

**Gate City Charter School for the Arts  
ADMINISTRATION OF FEDERAL GRANT FUNDS**

All purchases for property and services made using federal funds are conducted in accordance with all applicable Federal, State and local laws and regulations, the Uniform Grant Guidance, and the School's written policies and procedures.

**Federal Grant Funds Administration, Allowability,  
and Disbursement Policy and Procedure**

Notwithstanding any other policy of Gate City Charter School for the Arts, all funds awarded directly or indirectly through any Federal grant or subsidy programs shall be administered in accordance with this Policy, and any administrative procedures adopted implementing this Policy.

Gate City Charter School for the Arts intends to administer federal grant awards efficiently, effectively and in compliance with all requirements imposed by law, the awarding agency and the New Hampshire Department of Education (NHDOE) or other applicable pass-through entity. This policy establishes the minimum standards regarding internal controls and grant management to be used by the school in the administration of any funds received by the school through Federal grant programs as required by applicable NH and Federal laws or regulations. The Board directs the Director to develop, monitor, and enforce effective administrative procedures and other internal controls over federal awards as necessary in order to provide reasonable assurances that the school is managing the awards in compliance with all requirements for federal grants and awards. Systems and controls must meet all requirements of federal and/or law and regulations and shall be based on best practices.

The Director is directed to assure that all individuals responsible for the administration of a federal grant or award shall be provided sufficient training to carry out their duties in accordance with all applicable requirements for the federal grant or award and this policy. To the extent not covered by this Policy, the administrative procedures and internal controls must provide for:

1. identification of all federal funds received and expended and their program source;
2. accurate, current, and complete disclosure of financial data in accordance with federal requirements;
3. records sufficient to track the receipt and use of funds;
4. effective control and accountability over assets to assure they are used only for authorized purposes; and
5. comparison of expenditures against budget.

**ALLOWABILITY**

The Director is responsible for the efficient and effective administration of grant funds

through the application of sound management practices. Such funds shall be administered in a manner consistent with all applicable Federal, State and local laws, the associated agreements/assurances, program objectives and the specific terms and conditions of the grant award.

A. Cost Principles: Except whether otherwise authorized by statute, costs shall meet the following general criteria in order to be allowable under Federal awards:

1. Be “necessary” and “reasonable” for proper and efficient performance and administration of the Federal award and be allocable thereto under these principles.

a. To determine whether a cost is “reasonable”, consideration shall be given to:

- i. whether a cost is a type generally recognized as ordinary and necessary for the operation of the school or the proper and efficient performance of the Federal award;
- ii. the restraints or requirements imposed by such factors as sound business practices, arm’s length bargaining, Federal, State, local, tribal and other laws and regulations;
- iii. market prices for comparable goods or services for the geographic area;
- iv. whether the individuals concerned acted with prudence in the circumstances considering their responsibilities; and
- v. whether the cost represents any significant deviation from the established practices or Board policy which may increase the expense.

While Federal regulations do not provide specific descriptions of what satisfied the “necessary” element beyond its inclusion in the reasonableness analysis above, whether a cost is necessary is determined based on the needs of the program.

Specifically, the expenditure must be necessary to achieve an important program objective. A key aspect in determining whether a cost is necessary is whether the School can demonstrate that the cost addresses an existing need and can prove it.

b. When determining whether a cost is “necessary”, consideration may be given to whether:

- i. the cost is needed for the proper and efficient performance of the grant program;
- ii. the cost is identified in the approved budget or application;
- iii. there is an educational benefit associated with the cost;
- iv. the cost aligns with identified needs based on results and findings from a needs assessment; and/or
- v. the cost addresses program goals and objectives and is based on program data.

c. A cost is allocable to the Federal award if the goods or services involved are chargeable or assignable to the Federal award in accordance with the relative benefit received.

2. Conform to any limitations or exclusions set forth as cost principles in Part 200

or in the terms and conditions of the Federal award.

3. Be consistent with the policies and procedures that apply uniformly to both Federally-financed and other activities of the school.
4. Be afforded consistent treatment. A cost cannot be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been assigned as an indirect cost under another award.
5. Be determined in accordance with generally accepted accounting principles.
6. Be representative of actual cost, net of all applicable credits or offsets.

The term “applicable credits” refers to those receipts or reductions of expenditures that operate to offset or reduce expense items allocable to the Federal award.

Typical examples of such transactions are: purchase discounts; rebates or allowances; recoveries or indemnities on losses; and adjustments of overpayments or erroneous charges. To the extent that such credits accruing to/or received by the State relate to the Federal award, they shall be credited to the Federal award, either as a cost reduction or a cash refund, as appropriate.

7. Be not included as a match or cost-share, unless the specific Federal program authorizes Federal costs to be treated as such.

8. Be adequately documented:

- a. in the case of personal services, the Director shall implement a system for school personnel to account for time and efforts expended on grant funded programs to assure that only permissible personnel expenses are allocated;
- b. in the case of other costs, all receipts and other invoice materials shall be retained, along with any documentation identifying the need and purpose for such expenditure if not otherwise clear.

B. Selected Items of Cost: The school shall follow the rules for selected items of cost at 2 C.F.R. Part 200, Subpart E when charging these specific expenditures to a Federal grant. When applicable, school staff shall check costs against the selected items of cost requirements to ensure the cost is allowable. In addition, State, school and program-specific rules, including the terms and conditions of the award, may deem a cost as unallowable and school personnel shall follow those rules as well.

C. Cost Compliance: The Director shall require that grant program funds are expended and are accounted for consistent with the requirements of the specific program and as identified in the grant application. Compliance monitoring includes accounting for direct or indirect costs and reporting them as permitted or required by each grant.

D. Determining Whether A Cost is Direct or Indirect:

1. “Direct costs” are those costs that can be identified specifically with a particular

final cost objective, such as a Federal award, or other internally or externally funded activity, or that can be directly assigned to such activities relatively easily with a high degree of accuracy.

These costs may include: salaries and fringe benefits of employees working directly on a grant-funded project; purchased services contracted for performance under the

grant; travel of employees working directly on a grant-funded project; materials, supplies, and equipment purchased for use on a specific grant; and infrastructure costs directly attributable to the program (such as long distance telephone calls specific to the program, etc.).

2. "Indirect costs" are those that have been incurred for a common or joint purpose benefitting more than one (1) cost objective, and not readily assignable to the cost objectives specifically benefited without effort disproportionate to the results achieved. Costs incurred for the same purpose in like circumstances shall be treated consistently as either direct or indirect costs.

These costs may include: general data processing, human resources, utility costs, maintenance, accounting, etc.

Federal education programs with supplement not supplant provisions must use a restricted indirect cost rate. In a restricted rate, indirect costs are limited to general management costs. General management costs do not include divisional administration that is limited to one (1) component of the school, the governing body of the school, compensation of the Director, compensation of the chief executive officer of any component of the School, and operation of the immediate offices of these officers.

The salaries of administrative and clerical staff should normally be treated as indirect costs. Direct charging of these costs may be appropriate only if all the following conditions are met:

- a. Administrative or clerical services are integral to a project or activity.
- b. Individuals involved can be specifically identified with the project or activity.
- c. Such costs are explicitly included in the budget or have the prior written approval of the Federal awarding agency.
- d. The costs are not also recovered as indirect costs.

Where a Federal program has a specific cap on the percentage of administrative costs that may be charged to a grant, that cap shall include all direct administrative charges as well as any recovered indirect charges.

Effort should be given to identify costs as direct costs whenever practical, but allocation of indirect costs may be used where not prohibited and where indirect cost allocation is approved ahead of time by NHDOE or the pass-through entity (Federal funds subject to 2 C.F.R Part 200 pertaining to determining indirect cost allocation).

E. Timely Obligation of Funds: Obligations are orders placed for property and services, contracts and subawards made, and similar transactions during a given period that require payment by the non-Federal entity during the same or a future period.

The following are examples of when funds are determined to be "obligated" under applicable regulation of the U.S. Department of Education:

When the obligation is for:

1. Acquisition of property – on the date which the school makes a binding written commitment to acquire the property.
2. Personal services by an employee of the school – when the services are performed.
3. Personal services by a contractor who is not an employee of the school – on the

date which the school makes a binding written commitment to obtain the services.

4. Public utility services – when the school received the services.

5. Travel – when the travel is taken.

6. Rental of property – when the school uses the property.

7. A pre-agreement cost that was properly approved by the Secretary under the cost principles in 2 C.F.R. Part 200, Subpart E – Cost Principles – on the first day of the project period.

F. Period of Performance: All obligations must occur on or between the beginning and ending dates of the grant project. This period of time is known as the period of performance. The period of performance is dictated by statute and will be indicated in the Grant Award Notification (“GAN”). As a general rule, State-administered Federal funds are available for obligation within the year that Congress appropriates the funds for. However, given the unique nature of educational institutions, for many Federal education grants, the period of performance is twenty- seven (27) months. This maximum period includes a fifteen (15) month period of initial availability, plus a twelve (12) month period of carry over. For direct grants, the period of performance is generally identified in the GAN.

In the case of a State-administered grant, obligations under a grant may not be made until the grant funding period begins or all necessary materials are submitted to the granting agency, whichever is later. In the case of a direct grant, obligations may begin when the grant is substantially approved, unless an agreement exists with NHDOE or the pass-through entity to reimburse for pre-approval expenses. For both State-administered and direct grants, regardless of the period of availability,

the School shall liquidate all obligations incurred under the award not later than forty-five (45) days after the end of the funding period unless an extension is authorized. Any funds not obligated within the period of performance or liquidated within the appropriate timeframe are said to lapse and shall be returned to the awarding agency. Consistently, the school shall closely monitor grant spending throughout the grant cycle.

## **CASH MANAGEMENT AND FUND CONTROL**

Payment methods must be established in writing that minimize the time elapsed between the drawdown of federal funds and the disbursement of those funds.

Standards for funds control and accountability must be met as required by the Uniform Guidance for advance payments and in accordance with the requirements of NHDOE or other applicable pass-through-entity.

In order to provide reasonable assurance that all assets, including Federal, State, and local funds, are safeguarded against waste, loss, unauthorized use, or misappropriation, the Director shall implement internal controls in the area of cash management.

The school’s payment methods shall minimize the time elapsing between the transfer of funds from the United States Treasury or the NHDOE (pass-through entity) and disbursement by the school, regardless of whether the payment is made by electronic fund transfer, or issuance or redemption of checks, warrants, or payment by other means.

The school shall use forms and procedures required by the NHDOE, grantor agency or other pass-through entity to request payment. The school shall request grant fund payments in accordance with the provisions of the grant. Additionally, the school's financial management systems shall meet the standards for fund control and accountability as established by the awarding agency.

The Director is authorized to submit requests for advance payments and reimbursements at least monthly when electronic fund transfers are not used, and as often as deemed appropriate when electronic transfers are used, in accordance with the provisions of the Electronic Fund Transfer Act (15 U.S.C. 1693-1693r).

When the School uses a cash advance payment method, the following standards shall apply:

A. The timing and amount of the advance payment requested will be as close as is administratively feasible to the actual disbursement for direct program or project costs and the proportionate share of any allowable indirect costs.

B. The school shall make timely payment to contractors in accordance with contract provisions.

C. To the extent available, the school shall disburse funds available from program income (including repayments to a revolving fund), rebates, refunds, contract settlements, audit recoveries, and interest earned on such funds before requesting additional cash payments.

D. The school shall account for the receipt, obligation and expenditure of funds.

E. Advance payments shall be deposited and maintained in insured accounts whenever possible.

F. Advance payments will be maintained in interest bearing accounts unless the following apply:

1. The school receives less than \$120,000 in Federal awards per year.

2. The best reasonably available interest-bearing account would not be expected to earn interest in excess of \$500 per year on Federal cash balances.

3. The depository would require an average or minimum balance so high that it would not be feasible within the expected Federal and non-Federal cash resources.

4. A foreign government or banking system prohibits or precludes interest bearing accounts.

G. Pursuant to Federal law and regulations, the school may retain interest earned in an amount up to \$500 per year for administrative costs. Any additional interest earned on Federal advance payments deposited in interest-bearing accounts must be remitted annually to the Department of Health and Human Services Payment Management System ("PMS") through an electronic medium using either Automated Clearing House ("ACH") network or a Fedwire Funds Service payment. Remittances shall include pertinent information of the payee and nature of payment in the memo area (often referred to as "addenda records" by Financial Institutions) as that will assist in the timely posting of interest earned on Federal funds.