost rates are determined by the State of Minnesota for each Minnesota district based on audited historical data and will not include unallowable costs.

## SELECTED ITEMS OF COST

### **Accounting**

The cost of establishing and maintaining accounting and other information systems is allowable.

### **Advertising and Public Relations Costs**

The term "advertising costs" means the cost of advertising media and corollary administrative costs. Advertising media include magazines, newspapers, radio and television programs, direct mail, exhibits, etc.

The district will pay for advertising costs only when incurred for the recruitment of personnel, the procurement of goods and services, the disposal of surplus materials, and any other specific purposes necessary to meet the requirements of the Federal award. Advertising costs associated with the disposal of surplus materials will not be paid with the Federal award when all disposal costs are reimbursed based on a standard rate as specified in the grants management common rule.

#### **Public relations costs are allowable when:**

- it is specifically required by the Federal award and then only as a direct cost;
- it is incurred to communicate with the public and press pertaining to specific activities or accomplishments that result from performance of the Federal award and then only as a direct cost; or
- it is necessary to conduct general liaison with news media and government public relations officers, to the extent that such activities are limited to communication and liaison necessary to keep the public informed on matters of public concern, such as notices of federal contract/grant awards, financial matters, etc.;

#### **Unallowable advertising and public relations costs include the following:**

- all advertising and public relations costs other than as specified above;
- except as otherwise permitted by these cost principles, costs of conventions, meetings, or other events related to other activities of the district including:
  - costs of displays, demonstrations, and exhibits;
  - costs of meeting rooms, hospitality suites, and other special facilities used in conjunction with shows and other special events;
  - salaries and wages of employees engaged in setting up and displaying exhibits, making demonstrations, and providing briefings;
  - costs of promotional items and memorabilia, including models, gifts, and souvenirs; and
  - costs of advertising and public relations designed solely to promote the district.

### **Advisory Councils**

Costs incurred by advisory councils or committees are allowable as a direct cost where authorized by the Federal awarding agency or as an indirect cost where allocable to Federal awards.

### **Alcoholic Beverages**

Costs of alcoholic beverages are unallowable.

### **Audit Services**

The costs of audits are allowable provided that the audits were performed in accordance with the Single Audit Act. Generally, the percentage of costs charges to Federal awards for a single audit shall not exceed the percentage derived by dividing federal funds expended by total funds expended by the

recipient or sub-recipient (including program matching funds) during the fiscal year. The percentage may be exceeded only if appropriate documentation demonstrates higher actual costs. Other audit costs are allowable if specifically approved by the awarding agency as a direct cost to an award or included as an indirect cost in a cost allocation plan or rate.

### **Automatic Electronic Data Processing**

The cost of data processing services is allowable.

### **Bad Debts**

Any losses arising from uncollectible accounts and other claims, and related costs, are unallowable unless provided for in Federal program award regulations.

### **Bonding Costs**

Costs of bonding employees and officials are allowable to the extent that such bonding is in accordance with sound business practices.

### **Budgeting**

Costs incurred for the development, preparation, presentation, and execution of budgets are allowable.

### **Communications**

Costs of telephone, mail, messenger, and similar communication services are allowable.

### **Compensation for Personnel Services**

General compensation for personnel services includes all remuneration, paid currently or accrued, for services rendered during the period of performance under Federal awards, including but not necessarily limited to wages, salaries, and fringe benefits. The costs of such compensation are allowable to the extent that they satisfy the specific requirements of Circular A-87 and the total compensation for individual employees:

- is reasonable for the services rendered and conforms to the established policy of the district consistently applied to both Federal and non-Federal activities;
- follows an appointment made in accordance with laws and rules and meets merit system or other requirements required by Federal law, where applicable; and
- is determined and supported.

### **Reasonableness**

Compensation for employees engaged in work on Federal awards will be considered reasonable to the extent that it is consistent with that paid for similar work in other activities of the district. In cases where the kinds of employees required for Federal awards are not found in the other activities of the school district, compensation will be considered reasonable to the extent that it is comparable to that paid for similar work in the labor market in which the employing school district competes for the kind of employees involved.

### **Unallowable Costs**

Costs which are unallowable under other sections of these principles shall not be allowable under this section solely on the basis that they constitute personnel.

### **Fringe Benefits**

Fringe benefits are allowances and services provided by employers to their employees as compensation in addition to regular salaries and wages. Fringe benefits include, but are not limited to, the costs of leave, employee insurance, pensions, and unemployment benefit plans. Except as provided elsewhere in these principles, the costs of fringe benefits are allowable to the extent that the benefits are reasonable and are required by law, school district agreement, or an established policy of the district.

The cost of fringe benefits in the form of regular compensation paid to employees during periods of authorized absences from the job, such as for annual leave, sick leave, holidays, court leave, military leave, and other similar benefits, are allowable if: (a) they are provided under established written leave policies; (b) the costs are equitably allocated to all related activities, including Federal awards; and (c) the accounting basis (cash or accrual) selected for costing each type of leave is consistently followed by the district.

When a school district uses the cash basis of accounting, the cost of leave is recognized in the period that the leave is taken and paid for. Payments for unused leave when an employee retires or terminates employment are allowable in the year of payment provided they are allocated as a general administrative expense to all activities of the school district or component.

The accrual basis may be only used for those types of leave for which a liability as defined by Generally Accepted Accounting Principals (GAAP) exists when the leave is earned. When a school district uses the accrual basis of accounting, in accordance with GAAP, allowable leave costs are the lesser of the amount accrued or funded.

The cost of fringe benefits in the form of employer contributions or expenses for social security; employee life, health, unemployment, workers' compensation insurance, pension plan costs, and other similar benefits are allowable, provided such benefits are granted under established written policies. Such benefits, whether treated as indirect costs or as direct costs, shall be allocated to Federal awards and all other activities in a manner consistent with the pattern of benefits attributable to the individuals or group(s) of employees whose salaries and wages are chargeable to such Federal awards and other activities.

Pension plan costs may be computed using a pay-as-you-go method or an acceptable actuarial cost method in accordance with established written policies of the district.

For pension plans financed on a pay-as-you-go method, allowable costs will be limited to those representing actual payments to retirees or their beneficiaries.

Pension costs calculated using an actuarial cost-based method recognized by GAAP are allowable for a given fiscal year if they are funded for that year within six months after the end of that year. Costs funded after the six month period are allowable in the year funded. The cognizant agency may agree to an extension of the charges to the Federal Government and related federal reimbursement and the school district's contribution to the pension fund. Adjustments may be made by cash refund or other equitable procedures to compensate the Federal Government for the time value of federal reimbursement in excess of contributions to the pension fund.

Amounts funded by the district in excess of the actuarially determined amount for a fiscal year may be used as the district's contribution in future periods.

When a school district converts to an acceptable actuarial cost method, as defined by GAAP, and funds pension costs in accordance with this method, the unfunded liability at the time of conversion shall be allowable if amortized over a period of years in accordance with GAAP.

The Federal Government shall receive an equitable share of any previously allowed pension costs (including earnings thereon) which revert or inure to the district in the form of a refund, withdrawal, or other credit.

Post-retirement health benefits (PRHB) refers to costs of health insurance or health services not included in a pension plan for retirees and their spouses, dependents, and survivors. PRHB costs may be computed using a pay-as-you-go method or an acceptable actuarial cost method in accordance with established written policies of the district.

For PRHB financed on a pay-as-you-go method, allowable costs will be limited to those representing actual payments to retirees or their beneficiaries.

PRHB costs calculated using an actuarial cost method recognized by GAAP are allowable if they are funded for that year within six months after the end of that year. Costs funded after the six month period are allowable in the year funded. The cognizant agency may agree to an extension of the six month period if an appropriate adjustment is made to compensate for the timing of the charges to the Federal Government and related federal reimbursement and the school district's contributions to the PRHB fund. Adjustments may be made by cash refund, reduction in current year's PRHB costs, or other equitable procedures to compensate the Federal Government for the time value of federal reimbursements in excess of contributions to PRHB fund.

Amounts funded in excess of the actuarially determined amount for a fiscal year may be used as the government's contribution in a future period.

When the district converts to an acceptable actuarial cost method and funds PRHB costs in accordance with this method, the initial unfunded liability attributable to prior years shall be allowable if amortized over a period of years in accordance with GAAP.

The Federal Government shall receive an equitable share of any amounts of previously allowed post-retirement benefit costs (including earnings thereon) which revert or inure to the district in the form of a refund, withdrawal, or other credit.

Payments in addition to regular salaries and wages made to workers whose employment is being terminated are allowable to the extent that, in each case, they are required by (a) law, (b) employer-employee agreement, (c) established written policy. Severance payments (but not accrual) associated with normal turnover are allowable. Such payments shall be allocated to all activities of the school district as an indirect cost. Abnormal or mass severance pay will be considered on a case-by-case basis and is allowable only if approved by the cognizant federal agency.

### **Donated Services**

Donated or volunteer services may be furnished to school districts by professional and technical personnel, consultants, and other skilled and unskilled labor. The value of these services is not reimbursable either as a direct or indirect cost. However, the value of donated services may be used to meet cost sharing or matching requirements in accordance with the provisions of the Common Rule.

The value of donated services utilized in the performance of a direct cost activity shall, when material in amount, be considered in the determination of the school district's indirect costs or rate(s) and, accordingly, shall be allocated a proportionate share of applicable indirect costs.

To the extent feasible, donated services will be supported by the same methods used by the district to support the allocability of regular personnel services.

### **Contingencies**

Contributions to a contingency reserve or any similar provision made for events the occurrence of which cannot be foretold with certainty as to time, or intensity, or with an assurance of their happening, are unallowable. The term "contingency reserve" excludes self-insurance reserves, pension plan reserves, and post-retirement health and other benefit reserves computed using acceptable actuarial cost methods.

### **Contributions and donations**

Contributions and donations, including cash, property, and services, by school districts to others, regardless of the recipient, are unallowable.

### **Defense and prosecution of criminal and civil proceedings and claims**

The following costs are unallowable for contracts:

- Costs incurred in defense of any civil or criminal fraud proceeding or similar proceeding (including filing of false certification brought by the United States where the contractor is found liable or has pleaded nolo contendere to a charge of fraud or similar proceeding (including filing of a false certification)).

- Costs incurred by a contractor in connection with any criminal, civil or administrative proceedings commenced by the United States or a State to the extent provided in 10 U.S.C. 2324(k).
- Legal expenses required in the administration of federal programs are allowable. Legal expenses for prosecution of claims against the Federal Government are unallowable.

## Depreciation and Use Allowances

Depreciation and use allowances are means of allocating the cost of fixed assets to periods benefiting from asset use. Compensation for the use of fixed assets on hand may be made through depreciation or use allowances. A combination of the two methods may not be used in connection with a single class of fixed assets (e.g., buildings, office equipment, computer equipment, etc.). Classes of assets shall be determined on the same basis used for the government-wide financial statement.

The computation of depreciation or use allowances will be based on the acquisition cost of the assets involved. Where actual cost records have not been maintained, a reasonable estimate of the original acquisition cost may be used. The value of an asset donated to the school district by an unrelated third party shall be its fair market value at the time of donation. School districts located within the same state shall not be considered unrelated third parties for this purpose.

In completing depreciation or allowance use, districts will exclude:

- cost of land;
- any portion of building and equipment borne by or donated by the federal government, irrespective of where the title was originally vested or where it presently resides; and
- any portion of the cost of building and equipment contributed by or for the district or other donor in satisfaction of the matching requirement.

Where the use allowance method is followed, the use allowance for buildings and improvements (including land improvements, such as paved parking areas, fences, and sidewalks) will be computed at an annual rate not exceeding two percent of acquisition costs. The use allowance for equipment will be computed at an annual rate not exceeding  $6 \frac{2}{3}$  percent of acquisition cost. When the use allowance method is used for buildings, the entire building must be treated as a single asset; the building's components (e.g., plumbing system, heating and air condition, etc.) cannot be segregated from the building's shell. The two percent limitation, however, need not be applied to equipment which is merely attached or fastened to the building but not permanently fixed to it and which is used as furnishings or decorations or for specialized purposes (e.g., dentist chairs and dental treatment units, counters, laboratory benches bolted to the floor, dishwashers, modular furniture, carpeting, etc.). Such equipment will be considered as not being permanently fixed to the building if it can be removed without the destruction of, or need for costly or extensive alterations or repairs, to the building or the equipment. Equipment that meets these criteria will be subject to the  $6 \frac{2}{3}$  percent equipment use allowance limitation.

Where the depreciation method is followed, the period of useful service (useful life) established in each case for usable capital assets must take into consideration such factors as type of construction, nature of the equipment used, historical usage patterns, technological developments, and the renewal and replacement policies of the school district followed for the individual items or classes of assets involved. In the absence of clear evidence indicating that the expected consumption of the asset will be significantly greater in the early portions than in the later portions of its useful life, the straight line method of depreciations shall be used. Depreciation methods once used shall not be changed unless approved by the federal cognizant or awarding agency. When the depreciation method is introduced for application to an asset previously subject to a use allowance, the annual depreciation charge thereon may not exceed the amount that would have resulted had the depreciation method been in effect from the date of acquisition of the asset. The combination of use allowances and depreciation applicable to the asset shall not exceed the total acquisition cost of the asset or fair market value at time of donation.

When the depreciation method is used for buildings, a building's shell may be segregated from the major component of the building (e.g., plumbing system, heating, and air conditioning system, etc.) and each major component depreciated over its estimated useful life, or the entire building (i.e., the shell and all components) may be treated as a single asset and depreciated over a single useful life.

A reasonable use allowance may be negotiated for any assets that are considered to be fully depreciated, after taking into consideration the amount of depreciation previously charged to the government, the estimated useful life remaining at the time of negotiation, the effect of any increased maintenance charges, decreased efficiency due to age, and any other factors pertinent to the utilization of the asset for the purpose contemplated.

Charges for use allowances or depreciation must be supported by adequate property records. Physical inventories must be taken at least once every two years (a statistical sampling approach is acceptable) to ensure that assets exist, and are in use. Districts will manage equipment in accordance with state laws and procedures. When the depreciation method is followed, depreciation records indicating the amount of depreciation taken each period will be maintained.

### **Disbursing Service**

The cost of disbursing funds by the Treasurer or other designated officer is allowable.

### **Employee Moral, Health, and Welfare Costs**

The costs of health or first-aid clinics and/or infirmaries, recreational facilities, employee counseling services, employee information publications, and any related expenses incurred in accordance with a district's policy are allowable. Income generated from any of these activities will be offset against expenses.

### **Entertainment**

Costs of entertainment, including amusement, diversion, and social activities and any costs directly associated with such costs (such as tickets to shows or sports events, meals, lodging, rentals, transportation, and gratuities) are not allowable.

### **Equipment and Other Capital Expenditures**

Equipment and other capital expenditures definitions appear below:

- "Capital expenditure" means the cost of the asset including the cost to put it in place. Capital expenditure for equipment means the net invoice price of the equipment, including the cost of any modifications, attachments, accessories, or auxiliary apparatus necessary to make it usable for the purpose for which it is acquired. Ancillary charges, such as taxes, duty, protective in-transit insurance, freight, and installation may be included in, or excluded from, capital expenditure cost in accordance with the district's regular accounting practices.
- "Equipment" means an article of nonexpendable, tangible personal property having a useful life of more than one year and an acquisition cost which equals the lesser of (a) the capitalization level established by the school district for finance statement purposes, or (b) \$5000.
- "Other capital assets" means building, land, and improvements to buildings or land that materially increase their value or useful life.

Capital expenditures which are not charged directly to a Federal award may be recovered through use allowances or depreciation on buildings, capital improvements, and equipment.

Capital expenditures for equipment, including replacement equipment, other capital assets, and improvements which materially increase the value or useful life of equipment or other capital assets are allowable as a direct cost when approved by the awarding agency. Federal awarding agencies are authorized at their option to waive or delegate this approval requirement.

Items of equipment with an acquisition cost of less than \$5000 are considered to be supplies and are allowable as direct costs of Federal awards without specific awarding agency approval.

The unamortized portion of any equipment written off as a result of a change in capitalization levels may be recovered by (1) continuing to claim the otherwise allowable use allowances or depreciation charges on the equipment or by (2) amortizing the amount to be written off over a period of years negotiated with the cognizant agency.

When replacing equipment purchased in whole or in part with federal funds, school districts 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.

### **Fines and Penalties**

Fines, penalties, damages, and other settlements resulting from violations (or alleged violations) of, or failure of the school district to comply with, federal, state, local, or Indian tribal laws and regulations are unallowable except when incurred as a result of compliance with specific provisions of the Federal award or written instructions by the awarding agency authorized in advance such payments.

### **Fund Raising and Investment Management Costs**

Costs of organized fund raising, including financial campaigns, solicitation of gifts and bequests, and similar expenses incurred to raise capital or obtain contributions are unallowable, regardless of the purpose for which the funds will be used.

Costs of investment counsel and staff and similar expenses incurred to enhance income from investments are unallowable. However, such costs associated with investments covering pension, self-insurance, or other funds which include federal participation are allowable.

Fund raising and investment activities shall be allocated an appropriate share of indirect costs.

### **Gains and Losses on Disposition of Depreciable Property and Other Capital Assets and Substantial Relocation of Federal Programs**

Gains and losses on the sale, retirement, or other disposition of depreciable property shall be included in the year in which they occur as credits or charges to the asset cost grouping(s) in which the property was included. The amount of the gain or loss to be included as a credit or charge to the appropriate asset costs grouping(s) shall be the difference between the amount realized on the property and the undepreciated basis of the property.

Gains and losses on the disposition of depreciable property shall not be recognized as a separate credit or charge under the following conditions:

- The gain or loss is processed through a depreciation account and is reflected in the depreciation allowable.
- The property is given in exchange as part of the purchase price of a similar item and the gain or loss is taken into account in determining the depreciation cost basis of the new item.
- A loss results from the failure to maintain permissible insurance, unless compensation for the use of the property was provided through use allowances in lieu of depreciation.
- Substantial relocation of Federal awards from a facility where the Federal Government participated in the financing to another facility prior to the expiration of the useful life of the financed facility requires federal agency approval. The extent of the relocation, the amount of the federal participation in the financing, and the depreciation charged to date may require negotiation of space charges for Federal awards.
- Gains or losses of any nature arising from the sale or exchange of property other than the property covered in subsection a., e.g., land or included in the fair market value used in any excluded in computing Federal award costs.

## **General Government Expenses**

The general costs of government are unallowable. These include:

- Salaries and expenses of the Office of the Governor of a State or the chief executive of a political subdivision or the chief executives of federally-recognized Indian tribal governments;
- Salaries and other expenses of State legislatures, tribal councils, or similar local governmental bodies, such as county supervisors, city councils, school boards, etc., whether incurred for purposes of legislation or executive direction;
- Cost of the judiciary branch of government;
- Cost of prosecutorial activities unless treated as a direct cost to a specific program when authorized by program regulations;
- Other general types of government services normally provided to the general public, such as fire and police, unless provided for as a direct cost in program regulations.
- For federally-recognized Indian tribal governments and Councils Of Governments (COGs), the portion of salaries and expenses directly attributable to managing and operating federal programs by the chief executive and his staff is allowable.

## **Idle Facilities and Idle Capacity**

Idle facilities and idle capacity have the following definitions:

- "Facilities" means land and building or any portion thereof, equipment individually or collectively, or any other tangible capital asset, wherever located, and whether owned or leased by the school district.
- "Idle facilities" means completely unused facilities that are excess to the school district's current needs.
- "Idle capacity" means the unused capacity of partially used facilities. It is the difference between (a) that which a facility could achieve under 100 percent operating time on a one-shift basis less operating interruptions resulting from time lost for repairs, setups, unsatisfactory materials, and other normal delays and (b) the extent to which the facility was actually used to meet demands during the accounting period. A multi-shift basis should be used if it can be shown that this amount of usage would normally be expected for the type of facility involved.
- "Cost of idle facilities or idle capacity" means costs such as maintenance, repair, housing, rent, and other related costs, e.g., insurance, interest, and depreciation or use allowances.

The costs of idle facilities are unallowable except to the extent that they are necessary to meet fluctuations in workload; or although not necessary to meet fluctuations in workload, they were necessary when acquired and are now idle because of changes in program requirements, efforts to achieve more economical operations, reorganization, termination, or other causes which could not have been reasonably foreseen. Costs of idle facilities are allowable for a reasonable period of time, ordinarily not to exceed one year, depending on the initiative taken to use, lease, or dispose of such facilities.

The costs of idle capacity are normal costs of doing business and are a factor in the normal fluctuations of usage or indirect cost rates from period to period. Such costs are allowable, provided that the capacity is reasonably anticipated to be necessary or was originally reasonable and is not subject to reduction or elimination by use on other Federal awards, subletting, renting, or sale, in accordance with sound business, economic, or security practices. Widespread idle capacity throughout an entire facility or among a group of assets having substantially the same function may be considered idle facilities.

## **Insurance and Indemnification**

Costs of insurance required or approved and maintained, pursuant to the Federal award, are allowable. Costs of other insurance in connection with the general conduct of activities are allowable subject to the following limitations:

- Types and extent and cost of coverage are in accordance with the school district's policy and sound business practice.
- Costs of insurance or of contributions to any reserve covering the risk of loss of, or damage to, Federal Government property are unallowable except to the extent that the awarding agency has specifically required or approved such costs.

Actual losses which could have been covered by permissible insurance (through a self-insurance program or otherwise) are unallowable, unless expressly provided for in the Federal award or as described below. However, the Federal Government will participate in actual losses of a self-insurance fund that are in excess of reserves. Costs incurred because of losses not covered under nominal deductible insurance coverage provided in keeping with sound management practice, and minor losses not covered by insurance, such as spoilage, breakage, and disappearance of small hand tools, which occur in the ordinary course of operations, are allowable.

Contributions to a reserve for certain self-insurance programs including workers' compensation, unemployment compensation, and severance pay are allowable subject to the following provisions:

- The type of coverage and the extent of coverage and the rates and premiums would have been allowed had insurance (including reinsurance) been purchased to cover the risks. However, provision for known or reasonably estimated self-insured liabilities, which do not become payable for more than one year after the provision is made, shall not exceed the discounted present value of the liability. The rate used for discounting the liability must be determined by giving consideration to such factors as the school district's settlement rate for those liabilities and its investment rate of return. Earnings or investment income on reserves must be credited to those services.
- Contributions to reserves must be based on sound actuarial principles using historical experience and reasonable assumptions. Reserve levels must be analyzed and updated at least biennially for each major risk being insured and take into account any reinsurance, coinsurance, etc. Reserve levels related to employee-related coverage will normally be limited to the value of claims (a) submitted and adjudicated but not paid, (b) submitted but not adjudicated, and (c) incurred but not submitted. Reserve levels in excess of the amounts based on the above must be identified and justified in the cost allocation plan or indirect cost rate proposal.
- Accounting records, actuarial studies, and cost allocations (or billings) must recognize any significant differences due to types of insured risk and losses generated by the various insured activities or agencies of the school district. If individual departments or agencies of the school district experience significantly different levels of claims for a particular risk, those differences are to be recognized by the use of separate allocations or other techniques resulting in an equitable allocation. Whenever funds are transferred from a self-insurance reserve to other accounts (e.g., general fund), refunds shall be made to the Federal Government for its share of funds transferred, including earned or imputed interest from the date of transfer.
- Actual claims paid to or on behalf of employees or former employees for workers' compensation, unemployment compensation, severance pay, and similar employee benefits, are allowable in the year of payment provided the school district follows a consistent costing policy and they are allocated as a general administrative expense to all activities of the school district.

Insurance refunds shall be credited against insurance costs in the year the refund is received.

Indemnification includes securing the school district against liabilities to third persons and other losses not compensated by insurance or otherwise. The Federal Government is obligated to indemnify the school district only to the extent expressly provided for in the Federal award.

Costs of commercial insurance that protects against the costs of the contractor for correction of the contractor's own defects in materials or workmanship are unallowable.

### **Interest**

Costs incurred for interest on borrowed capital or the use of a school district's own funds, however represented, are unallowable except as specifically provided in the grant or authorized by federal legislation.

Financing costs (including interest) paid or incurred associated with the otherwise allowable costs of building acquisition, construction, or fabrication, reconstruction or remodeling completed on or after October 1, 1980, is allowable, subject to the conditions below. Financing costs (including interest) paid or incurred associated with otherwise allowable costs of equipment is allowable, subject to the conditions below:

- The financing is provided (from other than tax or user fee sources) by a bona fide third party external to the school district.
- The assets are used in support of Federal awards.
- Earnings on debt service reserve funds or interest earned on borrowed funds pending payment of the construction or acquisition costs are used to offset the current period's cost or the capitalized interest, as appropriate. Earnings subject to being reported to the Federal Internal Revenue Service under arbitrage requirements are excludable.
- School districts will negotiate the amount of allowable interest whenever cash payments (interest, depreciation, use allowances, and contributions) exceed the school district's cash payments and other contributions attributable to that portion of real property used for Federal awards.

### **Lobbying**

The cost of certain influencing activities associated with obtaining grants, contracts, cooperative agreements, or loans is an unallowable cost.

### **Maintenance, Operations, and Repairs**

Unless prohibited by law, the cost of utilities, insurance, security, janitorial services, elevator service, upkeep of grounds, necessary maintenance, normal repairs and alterations, and the like are allowable to the extent that they: (1) keep property (including federal property, unless otherwise provided for) in an efficient operating condition, (2) do not add to the permanent value of property or appreciably prolong its intended life, and (3) are not otherwise included in rental or other charges for space. Costs which add to the permanent value of property or appreciably prolong its intended life shall be treated as capital expenditures.

### **Materials and Supplies**

The cost of materials and supplies is allowable. Purchases should be charged at their actual prices after deducting all cash discounts, trade discounts, rebates, and allowances received. Withdrawals from general stores or stockrooms should be charged at cost under any recognized method of pricing, consistently applied. Incoming transportation charges are a proper part of materials and supply costs.

### **Memberships, Subscriptions, and Professional Activities**

- Costs of the school district's memberships in business, technical, and professional organization are allowable.
- Costs of the school district's subscriptions to business, professional, and technical periodicals are allowable.

- Costs of meetings and conferences where the primary purpose is the dissemination of technical information, including meals, transportation, rental of meeting facilities, and other incidental costs are allowable.
- Costs of membership in civic and community, social organizations are allowable as a direct cost with the approval of the Federal awarding agency.
- Costs of membership in organizations substantially engaged in lobbying are unallowable.

### **Motor Pools**

The costs of a service organization which provides automobiles to user school districts at a mileage or fixed rate and/or provides vehicle maintenance, inspection, and repair services are allowable.

### **Pre-award Costs**

Pre-award costs are those incurred prior to the effective date of the award directly pursuant to the negotiation and in anticipation of the award where such costs are necessary to comply with the proposed delivery schedule or period of performance. Such costs are allowable only to the extent that they would have been allowable if incurred after the date of the award and only with the written approval of the awarding agency.

### **Professional Service Costs**

Cost of professional and consultant services rendered by persons or organizations that are members of a particular profession or possess a special skill, whether or not officers or employees of the school district, are allowable, when reasonable in relation to the services rendered and when not contingent upon recovery of the costs from the Federal Government. Retainer fees supported by evidence of bona fide services available or rendered are allowable.

### **Proposal Costs**

Costs of preparing proposals for potential Federal awards are allowable. Proposal costs should normally be treated as indirect costs and should be allocated to all activities of the school district utilizing the cost allocation plan and indirect cost rate proposal. However, proposal costs may be charged directly to Federal awards with the prior approval of the Federal awarding agency.

### **Publication and Printing Costs**

Publication costs, including the costs of printing (including the processes of composition, plate-making, press work, and binding, and the end products produced by such processes), distribution, promotion, mailing and general handling are allowable.

### **Rearrangements and Alterations**

Costs incurred for ordinary and normal rearrangement and alteration of facilities are allowable. Special arrangements and alterations costs incurred specifically for a Federal award are allowable with the prior approval of the Federal awarding agency.

### **Re-conversion Costs**

Costs incurred in the restoration or rehabilitation of the school district's facilities to approximately the same condition existing immediately prior to commencement of Federal awards, less costs related to normal wear and tear, are allowable.

### **Rental Costs**

Rental costs are allowable to the extent that the rates are reasonable in light of such factors as: rental costs of comparable property, if any; market conditions in the area: alternatives available; and, the type, life expectancy, condition, and value of the property leased. Rental costs under sale and leaseback arrangement are allowable only up to the amount that would be allowed had the school district continued to own the property. Rental costs under less-than-arms-length leases are allowable only up to the amount

that would be allowed had title to the property vested in the school district. For this purpose, less-than-arms-length leases include, but are not limited to, those where:

- one party to the lease is able to control or substantially influence the actions of the other;
- both parties are parts of the same school district; or
- the school district creates an authority or similar entity to acquire and lease the facilities to the school district and other parties.

Rental costs under leases which are required to be treated as capital leases under GAAP are allowable only up to the amount that would be allowed had the school district purchased the property on the date the lease agreement was executed. This amount would include expenses such as depreciated or use allowance, maintenance, and insurance. The provisions of Financial Accounting Standards Board Statement 13 shall be used to determine whether a lease is a capital lease. Internet costs related to capital leases are allowable to the extent they meet the criteria in OMB Circular A-87.

### **Taxes**

Taxes that a school district is legally required to pay are allowable, except for self-assessed taxes that disproportionately affect federal programs or changes in tax policies that disproportionately affect federal programs.

The gasoline taxes, motor vehicle fees, and other taxes that are in effect user fees for benefits provided to the Federal Government are allowable.

This provision does not restrict the authority of federal agencies to identify taxes where federal participation is inappropriate. Where the identification of the amount of unallowable taxes would require an inordinate amount of effort, the cognizant agency may accept a reasonable approximation thereof.

### **Training**

The cost of training provided for employee development is allowable.

### **Travel Costs**

Travel costs are allowable for expenses for transportation, lodging, subsistence, and related items incurred by employees traveling on official business. Such costs may be charged on an actual cost basis, on a per diem or mileage basis in lieu of actual costs incurred, or on a combination of the two, provided the method used is applied to an entire trip, and results in charges consistent with those normally allowed in like circumstances in non-federally-sponsored activities. Travel costs of officials covered by that section, when specifically related to Federal awards, are allowable with the prior approval of a grantor agency.

Costs incurred by employees and officers for travel, including costs of lodging, other subsistence, and incidental expenses, shall be considered reasonable and allowable only to the extent such costs do not exceed charges normally allowed by the school district in its regular operations as a result of the school district's policy.

Airfare costs in excess of the customary standard (coach or equivalent) airfare, are unallowable except when such accommodations would: require circuitous routing, require travel during unreasonable hours, excessively prolong travel, greatly increase the duration of the flight, result in increased cost that would offset transportation savings, or offer accommodations not reasonably adequate for the medical needs of the traveler. Where a school district can reasonably demonstrate to the awarding agency either the non-availability of customary standard airfare or Federal Government contract airfare for individual trips or, on an overall basis, that it is the school district's practice to make routine use of such airfare, specific determinations of non-availability will generally not be questioned by the Federal Government, unless a pattern of avoidance is detected. However, in order for airfare costs in excess of the customary standard commercial airfare to be allowable, e.g., use of first-class airfare, the school district must justify and document on a case-by-case basis the applicable condition(s) set forth above.

Cost of travel by school district-owned, -leased, or -chartered aircraft, as used in this section, includes the cost of lease, charter, operation (including personnel costs), maintenance, depreciation, interest, insurance, and other related costs. Costs of travel via school district-owned, - leased, or – chartered aircraft are unallowable to the extent they exceed the cost of allowable commercial air travel.

### **Under-recovery of Costs under Federal Agreement**

Any excess costs over the federal contribution under an award agreement are unallowable under other award agreements.

## **INDIRECT COST RATES**

### **Definitions**

“Direct Costs” of a federal program are those that can be identified specifically with a particular final cost objective. Generally, direct costs include compensation of employees, cost of materials, equipment and travel.

“Indirect Costs” of a federal program are those that cannot be readily assigned to a particular cost objective without effort disproportionate to the benefits received (e.g., benefits received).

The State of Minnesota provides Federal Indirect Cost Rates to Minnesota School Districts that meet the federal guidelines.

## **PROCEDURES FOR TERMINAL LEAVE**

- Pay As You Go – paid to the employee in the year of termination;
- If charged to the program in the year of termination, the program will bear the expense but may not have employed the employee during the time the benefits were earned.

Example: Mrs. Jones works 20 years as a kindergarten teacher.  
Mrs. Jones works last 10 years as a Title I teacher.

Should 30 years of benefits be paid out of the Title Program when Mr. Jones retires?

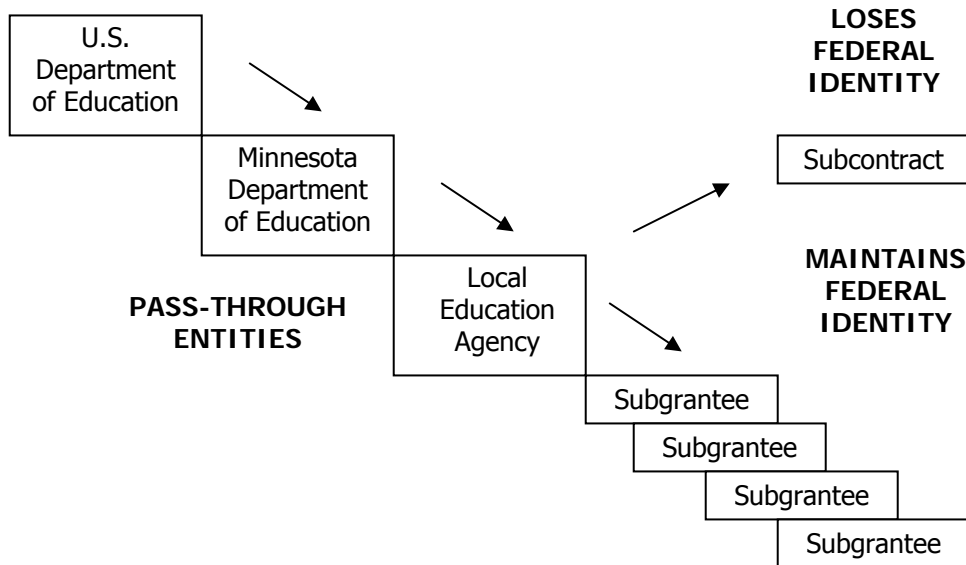
- **Remember: Indirect Costs** of a federal program are those that cannot be readily assigned to a particular cost objective without effort disproportionate to the benefits received.
- Expenditures for all employees of the organization coded to Object Codes 191 and 291 will be included in the indirect cost pool and be considered a “cost of doing business.”
- Expenditures for all employees of the organization coded to Object Code 290 will be excluded from both the indirect cost pool and the base.
- **Remember: Direct Costs** of a federal program are those that can be identified specifically with a particular final cost objective.
- Expenditures for all employees of the organization coded to Object Code 252 will be included in the base since the obligations are based on that year’s service.
- Object Code 252 can be charged directly to a Federal Finance Code (400s, 500s, 600s).

## **SUBAWARDS AND SUBCONTRACTS**

- A subaward is an agreement made between the school district and a subgrantee to perform a portion of the federal program objectives.
- A subcontract for services is a purchase from a vendor, obtained through procurement action by the school district to perform a portion of the federal program objectives.

- The pass-through entity (the state cooperative or school district) is defined as a non-federal entity that provides an award to a subgrantee to carry out a program.
- The pass-through entity assumes responsibility for negotiation, issuance, oversight, and management of a subaward.
- The pass-through entity assumes many of the responsibilities typically assigned to a grantor in issuance and oversight of an award to a grantee.
- Those responsibilities include verification of the financial viability, adequacy of compliance controls and audit status of its subgrantee and oversight and verification of the subgrantee's fulfillment of its portion of the programmatic effort.

Example Chart



- If federal funds lose their federal financial assistance identity, the federal restrictions or requirements are generally no longer in effect.
- Federal funds typically lose their identity through expenditures.
  - Subaward – Maintains Federal Identity (e.g., Northern Lakes’ member districts)
  - Subcontract – Loses Federal Identity (e.g., vendor)

The Northern Lakes Special Education Cooperative will issue a subaward to a subgrantee when:

- The LEA determines who is eligible to receive the subaward;
- The subgrantee has its performance measured against the objectives of the federal program;
- The subgrantee has responsibility for programmatic decision-making;
- The subgrantee assumes responsibility for adherence to applicable federal program compliance requirements;
- The subgrantee uses federal funds to carry out a program of the LEA; and/or

Subgrantee is aware federal funds are being used.

The LEA will subcontract when the vendor:

- Provides the goods and services within its normal business operations;

- Provides similar goods or services to many different purchasers;
- Operates in a competitive environment;
- Provides goods or services that are ancillary to the operation of the federal program; and/or
- Is not subject to compliance requirements of the federal program.

Subcontractor has no responsibility to meet federal requirements.

- When determining if a subgrantee or vendor relationship exists, the substance of the relationship is more important than the form of the agreement.
- It is not expected that all of the characteristics will be present; however, supporting documentation is recommended when the relationship does not align with the characteristics summarized above.

#### **Other factors to consider in determining whether you are a subgrantee or a vendor:**

- Subgrantee – There are no government-wide requirements for competitive awards of sub-grants.
- Vendor – Generally government rules and regulations mandate maximum free and open competition for award of procurement contracts.

#### Number of Awards

- Subgrantee – Organizations awarding subgrants generally make multiple awards until funds are exhausted.
- Vendor – A purchaser usually picks only one vendor to provide needed goods or an identifiable scope of services.

#### Criteria for Selection

- Subgrantee – Organizations awarding assistance generally place the ability to demonstrate need for funds above most other factors.
- Vendor – A purchaser awarding vendor contracts usually identifies factors showing capability to deliver as most important.

#### Statement of Work – Scope of Service – Project Objectives

- Subgrantee – The potential subgrantee generally identifies the program details of the activity for which it is seeking support.
- Vendor – In a vendor procurement, the specification or scope of work is defined by the awarding organization.

#### Timing of Payment

- Subgrantee – Federal assistance payments are usually made before or at the time work is performed.
- Vendor – Vendor payments are generally made after performance or at intervals of progress toward identified deliverables.

## Pricing of the Agreement

- Subgrantee – Sub-grantees generally operate on the premise that the ultimate settlement of the agreement will be on the basis of incurred allowable costs. No increment above cost is either intended or allowed.
- Vendor – Vendors, regardless of type, are paid increments above costs (profit) usually in exchange for the risk they assume in competing with others to offer the needed goods or services.

## Special Conditions

- Subgrantee – Grantees are permitted to impose high-risk conditions on sub-grantees. These are normally imposed on a case-by-case basis. In such cases, the subgrantee must be told about special conditions being imposed, the corrective actions needed to have them removed and the method of appealing the decision to impose, if such exists.
- Vendor – Procurement contractors/vendors have no such protections. Because the grantee is buying the goods or services, it has the right to impose whatever terms deemed appropriate as long as they are mutually accepted at the time of the award.

## Award Cost Participation

- Subgrantee – Often, matching or cost sharing requirements are passed through to subgrantees, which are responsible for helping the grantee meet matching requirements.
- Vendor – Cost sharing would be unlikely in vendor agreements.

## Questions to Ask Before Determining Whether the Federal Contract is a Subaward or Subcontract:

- 1) Will the subrecipient of funds be held to the performance objective of the Federal award?
- 2) Does the subrecipient of funds operate in a non-competitive environment for these services?
- 3) Does the subrecipient of funds provide this service to a limited number of purchasers?
- 4) Does the subrecipient determine the program specifications or scope of work needed to be performed?
- 5) Does the subrecipient receive the funds by demonstrating a need for funds rather than the delivery of services?
- 6) Is the payment to the subrecipient a cost reimbursement transaction instead of a for-profit transaction?

## **Procedure for Subawards/Subcontracts**

### Accounting Treatment for the Pass-Through Entity (Cooperative):

Record Revenue	R-xx-xxx-xxx-4xx-400-xxx
Record Expense	
(First \$25,000 of each subaward/subcontract)	E-xx-xxx-xxx-4xx-303-xxx
(After first \$25,000 of each subaward/subcontract)	E-xx-xxx-xxx-4xx-304-xxx

### Accounting Treatment for the Subgrantee (maintains federal identity): (all member districts)

Record Subaward Revenue	R-xx-xxx-xxx-6xx-405-xxx
Record Subaward Expense	E-xx-xxx-xxx-6xx-xxx-xxx

Accounting Treatment for the Subcontractor (loses federal identity):

Record Revenue	R-xx-xxx-xxx-xxx-021-xxx
Record Expense	E-xx-xxx-xxx-xxx-xxx-xxx

### **Pass-Through Entity Responsibilities:**

- Properly identify federal awards by informing each subgrantee of the CFDA title and number, award name and number, award year, and the name of the federal agency.
- In writing, advise the subgrantee of requirements imposed on them by federal law, regulations, and the provisions of contracts and grants agreements as well as any supplemental requirements imposed by the pass-through entity.
- Require the subgrantee to provide an annual inventory of Federal awards sufficient to allow the pass-through entity to determine whether a single audit is required.
- Ensure that the subgrantee expending \$500,000 or more in federal awards during the subgrantee's fiscal year have met the audit requirements of OMB Circular A-133.
- Issue a management decision on audit findings within six months after receipt of the subgrantee's audit report and ensure that the subgrantee takes appropriate and timely corrective action.
- Consider whether the subgrantee audits necessitate adjustment of the pass-through entity's own records.
- Require each subgrantee to permit the pass-through entity and auditors to have access to the records and financial statements as necessary to comply with OMB Circular A-133.
- Document the measures taken to monitor activities of the subgrantee as necessary to ensure that federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grants agreements and that performance goals are met.

### **Monitoring Activities of a Pass-Through Entity:**

- Subgrantee monitoring is the processes and procedures undertaken by a pass-through entity as necessary to ensure that the Subgrantee is complying with applicable laws, regulations, contract and grant agreement provisions, and that performance goals are being achieved.
- As part of ensuring legal requirements are met, it also includes processes and procedures to verify that applicable audit requirements are satisfied and audit findings are reviewed for timely corrective actions.
- Factors such as size of awards, the percentage of total program funds awarded to the subgrantee and the complexity of compliance requirements influence the nature and extent of appropriate monitoring procedures.

Forms of monitoring activities that might be employed include:

- Pre-award assessments of subgrantee financial and program capabilities.
- Require and collect written certification (see **Certification of Assurances to Comply with Federal Awards**) from sub-grantees that required information on Federal awards has been provided and that the subgrantee understands and agrees to comply with applicable laws, regulations, contract and grant agreement provisions and other requirements imposed by the pass-through entity.

- Document reviews of subgrantee financial and programmatic reports.
- Perform site visits to subgrantee to review financial and programmatic records as well as observe operations.
- Perform limited scope audits that address one or more of the following types of compliance requirements:
  - Activities allowed or unallowed;
  - Allowable costs/cost principles;
  - Eligibility;
  - Matching, level of effort, earmarking; and/or
  - Reporting.
- Arrange for documented reviews of specific subgrantee activity based on risk assessment or significant compliance requirements. An example might be client eligibility determination.
- Review and follow-up on subgrantee single audits. Use various checklists to document activities such as the review and follow-up on subgrantee audits or the receipt of required reports and documents prior to closure of grant agreements.

**NORTHERN LAKES FEDERAL EQUIPMENT AND SUPPLIES PROCEDURES****Equipment Purchase Procedures**

The Northern Lakes Special Education Cooperative and its member districts will determine eligible costs of purchase of equipment and supplies for special education services by answering the following cost eligibility questions:

- Would this item be purchased by the district if special education services were not provided to any students?
- Would this service be delivered to students in general education classes if the district did not provide special education services to students?
- Do general education students receive the same services and use the same sort of equipment?

Northern Lakes and its member districts will determine necessity and essentialness of the purchase by answering the following questions:

- What was the need that initiated the purchase and how was it determined that the cost was allowable, necessary and essential?
- Did the district verify the purchase was a request by special education personnel?
- Is there documentation of need in the student's IEP?
- Was the need documented on the purchase order, invoice, packing slip?
- Was the equipment necessary for student to access the general education classrooms?
- Is the purchase consistent with federal cost principles and EDGAR?
- Was the item approved by the Director of Special Education (\$4000 or more)?

**Definition of Equipment**

Generally, items costing \$500 or more with a useful life of more than one year would be defined as equipment.

**Purchasing Procedures**

Northern Lakes and its member districts will use the form "**Federal Equipment Eligibility and Necessity Determination Questions**" when making an individual purchase of equipment or supplies that exceed \$4000 in value. This form will be attached to each purchase order for which federal funds are used that exceeds \$4000. This form must be signed by both the district's Business Manager/Superintendent and the Director of Special Education.

**Allowable Federal Expenditure under Part B**

- Contracted Student Placements – school districts may contract for individual student special education service with private and public agencies.
- Staff Travel – federal funds may be used to pay for the cost of local business travel including mileage and meals for staff whose salaries are funded with either federal or state dollars. Day-to-day travel to carry out responsibilities of position are eligible. Reimbursement rates and travel policies must be consistent with those established for comparable employees. Leased vehicles for the sole purpose of special education staff to supply education and related services to students with

disabilities is allowed. Leased purchases required prior written approval from the State Special Education Funding and Data Team.

- Repairs and Maintenance Agreement for Equipment – may be claimed with federal funds.
- Individualized Instructional Supplies and Testing Materials – used to meet the special educational instructional needs of individuals with disabilities are eligible for reimbursement with federal aid. Supplies and materials do not include textbooks, globes and laboratory equipment used for all students.

“Instructional Supplies” are defined as any article that meets one or more of the following conditions:

- It is consumed in use.
- It loses its original shape or appearance with use.
- It is expendable; that is, if the article is damaged or some of its parts are lost or worn out, it is usually more feasible to replace it with an entirely new unit rather than repair it.
- It is an inexpensive item, having characteristics of equipment whose small unit cost makes it inadvisable to capitalize the item (usually costing less than \$500).
- It loses its identity through incorporation into a different or more complex unit or substance.

Included as instructional supplies are the costs of field trips such as admission and activity fees. Answer Yes or No to the following questions to determine whether instructional supplies and/or equipment and materials are eligible for reimbursement with federal aid or to generate state base revenue and for inclusion in the state excess cost aid calculation:

1. Are the materials used directly by or with students with disabilities?
2. Are the materials specifically instructional in nature?
3. Are the materials in addition to those provided the same students in the mainstream? For example, the district provides basic textbooks, computers, and other equipment and supplies for all students. Similar materials are not eligible for special education reimbursement when provided to students with disabilities regardless of setting; OR
4. Does the student with a disability require materials specifically adapted for the disability in order for the student to benefit from the education program? For example, Braille texts would be eligible while a basic print text at a different grade level is not an adapted text.
5. Are students with disabilities the primary and priority users of the materials?
6. Are the teacher’s manuals and materials supplemental to the curriculum?

If you answered yes to questions 1-5, the supplies and materials are eligible expenditures. If you answered YES to question 6, the supplies and materials are eligible.

Teacher materials, IEP/IFSP/IIIP forms, teacher manuals for general education curriculum, items such as chairs, tables, desks, and shelves are not directly instructional and, therefore, not reimbursable.

Please note that these criteria do not automatically allow the use of special education funds for equipment and supplies just because they are used by students with disabilities, used in special programs, or prescribed by the student’s IEP/IFSP/IIIP. **Most textbooks, computers, or other instructional items used by students with disabilities in separate sites, day treatment, alternative, and transition programs are not ordinarily eligible for aid. It is expected that general education revenue will be used to pay for these items.** It is important that the person reporting expenditures on EDRS seek

assurance from special education program personnel so that the expenditures meet the criteria in the questions above.

When materials are used by students both with and without disabilities in programs such as day treatment, neither the whole expenditure nor the portion used by students with disabilities is eligible for aid. General education materials (math texts, shop supplies, and sewing machines) used in separate sites and transition programs should be paid with general education revenue, and are not eligible for special education funding.

- Office Supplies and Materials – federal funds can be used to pay the cost of office supplies and materials used exclusively by special education personnel. In addition, federal funds may be used to implement and/or maintain special education information systems, such as IEP and due process programs. Supplies and materials used by teachers and other staff which are not used directly with students but which are over and above supplies and materials provided to regular education teachers are eligible for federal aid. Supplies and materials used by teachers and other staff which are comparable to those supplied to non-special education staff (desk, computer, and so on) are not eligible for either state or federal special education reimbursement.
- Rent or Lease – federal funds may be used for the lease of land or building for temporary or long-term usage that does not result in the ownership of the asset. Rental of office space for special education supervisory or managerial personnel may be paid with federal funds. The rental rate must be comparable to rental rates charged for other similar office space within the community.

Districts, cooperatives, service cooperative units and intermediate school districts cannot claim rent for supervisory or managerial space when they own the building or it is a public school's facility.

- Electronic Communication Services – communication services eligible for federal funding include service and hook-up charges for telephone, internet service, and other telecommunication systems used by special education staff carrying out their responsibilities to provide special education and related services to individuals with disabilities. Communication services for students with disabilities is also eligible.

However, if a district is adding, enhancing or remodeling communication services as a whole, the district is responsible for also including special education without using federal special education funds.

Districts can claim the costs of fixed charges for personnel funded with federal funds as follows:

Fringe Benefits – Examples of fringe benefits include: employer contributions to Teacher Retirement Association (TRA), PERA, social security, workers compensation, health insurance, and life insurance. The employing agency's master contract defines the fringe benefits provided the employee and the amount of the agency's contribution toward those benefits. Fringe benefits can be claimed in the same proportion the employee's salary is funded with federal funds. If the employee is funded with federal funds 50 percent of the time, then 50 percent of the employer paid fringe benefits can be claimed under the same federal funding source.

If personnel receive "cash in lieu" payments then the expenditure may be added to the total salary expenditure of each staff member.

*The cost of fringe benefits in the form of regular compensation paid to employees during periods of authorized absences from the job, such as for annual leave, sick leave, holidays, court leave, military leave, and other similar benefits are allowable if: (a) they are provided under established written leave policies; (b) the costs are equitably allocated to all related activities, including Federal awards; and, (c) the accounting basis (cash or accrual) selected for costing each type of leave is consistently followed by the school district.*

Severance Pay – Severance packages and unemployment compensation are allowed for employees only for the proportion of time they've been paid with federal funds and under the following circumstances:

- Payments in addition to regular salaries and wages made to workers whose employment is being terminated are allowable to the extent that, in each case, they are required by (a) law, (b) employer-employee agreement, or (c) established written policy.
- Severance payments (but not accruals) associated with normal turnover are allowable. Such payments shall be allocated to all activities of the school district as an indirect cost.
- Abnormal or mass severance pay will be considered on a case-by-case basis and is allowable only if approved by the appropriate federal agency.
- Dissemination – federal funds may be used to pay costs associated with dissemination information products produced, studies, evaluation results, and other materials to inform the general public, educators, and others regarding special education and services to individuals with disabilities. Costs for recruiting new staff are also eligible. Allowable expenditures include:
  - *Printing Charges:* Costs for printing public information booklets, brochures, posters and other communications promoting special education awareness and implementing programs.
  - *Postage Charges:* Costs for mailing and shipping of documents and materials necessary to carry out the functions of special education.
  - *Audio-Visual:* Costs for materials and/or costs of district or commercial productions including slides, video and audiotapes, computer productions and other media productions utilized to enhance special education programs.
  - *Recruitment:* Advertisements in journals, trades, newspapers, and magazines for special education positions.
- Construction and Remodeling (Required Prior Approval) – districts can use federal funds to remodel existing facilities to meet the needs of students with disabilities. All remodeling must meet ADA and state and county building code requirements. It is appropriate to use federal funds for remodeling classrooms, physical education facilities, playground equipment, and toilet facilities to meet the specific needs of students with disabilities. These funds may not be used to meet the general district – or building-wide accessibility requirements specified under Section 504 and ADA. Priority and primary uses of any remodeling with special education federal funds is for children with IEPs only. Below is a list of eligible and non-eligible remodeling requests.

#### Examples of Eligible Remodeling Expenditures

- Locked Quiet Room/Calming Room
- Adding a shower or changing table to existing ADA accessible bathroom to meet the specific needs of the students
- Addition of another bathroom for students with IEPs in order to meet the needs of the students (privacy issues, etc.)
- Playground accommodations (modified swings)
- Viewing window/Two-way mirror
- Transition modification to teach life skills
- Dropped ceilings to reduce audio distractions
- Carpeting to reduce noise level or assist with motor skill activities
- Hard flooring to enhance mobility for students with physical disabilities
- Sound-proofing for students with severe audio sensitivities
- Putting up a wall that requires additional electrical work

- Remodel open classroom space to meet the needs of students with disabilities
- Electrical upgrade for appliances
- Early childhood classroom space and playground equipment

<b>Examples of Non-Eligible Remodeling Expenditures</b>	<b>Justification</b>
Handicapped accessible bathroom (unless one already exists)	ADA requirements
Classrooms or building remodeling due to program growth	General Education Responsibility
Locker space	General Education Responsibility
Wheelchair accessible ramps	ADA requirements
Elevators	ADA requirements
Automatic door openers	General Education Responsibility
Quiet area for nursing services to students	General Education Responsibility
Playground fencing (unless additional is needed due to disability)	ADA requirements
Bringing electrical work up to code	General Education Responsibility
Asbestos removal	General Education Responsibility
Equipment storage areas	General Education Responsibility
Testing rooms	General Education Responsibility

The difference between what is eligible remodeling reimbursable with federal funds and the obligation of the district to improve its facilities for students is this: federal funds are to be used to expand and enhance the instruction of students with disabilities. This could include modifying a classroom to have acoustical tile or add sound systems for a student who is hearing impaired but not to redo the tile in the room because it is worn and needs replacement. It may be to redo the lighting system because a student with visual impairments has a need for subdued lighting but not to replace the current lighting system for greater energy efficiency. Federal funds could be used to remodel a room to include a time-out area for students with significant behavior needs, but not to add storage for special education instructional supplies. Storage should be available for all instructional supplies. Adding a greenhouse, remodeling a large classroom for two smaller instructional areas, or other program functions would be the responsibility of the district and are not appropriate use of federal funds. Requests for such things as the installation of wheelchair accessible ramps or elevators will not be approved, as these are Americans with Disabilities Act (ADA) requirements.

**Districts must request approval from the supervisor of the Special Education Funding and Data Team prior to beginning any remodeling project.** If several sites in the school district are being remodeled, provide the information requested for each site. Cost estimates should be as accurate as possible because federal funds are limited to 10 percent over the estimated cost of the project. Districts will be responsible for any costs greater than 10 percent above the estimated cost, unless an amendment to the original request is submitted.

Send a written request from the Director of Special Education AND Superintendent by mail to the Supervisor, Division of Program Finance, Special Education Funding and Data Team. Include **all** the following information

- Describe where the remodeling or construction is to occur and what specific district building or space is going to be remodeled
- Explain the purpose of the project
- Explain how the completed remodeling will benefit students with disabilities
- Provide the estimated start and finish date
- Provide the name of the construction company
- Provide the fiscal year in which funds will be obtained

- Provide the itemized estimate received from the builders
- Estimate the total cost of the project

The request must clearly address and meet the criteria for appropriate use of federal funds. Requests should be mailed to:

Attn: Construction/Remodeling Request  
 Special Education Funding and Data Team  
 Division of Program Finance  
 MN Department of Education  
 1500 Highway 36 West  
 Roseville, MN 55113-4266

Approval of the project(s) will hinge on the same criteria used in purchases of equipment and supplies.

Equipment that is portable or not permanently attached such as: modular furniture, portable walls, time-out rooms on wheels are not considered construction, but equipment.

Remodeling CANNOT BE APPROVED for office space for special education personnel.

- Equipment for Capital Expenditures for Supervision and Management – districts can use federal funds to purchase and/or lease office equipment used by personnel in the management, support, and instruction of individuals with disabilities. Districts can purchase computers for teachers to manage student data and IEP/IFSP/IIIP development activities with federal funds only.
- Equipment for Instruction Including Technology – districts should provide equal access to the general education equipment, which is provided to all learners, including those with disabilities. Special education funds can be used to purchase equipment that assists the student with a disability to benefit from the educational program.

The purchase or lease of adaptive technology and/or instructional equipment is eligible for federal funds or to generate state base revenue. Districts must choose one funding source for each piece of equipment. The funding sources cannot be combined for a single piece of equipment. Special education funds can be used to purchase adaptive equipment and/or assistive technology or to adapt equipment to make the equipment more functional in meeting the unique needs of an individual student.

- Equipment for Student Transportation Services – transportation is identified in IDEA as a possible special education related service. Federal special education funds may be used to pay for the lease or purchase expense of vehicles used solely to transport students with disabilities for the provision of special education and related services above and beyond those of the general education population. For example, service learning work experience and behavioral incentives.

Districts can use federal funds for minor modifications of existing school district vehicles. Safety harnesses/constraints or other small modifications to better accommodate individuals with disabilities are eligible purchases. New vehicles should be purchased with accessibility and safety equipment appropriate for individuals with disabilities.

Federal special education funds may only be used to pay the excess costs of providing special education and related services to children with disabilities. This means federal special education funds may only be used after other sources of funds are accessed.

Permissible use of federal funds does not include payment of contracts, salaries, or any expenses of transportation other than the purchase or lease of vehicles used solely to transport students with disabilities. For purposes of special education fiscal monitoring, the actual use of the vehicle will be verified by examination of transportation logs.

The rental or purchase of vehicles with federal special education funds requires prior approval from the supervisor of the Division of Program Finance, Special Education Funding and Data Team. Requests for approval should come from the Director of Special Education and the Superintendent and should specifically identify:

- the vehicle;
- the vendor selling the vehicle;
- the purchase price of the vehicle; and
- all of the purposes and functions of the vehicle if purchased by the school district.

The request must clearly address and meet the criteria for permissible use of federal funds described above. Requests should be in letter format, signed by the director of special education and mailed to:

Attn: Vehicle Purchase Request  
Special Education Funding and Data Team  
Division of Program Finance  
MN Department of Education  
1500 Highway 36 West  
Roseville, MN 55113-4266

- Personnel Development – districts are required to provide professional development opportunities for all staff with responsibilities in the education of individuals with disabilities. Those eligible for training include both private and public school regular and special education teachers, and building level staff.

Expenditures eligible for reimbursement under IDEA include, but are not limited to, consultants who provide training, stipends to meeting participants, travel, board and lodging and registration expenses for staff, including paraprofessionals, to attend meetings in or out-of-state, conference fees, meeting expenses (for example: coffee, rolls, lunch, and room rental), and expenses for printing and supplies.

When professional development meetings are held and teachers are released from classrooms to attend, expenditures for substitute teachers can be reimbursed with federal funds. Districts should seek substitute teachers holding appropriate licensure. When appropriately licensed teachers are not available, federal aids will be paid if the substitute teacher holds a valid teaching license in any teaching area. Districts may allow any public or private school teacher to participate in professional development activities and claim federal reimbursement for a licensed replacement in order for the teacher to attend.

- Parent Participation – this service code is used for the following parent participation activities:
  - Stipends, per diems, childcare, and transportation to encourage participation by parents and others
  - Expenses incurred for planning and development
  - Public awareness and outreach for parents
  - Postage, refreshments, supplies, and duplication services
  - Consultant service for parents
- Student Agreements – federal funds can be used to pay the costs of tuition bills to school districts and charter schools. Federal funds pay only the excess cost of educating the student. Federal funds cannot be used to pay for tuition bills received from cooperatives, intermediates, education service cooperatives, or single districts serving as hosts.
- Purchase of Services – federal funds can be used when purchasing personnel services from a single or host district, cooperative, intermediate, service cooperative, or education district. When such

purchases are reported on EDRS, clear documentation of the services delivered, the credentials of the individual providing the service and fiscal reporting must be available to MDE on request, whether in on-site monitoring or via fax or mail.

- Student Transportation – federal funds can be used for transporting students for special education field trips that are not funded through other means. Minnesota provides a formula (transportation for students with disabilities) to fund transportation costs when transporting students with disabilities.
- Tuition Received for Federally Funded Services – districts can appropriately redirect federal funds from staff whose actual costs are covered by tuition paid by other districts. For example, districts receive 100 percent of the cost for employees funded with federal funds. When districts bill tuition costs to other districts, they are reimbursed 100 percent of their costs by resident districts.

Districts billing the costs of federally funded staff must total the amount of tuition that is for federally funded personnel and reduce their claim by the amount of tuition costs funded with federal dollars.

- General Education Revenue for Primary Placements – MDE has historically recommended that districts not use federal funds to pay for teachers in self-contained classrooms.

IDEA requires that federal funds be used to pay only the excess costs of educating students with disabilities. Excess costs are those costs that are in excess of the average annual per student expenditure in a school district during the preceding school year for an elementary or secondary student.

Federal funds may be used if the following conditions exist:

- Students are served in Federal Settings III and IV; and
- The classroom teacher and paraprofessionals, if assigned to that program, are funded with federal funds.

## NORTHERN LAKES ADDITIONAL PROCUREMENT PRACTICES

All procurement transactions will be conducted with full and open competition. The Northern Lakes Cooperative has a written code of conduct that governs the performance of employees engaged in the Federal award and administration of contracts (see [Code of Conduct for Federal Grantees](#)) to ensure that no employee, officer or agent of the cooperative participates in the selection or award of contract if conflict of interest, real or apparent, exists.

In the procurement of equipment using federal funding sources the Northern Lake Special Education Cooperative and its member districts will:

- Avoid the purchase of unnecessary or duplicate items through the use of a physical inventory;
- Consolidate procurements to obtain more economical purchases;
- Analyze lease versus purchase alternatives;
- Encourage state and local intergovernmental agreements for procurement or use common goods and services.
- Encourage excess and surplus property in lieu of purchasing new equipment;
- Encourage value engineering clauses in contracts for construction projects;
- Make awards to responsible contractors only (contract integrity, compliance with public policy, record of past performance and financial and technical resources).

Records regarding procurement will be kept by using the Federal [Equipment Eligibility and Necessity Determinations Questions](#) attached to each purchase order when item costs more

than \$4000. For contracts exceeding \$5000, the cooperative will maintain the rationale for the method of the procurement, the selection of the contract type, the contractor selection or rejection and basis for the contract price.

All procurement transactions will be conducted in a manner providing full and open competition.

Restrictive competition would include, but is 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;
- Organizational conflicts of interest;
- Specifying only a brand name product instead of allowing an equal product to be offered and describing the performance of other relevant requirements of the procurement; and
- Any arbitrary action in the procurement process.

Northern Lakes and its member districts will conduct procurements in a manner that prohibits the use of statutorily or administratively imposed in-state or local geographical preferences in the evaluation of bids or proposals, except in those cases where applicable Federal statutes expressly mandate or encourage geographic preference.

Northern Lakes and its member districts will have written selection procedures for procurement transactions that:

- Incorporate a clear and accurate description of the technical requirements for the material, product or service to be procured.
- When necessary, the description may include a statement of the qualitative nature of the material, product, or service to be procured.
- Detailed product specifications should be avoided if at all possible.
- Identify all requirements which the offerors must fulfill and all other factors to be used in evaluating bids or proposals.

Small purchases between \$25,000 and \$100,000 – Northern Lakes and its member districts will:

- Use purchase orders for purchases of goods and written contracts for purchases of consultant vendor services.
- Proposals will be solicited from an adequate number of qualified sources (three to five) consistent with the nature and requirements of the procurement.
- Competition will be sought through oral or written price quotations.
- For procurement of goods, catalogs or price lists may also be used.

Sealed Bid (Formal Advertising) for expenditures exceeding \$100,000 – Northern Lakes and its member districts will:

- Publicly solicited and a firm-fixed-price (lump sum or unit price) will be awarded to the responsible bidder whose bid, conforming with all the material terms and conditions of the invitation for bids, is the lowest in price.
- Districts will conduct procurements in a manner that prohibits the use of statutorily or administratively imposed in-state or local geographical preferences in the evaluation of bids or proposals, except in those cases where applicable Federal statutes expressly mandate or encourage geographic preference.

Northern Lakes Special Education Cooperative and its member districts will have written selection procedures for procurement that exceed \$ 50,000 transactions:

- Incorporate a clear and accurate description of the technical requirements for the material, product or service to be procured.
- When necessary, the description may include a statement of the qualitative nature of the material, product, or service to be procured.
- Detailed product specifications will be avoided if at all possible.
- Identify all requirements which the offerors must fulfill and all other factors to be used in evaluating bids or proposals.

For sealed bids, the following conditions must exist:

- A complete, adequate, and realistic specification or purchase description is available;
- Two or more responsible bidders are willing and able to compete effectively and for the business;
- The procurement lends itself to a firm fixed price contract and the selection of the successful bidder can be made principally on the basis of price;
- The invitation for bids will be publicly advertised and bids shall be solicited from an adequate number of known suppliers, providing them sufficient time prior to the date set for opening the bids;
- The invitation for bids, which will include any specifications and pertinent attachments, shall define the items or services in order for the bidder to properly respond;
- All bids will be publicly opened at the time and place prescribed in the invitation for bids;
- A firm fixed-price contract award will be made in writing to the lowest responsive and responsible bidder; and
- Any or all bids may be rejected if there is a sound documented reason.

Northern Lakes and its member districts will use **Competitive Proposals** when:

- Normally conducted with more than one source submitting an offer;
- Either a fixed-price or cost-reimbursement type contract is awarded;
- Conditions are not appropriate for the use of sealed bids.

The following requirements apply:

- Requests for proposals will be publicized and identify all evaluation factors and their relative importance;
- Proposals will be solicited from an adequate number of qualified sources;
- Grantees and subgrantees will have a method for conducting technical evaluations of the proposals received and for selecting awardees;
- Awards will be made to the responsible firm whose proposal is most advantageous to the program, with price and other factors considered.

**Non-Competitive Proposals** include:

- Procurement through solicitation of a proposal from only one source, or after solicitation of a number of sources, competition is determined inadequate.

- May only be used when the award of a contract is infeasible under small purchase procedures, sealed bids or competitive proposals and one of the following circumstances apply:
  - The item(s) is available from a single source;
  - A public emergency requiring no delay;
  - The awarding agency authorizes noncompetitive proposals; or
  - After solicitation of a number of sources, competition is determined inadequate.
- Vendor Selection Process – Northern Lakes and its member districts will perform a cost analysis in connection with every noncompetitive contract in order to ensure the contractor’s price is reasonable and that the contract is not using market power to force a higher bid.

Contracts will be chosen based on:

- Contractor integrity;
- Compliance with public policy;
- Record of past performance; and
- Financial and technical resources.

Contractors will not be chosen who have been suspended or disbarred. Verification is required for all contracts \$25,000 or over. Contractor verification can be determined at <http://www.epis.us/>

All contracts supported with federal funds will contain the following provisions:

- Remedies for breach, sanction, penalties;
- Compliance with Federal statutes and executive orders;
- Reporting requirements;
- Parent rights;
- Copy rights;
- Access by federal agency, Comptroller General of the US to records of contractor; and
- Retention of records for three years after final payment.

All contracts (or purchase orders) will list all requirements of the contract to ensure that the contractors perform in accordance with the terms, conditions and specifications of the contract and will include:

- Must have written invoice
  - Description of services to be performed or goods to be delivered;
  - Description of dates when services will be performed or goods delivered;
  - Description of locations where services will be performed or goods delivered; and
  - Descriptions of number of students/teachers/etc. to be served (if applicable).
- Invoice should be reviewed and approved before payment;
  - Segregation of duties; and
  - Documented approval.

Northern Lakes Cooperative and its member districts will maintain an inventory of all equipment purchased with federal dollars that exceed \$4000 in cost. The inventory will:

- describe the equipment purchased;
- specify the location of the equipment;
- contain a unique identifying number for each item (serial number and other ID);
- be maintained in a common location in the district's central office;
- list acquisition date;
- list percent of federal participation (percent of federal dollar used);
- list use and condition; and
- ultimate disposition.

Equipment inventories will be maintained by the business personnel in each district, who will be responsible to ensure:

- the equipment is physically located in the area specified in the district's inventory document;
- the equipment has affixed to it a unique identifier number consistent with the number identified on the inventory;
- the equipment has affixed to it information that identified it as being purchased with special education funds, and
- the use of the equipment is consistent with the purpose for which it was purchased.

(see: [Northern Lakes Federal Equipment Inventory Form](#))

Northern Lakes and its member districts use centralized services from State of Minnesota state contractors/vendors, Service Cooperatives and Central Minnesota Educational Research and Development Council (CMERDC). These agencies complete the cost comparisons and bidding process for the Cooperative and its member districts. Northern Lakes and its member districts use these agencies for purchases from all funding sources – local, state and federal. The central service cost allocation plan provides the process for all costs and other data used to distribute the costs that are included in the plan and is supported by accounting and other records that support the propriety of the costs assigned.

## **NORTHERN LAKES EQUIPMENT AND SECURITY PROCEDURES**

In keeping with federal requirements to ensure proper security, all equipment purchased and used in the Northern Lakes Special Education Cooperative and its member districts will be kept in secure locations. When not in use, computers, cameras, cell phones, projectors, etc. will be kept in locked cabinets. Any stolen equipment will be investigated by the local police and a copy of the police report will be kept with the equipment inventory stored in each district's central office. The federal program that purchased the equipment will be reimbursed for any equipment not recaptured if lost or stolen.

If it is necessary to work at home using equipment purchased by the Cooperative or its members districts, staff will be required to sign the [Staff Equipment Security Agreement](#). This agreement will outline the responsibilities of the staff using school owned devices.

### **Equipment Disposition**

When it has been determined that equipment purchased with federal funds is no longer needed, Northern Lakes and its member districts will:

- determine if the items can be transferred and used by another federal program; or
- if over \$5000, will pay the federal share back to the federal program if the equipment is to be used by a non-federal program; or

- if less than \$5000, formally dispose of the property through the following procedures:
  - If the initial purchase cost of the equipment item was \$1000 or more, a fair market value shall be established (either by appraisal or by comparison with current market transactions involving similar items) and sale of the equipment arranged. Districts may purchase the equipment for regular education at the established value to be used in any other program.
  - If the initial purchase cost of the equipment item was less than \$1,000 the equipment may be either sold at fair value or redirected at no cost for other education use at the discretion of the agency.
- If it is determined that the equipment has no sale value, i.e., is obsolete, or repair costs would be too high to be worthwhile, the equipment may be disposed of and removed from the premises.
- To dispose of federal equipment, the districts will:
  - a. get a certified fair market value for the equipment item;
  - b. the district would send MDE a check from the general fund for that fair market value amount;
  - c. MDE would put those funds received from the agency into the federal account for the district; and
  - d. the district's inventory would then have to be updated to reflect the disposal or sale of the equipment item.

A record of the date, reason, and method of disposal or sale will be maintained with the equipment inventory for a period of five (5) years after removal of the equipment from the program.

### **Supplies**

Northern Lakes Special Education Cooperative and its member districts will maintain effective control and accountability for all items large or small purchased with federal funds. These items will be properly safeguarded and will be used for special education purposes only. All items purchased with federal funds will be properly documented on the purchase orders and the district business office will track these purchases to ensure they are used for the federal purpose intended.

## **NORTHERN LAKES FINANCIAL MANAGEMENT DISTRICT INTERNAL CONTROLS**

Northern Lakes Special Education Cooperative and its member districts maintain individual district policies relating to accounting, purchasing, fixed assets and audits. In addition, the Cooperative will keep accounting records related to federal IDEA expenditures, which will include the amount of the award, authorization, obligations and unobligated balances, expenditures and income. All member districts federal expenditures will be authorized by the Director of Special Education through a system of approval before expenditures are reported through the Electronic Data Reporting System (EDRS). Documentation of expenditures will be provided by member districts to the Cooperative's special education office for documentation with compliance and for reliability of financial reporting of federal expenditures, including canceled checks, paid bills, payroll records, and time and attendance records.

The Cooperative will provide a separate audit of all federal expenditures for the Cooperative and its member districts. District business personnel will be trained throughout the fiscal year on requirements for expenditures of federal funds to help ensure compliance with federal expenditures.

Purchase orders will include completed "Federal Equipment Eligibility and Necessity Determination Questions" in order for the Director of Special Education to make determination of allowability of federal expenditures. All applicable federal cost principles will be followed for federal expenditures (see [Segregation of Duties and Internal Control Questionnaire](#)).

**NORTHERN LAKES FEDERAL EMPLOYEE SALARY AND WAGE PROCEDURES**

The Northern Lakes Special Education Cooperative and its member districts will use the following procedures to document salaries and wages of employees who work in federal programs.

When employees work solely on a single Federal award or cost objective, charges for salaries and wages will be documented by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employees and supervisory official having first hand knowledge of the work performed by the employer and will be performed after the fact in December and June of the fiscal year (see [Semi-Annual Certification](#)).

When employees work on multiple activities or cost objective, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation. Such documentary support will be required where employees work on:

- more than one Federal award;
- a Federal award and a non-Federal award;
- an indirect cost activity and a direct cost activity;
- two or more indirect activities which are allocated using different allocation bases; or
- an unallowable activity and a direct or indirect cost activity.

Personnel activity reports or equivalent documentation will meet the following standards:

- will reflect an after-the-fact distribution of the actual activity of each employee;
- will account for the total activity for which each employee is compensated;
- will be prepared at least monthly and must coincide with one or more pay periods; and
- will be signed by the employee.

(see [Sample PAR Log](#))

Northern Lakes Special Education Cooperative districts will use budget estimates or other distribution percentages determined before the services are performed for interim accounting purposes when:

- the district's system for establishing the estimates produces reasonable approximations of the activity actually performed;
- at least quarterly, comparison of actual costs to budgeted distributions based on the monthly activity reports are made. Costs charged to Federal awards to reflect adjustments made as a result of the activity actually performed will be recorded annually if the quarterly comparisons show the differences between budgeted and actual costs are less than ten percent; and
- the budget estimates or other distribution percentages are revised at least quarterly, if necessary, to reflect changed circumstances.

Substitute systems for allocating salaries and wages to Federal awards may be used in place of activity reports. These systems are subject to approval if required by the cognizant agency. Such systems may include, but are not limited to, random moment sampling, case counts, or other quantifiable measures of employee effort.

The sampling universe will include all of the employees whose salaries and wages are to be allocated based on sample results:

- The entire time period involved must be covered by the same; and
- The results must be statistically valid and applied to the period being sampled.

Allocating charges for the sampled employees’ supervisors, clerical and support staffs, based on the results of the sampled employees, is acceptable.

Less than full compliance with the statistical sampling standards may be accepted by the cognizant agency if it concludes that the amounts to be allocated to Federal awards will be minimal.

**Verification of Wage and Salary Expenses**

The Northern Lakes Special Education Cooperative and its member districts will use all of the following methods to verify wages and salaries of federal employees:

- payroll records;
- personal activity reports (PARs) or equivalent; (see [Sample Time Log](#))
- supporting documents for journal entries;
- employee assignment/work schedules;
- appointment schedules; and
- job descriptions/employee contracts

**Cost Objectives**

A cost objective is a specific grant award or other category of costs that requires the grantee to track specific cost information.

Examples

Federal Program	Cost Objectives (Examples)
Title I, Part A	<input type="checkbox"/> Title I, Part A, Part A School Improvement <input type="checkbox"/> Title I, Part A, Part A Program
Reading First	<input type="checkbox"/> Reading First Administration
IDEA	<input type="checkbox"/> Early Intervening Services <input type="checkbox"/> IDEA Administration

**Single Cost Objectives**

- Consolidated administration
- School-wide programs

**Multiple Cost Objectives**

- more than one Federal award;
- a Federal award and non-Federal award;
- a Federal award with specific earmarking (set aside) or matching requirement;
- an indirect cost activity and direct cost activity;
- two or more indirect activities which are allocated using different allocation base’s; or
- an unallowable activity and a direct or indirect cost activity.

### **School-Wide Programs**

It is not necessary to combine funds into a single account in an accounting system. Rather, the district should create a single "pool of money" by:

- identifying, in the school-wide plan, which programs are considered consolidated and how much each program will contribute to the school-wide program pool; and
- use those funds allowable for school-wide activities without regard to underlying sources.

**If consolidated federal, state and local funds** - do not need to maintain any time and effort records if:

- work exclusively on school-wide activities; and
- salary is charged to school-wide program.

**If consolidated federal funds only:**

- Maintain semi-annual certification or personnel activity report.

## DOCUMENTATION

- Northern Lakes Special Education Cooperative Audit Report (filed in Cooperative Office)
- Northern Lakes Special Education Cooperative Budget and Board Approval (filed in Cooperative office)
- Each Northern Lakes Cooperative member district's Audit Report (filed in each District Office)
- Northern Lakes Special Education Cooperative Budget in UFARS (filed in Cooperative office)
- District Budgets in UFARS (filed in each district's central office)
- District fiscal monitoring auditing process (filed in each district's central office)
- Forms for recording expenditures (filed in each district's central office)
- Finance and Billing Procedures for Cooperative (filed in Cooperative office)
- State Monitoring Report (filed in Cooperative office)
- Statement of Assurances (filed in Cooperative office)
- **Consent to Seek Reimbursement for IEP/IFSP/IIIP Health Related Services:**
- **Private Insurance Information**
- **Doctor Order Required for all Students Receiving PCA Services**
- **Sample Letter Regarding Annual Notice/MA Only**
- **Sample Letter Regarding Insurance and Public Insurance**
- **Sample Letter Regarding Third Party Payment Program Revocation**
- **Consent to Release Private Data for Medical Assistance Billing Purposes**
- **Third Party Billing Checklist**
- **Northern Lakes Paraprofessional and Transportation Documentation Checklist**
- **Certificate of Cost Allocation Plan**
- **Certificate of Indirect Costs**
- **Certification of Assurances to Comply with Federal Awards**
- **Federal Equipment Eligibility and Necessity Determination Questions**
- **Northern Lakes Code of Conduct for Federal Grantees**
- **Northern Lakes Federal Equipment Inventory Form**
- **Staff Equipment and Security Agreement**
- **Segregation of Duties and Internal Control Questionnaire**
- **Semi-Annual Certification Activity Report** (employees working on a single cost objective)
- **Sample Par Log**
- **Personnel Program Development and Structure (TSES Chapter 9)**

## CONSENT TO SEEK REIMBURSEMENT FOR IEP/IFSP/IIIP HEALTH RELATED SERVICES

*Form to be completed by those whose families have both private insurance and MA/MNCare.*

**PLEASE PRINT THE INFORMATION BELOW:**

Child's Legal Name: \_\_\_\_\_ Birthdate: \_\_\_\_\_

Child's Home Address: \_\_\_\_\_  
Street City/State/Zip

Parent(s) Name(s): \_\_\_\_\_

Parent(s) Address: \_\_\_\_\_ Phone: \_\_\_\_\_

Physician's Name & Address: \_\_\_\_\_

**AUTHORIZATION FOR:** *(Check all that apply.)*

I agree to give my permission to allow the school(s) of:

- |  |  |
|--|--|
| <input type="checkbox"/> ISD #002 – Hill City  | <input type="checkbox"/> ISD #319 – Nashwauk-Keewatin                      |
| <input type="checkbox"/> ISD #316 - Greenway   | <input type="checkbox"/> ISD #477 - Floodwood                              |
| <input type="checkbox"/> ISD #317 – Deer River | <input type="checkbox"/> ISD #901 – Northern Lakes Special Education Co-op |

to contact my healthcare provider:

- Private Insurance—to contact your private insurance provider and physician for release of information to determine if your insurance will pay for IEP/IFSP/IIIP services. **If your insurance provider agrees to pay for IEP/IFSP/IIIP services, the district will not bill your private insurance provider. PLEASE PROVIDE ADDITIONAL INFORMATION ON THE ATTACHED PAGE.**

for the following Individual Education Plan (IEP) or Individual Family Service Plan (IFSP) or Individual Interagency Intervention Plan (IIIP) health related services (please check all that you agree to have billed):

- |  |   |
|--|---|
| <input type="checkbox"/> Special Transportation          | <input type="checkbox"/> Nursing Services                 |
| <input type="checkbox"/> Speech/Language/Hearing Therapy | <input type="checkbox"/> Assistive Technology Devices     |
| <input type="checkbox"/> Mental Health Services          | <input type="checkbox"/> Personal Care Assistant Services |
| <input type="checkbox"/> Physical Therapy                | <input type="checkbox"/> Occupational Therapy             |
|  | <input type="checkbox"/> Other, please specify: _____     |

If my insurance provider does not agree to pay for IEP/IFSP/IIIP services, I agree to the release of information regarding my child's IEP, evaluation reports, service and attendance records and medical orders to DHS or, in the case of an audit, the U.S. Department of Health and Human Services (HHS) for Medical Assistance/MN Care for billing purposes from 7/1/\_\_\_\_\_ to 6/30/\_\_\_\_\_. I also agree to authorize payment directly to the school district(s) for IEP/IFSP/IIIP health related services under the terms of Medical Assistance and/or MinnesotaCare (this includes children with disabilities on waiver programs or TEFRA) as indicated above. **I understand that this will not have an impact upon my personal finances or my child's insurance benefits.**

**OR**

**I choose not** to provide information to the school district at this time.

My signature indicates that I have read and understood the attached information; I understand that I may withdraw my consent in writing at any time. I understand that my choice has no impact on the IEP/IFSP/IIIP services that my child will receive.

Parent's Signature: \_\_\_\_\_ Date: \_\_\_\_\_

**Note:** *You are not required to complete this form. If you do not complete this form, your child's IEP/IFSP/IIIP will not be affected in any way.*

Continued from previous page

CONSENT TO SEEK REIMBURSEMENT FOR IEP/IFSP/IIIP  
HEALTH RELATED SERVICES

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PRIVATE INSURANCE INFORMATION

Please provide the following information:

Insurance Company: \_\_\_\_\_

Mailing Address: \_\_\_\_\_

City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_

Name of Policy Holder: \_\_\_\_\_ Date of Birth: \_\_\_\_\_  
(*policy holder*)

Employer of Policy Holder: \_\_\_\_\_

Group # \_\_\_\_\_ ID # \_\_\_\_\_

Medical Assistance/MinnesotaCare Number, if available: \_\_\_\_\_

**DOCTOR ORDER REQUIRED FOR ALL STUDENTS RECEIVING PCA SERVICES**

Date: \_\_\_\_\_

Dr. Name: \_\_\_\_\_

Clinic Name: \_\_\_\_\_

Address: \_\_\_\_\_

City, St, Zip: \_\_\_\_\_

Beginning July 1, 2006, a "Physician Statement of Need" is required by law to seek reimbursement from Medical Assistance for health related services provided to a child with a disability during regular school attendance days. Below you will find a description of the child's educational primary disability classification and the PCA services that are currently being provided in the educational setting.

Student's name: \_\_\_\_\_, DOB: \_\_\_\_\_ is currently receiving the following health related services in school from 7/1/\_\_\_ through 6/30/\_\_\_.

## Check Primary Disability:

<input type="checkbox"/> Mentally impaired: M/M or S/P	<input type="checkbox"/> Specific Learning Disability	<input type="checkbox"/> Autistic
<input type="checkbox"/> Physically impaired	<input type="checkbox"/> Emotional/behavioral disorder	<input type="checkbox"/> Developmental Delay
<input type="checkbox"/> Deaf-Hard of hearing	<input type="checkbox"/> Deaf-blindness	<input type="checkbox"/> Traumatic brain injury disabled
<input type="checkbox"/> Visually Impaired	<input type="checkbox"/> Other health impaired	<input type="checkbox"/> Speech/Language

## Check services being provided:

<input type="checkbox"/> bowel/bladder	<input type="checkbox"/> transfer/ambulation
<input type="checkbox"/> ROM/muscle strengthening	<input type="checkbox"/> turning/positioning
<input type="checkbox"/> assistance with feeding	<input type="checkbox"/> dressing/undressing
<input type="checkbox"/> application/maintenance of orthotics/prosthetics	<input type="checkbox"/> redirection and intervention for behavior
<input type="checkbox"/> monitoring/prompting for self help	<input type="checkbox"/> instrumental activities of daily living

Case Manager: Please check the student's primary disability and the services the student is currently receiving and return the completed form to the Northern Lakes Special Education Cooperative, PO Box 171, 200 Cole Street, Coleraine, MN 55722

**SAMPLE LETTER REGARDING ANNUAL NOTICE/MA ONLY**

Date: \_\_\_\_\_

Student's Name: \_\_\_\_\_

Date of Birth: \_\_\_\_\_

Student ID#: \_\_\_\_\_

Dear Parent/Guardian:

[School district name] is pleased to provide special education services to your child. We are committed to high quality special education services. You can help us obtain additional funds to help provide these services.

We are asking for your support of the Third Party Payment Program. State law requires schools to try to get third party payment for Individualized Education Program (IEP) health related services. These services may include speech/language/hearing services, occupational therapy, physical therapy, nursing, mental health services, personal care services, assistive technology devices and special transportation.

This letter is to notify you that we will bill Medical Assistance or MinnesotaCare for IEP health related services. **We need your signature to release records to the Minnesota Department of Human Services for billing purposes.** The records released may include your child's IEP, IEP health related services documentation and medical orders beginning with the past school year. If you ask, we will send you copies of the records we share for billing.

**Your Medical Assistance or MinnesotaCare benefits are not affected.** There is **no** cost to your family. This **does not** affect any other Medical Assistance or MinnesotaCare annual or lifetime service limits.

Your permission allows us to share records as long as your child receives IEP health related services. We only need your signature one time. If you do not sign, the district will not generate this additional funding, however, your child's IEP services will not change or stop.

You may withdraw your permission to release your child's records at any time. Your child's IEP services will not change or stop. For information on how to withdraw your permission, please call your child's IEP case manager.

If you have any questions regarding Medical Assistance/MNCAre, please call the Department of Human Services at 651-296-7675, or your financial worker.

Sincerely,

[Case manager]

**SAMPLE LETTER REGARDING PRIVATE INSURANCE & PUBLIC INSURANCE**

Date: \_\_\_\_\_

Student's Name: \_\_\_\_\_

Date of Birth: \_\_\_\_\_

Student ID #: \_\_\_\_\_

Dear Parent/Guardian:

*Name of district* is pleased to provide special education services to your child. We are committed to high quality special education services. You can help us obtain additional funds to help provide these services.

We are asking for your support of the Third Party Payment Program. State law requires schools to try to get third party payment for Individualized Education Program (IEP) health related services. These services may include speech/language/hearing services, occupational therapy, physical therapy, nursing, mental health services, personal care services, assistive technology devices and special transportation.

This letter is to notify you that we will bill Medical Assistance or MinnesotaCare for IEP health related services. **We need your signature annually to release records to the Minnesota Department of Human Services for billing purposes.** The records released may include your child's IEP, IEP health related services documentation and medical orders beginning with the past school year. If you ask, we will send you copies of the records we share for billing. We will request information regarding your child's other health insurance coverage. You should know that if your private insurance plan were to be billed, the district would be responsible to cover private health plan costs; i.e., copayments, deductibles related directly to IEP health related services. However, your private medical insurance **will not** be billed due to the fact that premiums may increase or lifetime limits, service limits, and prior authorization thresholds for those services can be affected. **Your Medical Assistance or MinnesotaCare benefits are not affected.** There is **no** cost to your family. This **does not** affect any other Medical Assistance or MinnesotaCare annual or lifetime service limits.

You may have a parental fee if your child has coverage under both private insurance and public insurance. **Any billing of IEP services to MA will not affect your parental fee.** The parental fee is capped by the cost of MA covered services the child receives in a year. When the Minnesota Department of Human Services (DHS) calculates the cap, **the cost of IEP services is not counted.** If IEP services are the only services paid during a month by MA for your child, there is no parental fee for that month.

The school district must request your written consent at least annually to communicate with your private insurance and to bill Medical Assistance/MinnesotaCare. If you choose not to sign the consent form, your child's IEP services will not change or stop.

You may withdraw your permission to release your child's records at any time. Your child's IEP services will not change or stop. For information on how to withdraw your permission, please call your case manager. If you have any questions regarding Medical Assistance or MinnesotaCare, call the Minnesota Department of Human Services 651-296-7675, or your financial worker.

*Insert Name of District Staff Person*

*Insert Title of Person Named Above*

**SAMPLE LETTER REGARDING THIRD PARTY PAYMENT PROGRAM REVOCATION**

Date: _____	Student's Name: _____
	Date of Birth: _____
	Student ID #: _____

Dear Parent or Guardian:

You have told [school district name] to stop sharing your child's education records with:

Please check all that apply:

- Minnesota Department of Human Services
- Your health insurance company or health maintenance organization
- Your child's doctor

This means we will not be able to bill for some, or all health related services. Your child's IEP services will not change if you don't want the records shared. The district must provide your child all of the services in the IEP at **no** cost to you.

**You must inform us, in writing, if you want us to stop sharing education records for the Third Party Payment Program.** Please sign on the line below and send this letter back to me in the enclosed, stamped envelope.

We look forward to working with you to meet your child's needs. If you have any questions about third party payments or your request to stop sharing education records, please call me at [phone number].

Sincerely,

[Case manager]

X \_\_\_\_\_  
Signature of Parent/Guardian/Student (if an adult)

\_\_\_\_\_  
Date

**CONSENT TO RELEASE PRIVATE DATA FOR MEDICAL ASSISTANCE BILLING PURPOSES**

<b>Student's Full Name:</b>		<b>Birth date:</b>	<b>Age:</b>
<b>Grade:</b>	<b>School:</b>	<b>MA/MinnesotaCare ID#:</b>	

Parent Name: \_\_\_\_\_

\_\_\_\_\_ Phone Number: \_\_\_\_\_  
Address

\_\_\_\_\_ City \_\_\_\_\_ State \_\_\_\_\_ Zip Code \_\_\_\_\_

I authorize \_\_\_\_\_ District # \_\_\_\_\_  
School District Name and Person Responsible

Check either or both, as appropriate: \_\_\_\_\_ To release information to: \_\_\_\_\_ To obtain information from:

- DHS or the Department of Health and Human Services (HHS) regarding medical orders, plan of care and service activity logs for Medical Assistance/MNCare for billing purposes. This includes your child's IEP, evaluation reports, and service and attendance records.

**Is the student receiving Personal Care Assistant Services?** \_\_\_\_\_ YES \_\_\_\_\_ NO  
(If yes, please provide physician information below and attach completed "physician's order" form.)

**Physician Information for Students receiving PCA services:**

_____ Name _____	_____ Clinic/Hospital Name _____
_____ Address _____	
_____ City _____	_____ State _____ Zip Code _____

School records may be examined by parent(s), or student if age 18 or older. The information to be released:

- Official School Records (name, address, birth date, sex, attendance record, grade level, grades, class rank, standardized group test results)
- Special Education Records (including related services)

The purpose for the request:

I understand that the district intends to bill MA or MinnesotaCare to receive reimbursement for IEP health related services and that this authorization will be used for MA billing purposes throughout my child's IEP/IFSP/IIIP. I also understand that I have a right to request a copy of all records about IEP health related services shared by the district and that I have a right to withdraw my permission and change this authorization at any time.

X \_\_\_\_\_  
Parent Signature, or Student if age 18 or older \_\_\_\_\_ Date Billing to Begin (M/D/Y)

OR

[ ] I choose not to provide information to the school district at this time.

**To be Completed by Case Manager**

Please indicate services provided to the student:

PT _____	OT _____	S/L _____	Nursing _____
Personal Care Assistant _____	Nursing _____	Special Transportation _____	ATD _____ Other _____

This form is available in several languages, Braille, or other format. Contact the director of special education.

Copies: Due Process File IEP Manager  
Parent IFSP Service Coordinator

**THIRD PARTY BILLING CHECKLIST**

Case Manager: \_\_\_\_\_ Student: \_\_\_\_\_ School Year: \_\_\_\_\_

IEP Date: \_\_\_\_\_ MA or Private + MA: \_\_\_\_\_ Date of Consent/Notice: \_\_\_\_\_

Dates parents have been asked for consent/follow-ups: \_\_\_\_\_

Date billing information sent to NLSEC: \_\_\_\_\_ Date of Revocation: \_\_\_\_\_

<b>Billable Services</b>	<b>Check Services Student Receives</b>	<b>Check Services Listed on Service Page of IEP</b>	<b>Check Services Given Consent to Bill</b>	<b>Date Related Services Persons Contacted</b>	<b>Name of Service Provider or Person Responsible For Billing</b>
Transportation					
Personal Care Assistant					
Speech Language					
Occupational Therapy					
Physical Therapy					
Nursing					
Mental Health					
Assistive Technology					
Hearing/Audiology					

Notes:



**Motor**

Propels student in wheelchair on flat/uneven surfaces

- \_\_\_ propels student by pushing with 2 hands
- \_\_\_ propels student on rugs
- \_\_\_ propels student on sidewalk
- \_\_\_ propels student on grass
- \_\_\_ propels student on gravel
- \_\_\_ controls chair going down ramp
- \_\_\_ controls chair going up ramp

Moves student in and out of wheelchair/transferring

- \_\_\_ puts brake on and off
- \_\_\_ swings footrest away
- \_\_\_ positions student and moves out of wheelchair to object of some level
- \_\_\_ moves student in wheelchair from same level object as wheelchair
- \_\_\_ moves student out of wheelchair to object at higher level than wheelchair
- \_\_\_ moves student into wheelchair from object at higher level than wheelchair
- \_\_\_ positions student and slides out of chair onto floor
- \_\_\_ positions student and pulls into chair from floor

Assists student in maintaining a standing position

- \_\_\_ maintains student's kneel-standing position
- \_\_\_ assists student with bearing weight on legs
- \_\_\_ assists student in a standing table
- \_\_\_ assists student with assistive device such as parallel bars or walker

Range of motion

- \_\_\_ provides tactile input
- \_\_\_ provides passive movement of body parts
- \_\_\_ provides active movement of body parts

Orthotics

- \_\_\_ takes off braces
- \_\_\_ puts on braces

Strengthening

- \_\_\_ puts on weights
- \_\_\_ takes off weights
- \_\_\_ provides verbal prompts
- \_\_\_ provides physical prompts

Demonstrates controlled walking pattern

- \_\_\_ assists in getting in and out of assistive device
- \_\_\_ assists with walking \_\_\_ number of feet/\_\_\_ number of minutes

Lifts

- \_\_\_ puts sling under student
- \_\_\_ attaches sling to lift
- \_\_\_ uses Hoyer lift to transfer student from one area/piece of equipment to another area/piece of equipment

Frequent seizures (school nurse will determine steps)

Shortness of breath (school nurse will determine steps)

**Self-Help Skills**

Assists student with eating and self-eating

- \_\_\_ assists student in suppressing biting response
- \_\_\_ assists student in suppressing jaw thrust response
- \_\_\_ assists student in suppressing lip retraction response
- \_\_\_ assists student with tongue retraction
- \_\_\_ assists student with lip closure
- \_\_\_ assists student with jaw closure
- \_\_\_ assists student with drinking from cup
- \_\_\_ assists student with chewing
- \_\_\_ assists student with finger foods
- \_\_\_ assists student with using utensils (fork, spoon, knife)

Tube feeding

- \_\_\_ verbal prompts or monitor
- \_\_\_ 25-50% assistance
- \_\_\_ 50-75% assistance
- \_\_\_ total assistance

Incontinent changing/diapering

- \_\_\_ verbal prompts or monitor
- \_\_\_ 25-50% assistance
- \_\_\_ 50-75% assistance
- \_\_\_ total assistance

Assists student with toileting needs

- \_\_\_ assists student in reaching toilet facility
- \_\_\_ assists student in manipulating clothing
- \_\_\_ assists student in using tissue
- \_\_\_ assists student in flushing toilet
- \_\_\_ provides a schedule for student toileting

Assists student in dressing needs

- \_\_\_ assists student in putting on and taking off shoes and socks
- \_\_\_ assists student in taking on and off undergarment
- \_\_\_ assists student in taking on and off shirt and pants

- \_\_\_ assists student in removing outer clothing (jacket, boots, etc.)

Assists student with hand washing

- \_\_\_ assists student with turning faucet off/on
- \_\_\_ assists student to wet hands
- \_\_\_ assists student with soaping hands
- \_\_\_ assists student with rinsing hands
- \_\_\_ assists student with drying hands
- \_\_\_ assists student with replacing or disposing of towel

Assists student with washing face

- \_\_\_ assists student to obtain a wash cloth
- \_\_\_ assists student with turning on/off faucet
- \_\_\_ assists student with soaping the washcloth
- \_\_\_ assists student with rinsing the washcloth
- \_\_\_ assists student with rinsing face
- \_\_\_ assists student with drying face
- \_\_\_ assists student with hanging towel and washcloth

Assists student with tooth-brushing

- \_\_\_ assists student in obtaining a toothbrush
- \_\_\_ assists student wetting the toothbrush
- \_\_\_ assists student obtaining the appropriate amount of toothpaste on the toothbrush
- \_\_\_ assists student brushing teeth thoroughly and appropriately
- \_\_\_ assists student rinsing the toothbrush
- \_\_\_ assists student in returning toothbrush to proper place
- \_\_\_ assists student in rinsing mouth
- \_\_\_ assists student with rinsing hands

Assists student with hair care routines

- \_\_\_ assists student in brushing/combing hair
- \_\_\_ assists student with washing hair, including assembling necessary materials, applying shampoo and rinsing hair thoroughly
- \_\_\_ assists student in drying hair, including towel and blow dryer

**Behavior Monitoring/Redirection**

Assists student through monitoring and redirection

- (Student behavior is monitored and when necessary, redirected to provide for the safety of the student and others. Redirection involves compliance training which is defined as the performance of an action, or the termination of an action, at the request of a staff person)
- \_\_\_ requests student to engage or start a specific behavior
  - \_\_\_ requests student to cease engaging or refrain from engaging in a specific behavior
  - \_\_\_ requests student to both not do a particular behavior and to do another behavior which results in passive waiting.

**CERTIFICATE OF COST ALLOCATION PLAN****Certificate of Cost Allocation Plan**

This is to certify that I have reviewed the cost allocation plan submitted herewith and to the best of my knowledge and belief:

(1) All costs included in this proposal [identify date] to establish cost allocation or billings for [identify period covered by rate] are allowable in accordance with the requirements of the OMB Circular A-87, "Cost Principles for State, Local, and Indian Tribal Governments," and the Federal awards(s) to which they apply. Unallowable costs have been adjusted for in allocating costs as indicated in the cost allocation plan.

(2) All costs included in this proposal are properly allocable to Federal awards on the basis of a beneficial or causal relationship between the expenses incurred and the awards to which they are allocated in accordance with applicable requirements. Further, the same costs that have been treated as indirect costs have not been claimed as direct costs. Similar types of costs have been accounted for consistently.

I declare that the foregoing is true and correct.

School District: \_\_\_\_\_

Signature: \_\_\_\_\_

Name of Official: \_\_\_\_\_

Title: \_\_\_\_\_

Date of Execution: \_\_\_\_\_

**CERTIFICATE OF INDIRECT COSTS****Certificate of Indirect Costs**

This is to certify that I have reviewed the indirect cost rate proposal submitted herewith and to the best of my knowledge and belief:

(1) All costs included in this proposal [identify date] to establish billing or final indirect costs rates for [identify period covered by rate] are allowable in accordance with the requirements of the Federal award(s) to which they apply and OMB Circular A-87, "Cost Principles for State, Local, and Indian Tribal Governments." Unallowable costs have been adjusted for in allocating costs as indicated in the cost allocation plan.

(2) All costs included in this proposal are properly allocable to Federal awards on the basis of a beneficial or causal relationship between the expenses incurred and the agreements to which they are allocated in accordance with applicable requirements. Further, the same costs that have been treated as indirect costs have not been claimed as direct costs. Similar types of costs have been accounted for consistently and the Federal Government will be notified on any accounting changes that would affect the predetermined rate.

I declare that the foregoing is true and correct.

School District: \_\_\_\_\_

Signature: \_\_\_\_\_

Name of Official: \_\_\_\_\_

Title: \_\_\_\_\_

Date of Execution: \_\_\_\_\_

**CERTIFICATION OF ASSURANCES TO COMPLY WITH FEDERAL AWARDS**

I certify that the information on the Federal awards, Part B Flow Through and Preschool Incentives, have been provided to me and that I understand and agree to comply with all applicable laws, regulations, contract and grant agreement provisions and other requirements imposed by the pass-through entity.

School District: \_\_\_\_\_

\_\_\_\_\_  
Signature of Business Personnel

\_\_\_\_\_  
Signature of Superintendent

## FEDERAL EQUIPMENT ELIGIBILITY AND NECESSITY DETERMINATION QUESTIONS

**(To be attached to all Purchase Orders over \$4000 when using Federal Funds)**

If the district Did Not provide special education services to any students:

- |   | <u>Yes</u>               | <u>No</u>                |
|---|--------------------------|--------------------------|
| 1. Would the item be purchased?   | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Would the service be delivered to students in general education classes?   | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. Do general education students receive the same services and use the same sort of equipment?  | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. What was the need that initiated the purchase and how was it determined that the cost was allowable, necessary and essential?                                      |                          |                          |
| 5. Was it verified that the purchase request was made by special education personnel? If so, by who _____   | <input type="checkbox"/> | <input type="checkbox"/> |
| 6. Is the purchase(s) identified on an IEP?   | <input type="checkbox"/> | <input type="checkbox"/> |
| 7. Does the purchase order, invoice, packing slip document the special education need?  | <input type="checkbox"/> | <input type="checkbox"/> |
| 8. Do/does the student(s) need the item to access general education curriculum? Explain?  | <input type="checkbox"/> | <input type="checkbox"/> |
| 9. Is the purchase cost consistent with federal cost principles and EDGAR?  | <input type="checkbox"/> | <input type="checkbox"/> |
| 10. If purchased for program use, is the purchase consistent with the needs of the program (data driven, targeting areas or weakness, do you have a measurable goal?) | <input type="checkbox"/> | <input type="checkbox"/> |
| 11. Did you get the best value (not the cheapest)? Can you prove you paid a fair rate?  | <input type="checkbox"/> | <input type="checkbox"/> |
| 12. Describe procurement process used:  |                          |                          |
| 13. Do the staff have the capacity to use the purchased goods?  | <input type="checkbox"/> | <input type="checkbox"/> |
| 14. Was the purchase prudent?   | <input type="checkbox"/> | <input type="checkbox"/> |
| 15. Does the program/student need the item or is there surplus property already available?  | <input type="checkbox"/> | <input type="checkbox"/> |

\_\_\_\_\_  
Signature of Business Manager or Superintendent

\_\_\_\_\_  
Signature of Director of Special Education

**NORTHERN LAKES CODE OF CONDUCT FOR FEDERAL GRANTEES**

## Code of Conduct for Federal Grantees:

1. Makes the well-being of students the fundamental value of all decision-making and actions.
2. Fulfills professional responsibilities with honesty and integrity.
3. Supports the principle of due process and protects the civil and human rights of all individuals.
4. Obeys local, state, and national laws pertaining to Federal awards.
5. Implements the school board's policies pertaining to Federal awards.
6. Pursues appropriate measures to correct those laws, policies, and regulations that are not consistent with federal requirements.
7. Maintains the standards and seeks to improve the effectiveness of the profession through continuing professional development.
8. Honors all contracts until fulfillment, release, or dissolution is mutually agreed upon by all parties to the contract.
9. Does not participate in award selection of a contract when a conflict of interest, real or apparent, exists.



**STAFF EQUIPMENT AND SECURITY AGREEMENT**

**Independent School District # \_\_\_\_\_  
\_\_\_\_\_, MN**

**Staff Contract for Equipment Used at Home**

STAFF NAME: \_\_\_\_\_ PHONE NUMBER: \_\_\_\_\_  
DEVICE: \_\_\_\_\_ SERIAL NUMBER: \_\_\_\_\_  
MAKE: \_\_\_\_\_ MODEL: \_\_\_\_\_  
OWNER: \_\_\_\_\_

**Statement of Responsibility for School Owned Devices:**

1. I, the undersigned, agree to return it in the same condition at the end of the school year.
2. It is understood that if this device is lost or stolen, I will pay the assessed value of the device to Independent School District #\_\_\_\_, and in case of damages, I will pay for the necessary repairs that are over and above the normal maintenance charges.
3. I agree that I will not permit anyone else to use this device other than me, the staff person to whom it is assigned.
4. I understand that this device is supplied as part of my employment. I further understand that any violation of this accepted responsibility will result in loss of this privilege.
5. Device repairs should receive immediate attention whenever they arise. Staff should discuss the needed repairs with the assigned building computer technician.

I have read the information above and agree with its provisions.

This contract must be signed by the staff member, supervisor and building computer technician.

Staff Signature: \_\_\_\_\_ Date: \_\_\_\_\_

Supervisor Signature: \_\_\_\_\_ Date: \_\_\_\_\_

Computer Technician Signature: \_\_\_\_\_ Date: \_\_\_\_\_

**SEGREGATION OF DUTIES AND INTERNAL CONTROL QUESTIONNAIRE**

SEGREGATION OF DUTIES	Yes	No	N/A	Name of Individuals Responsible
1. Are responsibilities for budget preparation, adoption, execution and reporting segregated?	_____	_____	_____	_____
2. Are the responsibilities for maintaining the general ledger segregated from those for maintaining subsidiary ledgers?	_____	_____	_____	_____
3. Are the responsibilities for maintaining the general ledger and custody of assets segregated?	_____	_____	_____	_____
4. Is access to the general ledger and related records restricted to those who are assigned general ledger responsibilities?	_____	_____	_____	_____
5. Are the preparation and approval functions for journal entries segregated?	_____	_____	_____	_____
6. Is the final review and approval of financial reports segregated from the responsibility for preparation of the reports?	_____	_____	_____	_____
7. Are responsibilities for collection and deposit preparation functions segregated from those for recording cash receipts and general ledger entries?	_____	_____	_____	_____
8. Are responsibilities for cash receipts functions segregated from those for cash disbursements?	_____	_____	_____	_____
9. Are responsibilities for disbursement preparation and disbursement approval functions segregated from those for recording or entering cash disbursements information on the general ledger?	_____	_____	_____	_____
10. Are responsibilities for the disbursement approval function segregated from those for the disbursement, voucher preparation, and purchasing functions?	_____	_____	_____	_____
11. Are responsibilities for entries in the cash receipt and disbursement records segregated from those for general ledger entries?	_____	_____	_____	_____
12. Are responsibilities for preparing and approving bank account reconciliations segregated from those for other cash receipt or disbursement functions?	_____	_____	_____	_____
13. If EDP is used, is the principle of segregation of duties within processing activities maintained?	_____	_____	_____	_____
14. Are responsibilities for initiating, evaluating and approving investment transactions segregated from those for detail accounting, general ledger, and other related functions?	_____	_____	_____	_____
15. Are responsibilities for initiating investment transactions segregated from those for final approvals that commit government resources?	_____	_____	_____	_____
16. Are responsibilities for monitoring investment market values and performance segregated from those for investment acquisition?	_____	_____	_____	_____
17. Are responsibilities for maintaining detail investment accounting records segregated from those for general ledger entries?	_____	_____	_____	_____
18. Are custodial responsibilities for securities or other documents evidencing ownership or other rights assigned to an official who has no accounting duties?	_____	_____	_____	_____
19. Are the responsibilities for maintaining detail accounts receivable records segregated from collections and general ledger posting?	_____	_____	_____	_____
20. Are the collection, control, and deposit of funds activities segregated from the accounting records maintenance function?	_____	_____	_____	_____

21. Are responsibilities for entries in the cash receipts records segregated from those for general ledger entries?	_____	_____	_____	_____
22. Are responsibilities for initiating, evaluating, and approving capital expenditures, leases, and maintenance or repair projects segregated from those for project accounting, property records, and general ledger functions?	_____	_____	_____	_____
23. Are responsibilities for initiating capital asset transactions segregated from those for final approvals that commit government resources?	_____	_____	_____	_____
24. Are responsibilities for the project accounting and property records functions segregated from the general ledger functions?	_____	_____	_____	_____
25. Are responsibilities for the project accounting and property records functions segregated from the custodial function?	_____	_____	_____	_____
26. Are responsibilities for the periodic physical inventories of capital assets assigned to responsible officials who have no custodial or record keeping responsibilities?	_____	_____	_____	_____
27. Are responsibilities for the requisitioning, purchasing, and receiving functions segregated from the invoice processing, accounts payable, and general ledger functions?	_____	_____	_____	_____
28. Are responsibilities for the purchasing function segregated from the requisitioning and receiving functions?	_____	_____	_____	_____
29. Are responsibilities for the invoice processing and accounts payable functions segregated from the general ledger functions?	_____	_____	_____	_____
30. Are responsibilities for the disbursement preparation and disbursement approval functions segregated from those for recording cash disbursements and general ledger entries?	_____	_____	_____	_____
31. Are responsibilities for the disbursement approval function segregated from those for the disbursement preparation function?	_____	_____	_____	_____
32. Are responsibilities for entries in the cash disbursement records segregated from those for general ledger entries?	_____	_____	_____	_____
33. If practical, are contract or purchasing officer's areas of responsibility rotated on a regular basis?	_____	_____	_____	_____
34. If receiving department is not used, do adequate controls exist to ensure that goods for which payment is made have been received?	_____	_____	_____	_____
35. Are these goods verified by someone other than the individual that approves payments by verifying that goods have been received and meet quality standards?	_____	_____	_____	_____
36. Are responsibilities for supervision and timekeeping functions segregated from personnel, payroll processing, disbursement, and general ledger functions?	_____	_____	_____	_____
37. Are responsibilities for the payroll processing function segregated from the general ledger function?	_____	_____	_____	_____
38. Is payroll distribution supervised by employees? That is:	_____	_____	_____	_____
a. Who are not responsible for hiring or firing employees?	_____	_____	_____	_____
b. Who do not approve time reports?	_____	_____	_____	_____
c. Who take no part in payroll preparation?	_____	_____	_____	_____
39. Are responsibilities for initiating payments under employee benefit plans segregated from accounting and general ledger functions?	_____	_____	_____	_____
40. Is the payroll bank account reconciled regularly by employees independent of all other payroll transaction processing activities?	_____	_____	_____	_____

OTHER ACCOUNTING AND INTERNAL CONTROL QUESTIONS	Yes	No	N/A	Name of Individuals Responsible
1. Is the organization chart current?	_____	_____	_____	_____
2. Are delegations of authority and responsibility current and in writing?	_____	_____	_____	_____
3. Do employees have copies of the current position description?	_____	_____	_____	_____
4. Do written personnel policies exist?	_____	_____	_____	_____
5. Does the entity have adequate written statement and explanations of its accounting controls? Written accounting controls may include such matters as:	_____	_____	_____	_____
a. A chart of accounts accompanied by explanations of the items to be included in the various accounts.	_____	_____	_____	_____
b. Identification and description of the principal accounting records, recurring standard entries, and requirements for supporting documentation. For example, this may include information about the general ledger, source journals, subsidiary ledgers, and detail records for each significant class of transactions.	_____	_____	_____	_____
c. Expression of the assignment of responsibilities and delegation of authority including identification of the individuals or positions that have authority to approve various types of recurring and non-recurring entries.	_____	_____	_____	_____
d. Explanations of documentation and approval requirements for various types of recurring and non-recurring transactions and journal entries. Documentation requirements, for example, would include the basis and supporting computations required for adjustments and write-offs.	_____	_____	_____	_____
e. Instructions for determining an adequate cutoff and closing of accounts for each reporting period.	_____	_____	_____	_____
6. Does the accounting department maintain a current list of those authorized to approve expenditures?	_____	_____	_____	_____
7. Do controls exist for submission and approval of reimbursement to employees for travel and other expenses?	_____	_____	_____	_____
8. Are all changes in employment (additions and terminations), salary and wage rates, and payroll deductions properly authorized, approved, and documented?	_____	_____	_____	_____
9. Are notices of additions, separations, and changes in salaries, wages, and deductions promptly reported to the payroll processing function?	_____	_____	_____	_____
10. Are appropriate payroll records maintained for accumulated employee benefits (vacation, pension data, etc.)?	_____	_____	_____	_____
11. Do controls and physical safeguards exist surrounding working (petty cash) funds?	_____	_____	_____	_____
12. Are bank statements and paid warrants or checks delivered in unopened envelopes directly to employee preparing the reconciliation?	_____	_____	_____	_____
13. Are policies and procedures current and in writing?	_____	_____	_____	_____
14. Are all policies and procedures clearly stated and systematically communicated (manuals, handbooks, etc.)?	_____	_____	_____	_____
15. Do the policies and procedures support internal control?	_____	_____	_____	_____
16. Is there a formal plan of organization for the unit of government under which reporting responsibilities are clearly defined and reasonably aligned?	_____	_____	_____	_____
17. Are there clearly established levels of operational and financial accountability?	_____	_____	_____	_____

18. Do procedures exist to ensure that only authorized persons can alter or establish a new accounting principle, policy, or procedure to be used by the entity?	_____	_____	_____	_____
19. Does the principal accounting officer of the entity have adequate authority over accounting employees and principal accounting records locations?	_____	_____	_____	_____
20. Are the principal accounting, treasury, and custody functions segregated?	_____	_____	_____	_____
21. Are all journal entries reviewed and approved by designated individuals at appropriate levels in the entity?	_____	_____	_____	_____
22. Are there channels of communication for people to report suspected improprieties?	_____	_____	_____	_____
a. Is there an ability to contact someone other than a direct supervisor?	_____	_____	_____	_____
b. Is anonymity permitted?	_____	_____	_____	_____
23. Are completed payroll registers reviewed and approved before disbursements are made?	_____	_____	_____	_____
24. Are comparisons (reconciliations) of gross pay of current and prior period payrolls reviewed for reasonableness by a knowledgeable person not otherwise involved in payroll processing?	_____	_____	_____	_____
25. Is the payroll (including an examination of authorization of changes on reconciliations) reviewed by an employee not involved in its preparation?	_____	_____	_____	_____
26. Is the distribution of dollars and hours of gross pay balanced with the payroll registers, and reviewed by someone independent but knowledgeable in this area?	_____	_____	_____	_____
27. Is the payroll bank account reconciled on a regular basis?	_____	_____	_____	_____
28. Are investment policy guidelines formally established and periodically reviewed?	_____	_____	_____	_____
29. Are detailed property records periodically reconciled with the general ledger control accounts?	_____	_____	_____	_____
30. Does a senior employee review and approve invoices by checking the clerical accuracy and examining the supporting documentation?	_____	_____	_____	_____
31. Does management periodically review internal control to ensure that it is being enforced?	_____	_____	_____	_____
32. Are detailed property records periodically compared with existing assets?	_____	_____	_____	_____
33. Are audits routinely performed?	_____	_____	_____	_____
34. Are unclaimed wages returned to a custodian independent of the payroll department?	_____	_____	_____	_____



**SAMPLE PAR LOG**

A = Activity

C = Contact

**PAR LOG**

Name: \_\_\_\_\_ Week of: \_\_\_\_\_ To: \_\_\_\_\_

	MONDAY		TUESDAY		WEDNESDAY		THURSDAY		FRIDAY	
	A	C	A	C	A	C	A	C	A	C
AM Activities										
7:00 – 7:15										
7:15 – 7:30										
7:30 – 7:45										
7:45 – 8:00										
8:00 – 8:15										
8:15 – 8:30										
8:30 – 8:45										
8:45 – 9:00										
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4:15 – 4:30										
4:30 – 4:45										
4:45 – 5:00										
5:00 – 5:15										
5:15 – 5:30										
PM Activities										

Month \_\_\_\_\_

Quarterly Report Date \_\_\_\_\_

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

**E/BD Teachers  
(Table 01)**

<u>ACTIVITY</u>	<u>CONTACT</u>
1. Admin. Intervention	1. Student at Risk
2. Teaching, Academics	2. Student with Disability
3. Teaching, Social Skills	3. Whole Class
4. Re-teaching, Social Skills	4. Mainstream Teacher
5. Team Teaching, Social Skills	5. Special Education Teacher
6. Curriculum Support, Regular Education	6. Support Staff (Assts)
7. Consultation	7. Administrator
8. Classroom Observation	8. Consultant (Psych, SW)
99. Verbal Crisis Intervention	9. Student at Risk with Disability
10. Physical Crisis Intervention	
11. Case Management/Record Keeping	
12. Staffings, Special Education	
13. Building Meetings	
14. Parent Contact	
15. Building Discipline Support	
16. Staff Development	
17. Student Teacher	
94. Lunch/Break	94. Lunch/Break
95. No Response	95. No Response
96. Unclassified	96. Unclassified
97. Desig/Undesig Leave	97. Desig/Undesig Leave
98. Non-Duty	98. Non-Duty
99. Other	99. Other