

FISCAL MANAGEMENT INTERNAL CONTROLS

The District will develop the necessary procedures to comply with the following fiscal management internal controls relating to oversight of all federal and state grant programs, awards or funds.

The District will meet the following requirements for internal controls in accordance with 2 CFR 200.303 for all such funds:

- 1) Establish and maintain effective internal control over the federal award that provides reasonable assurance that the District is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award. These internal controls should align with the guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO);
- 2) Comply with the U.S. Constitution, federal statutes, regulations, and the terms and conditions of the federal awards;
- 3) Evaluate and monitor the District’s compliance with statutes, regulations and the terms and conditions of federal awards;
- 4) Take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings; and
- 5) Take reasonable cybersecurity and other measures to safeguard protected personally identifiable information and other information the federal awarding agency or pass-through entity designates as sensitive or the District considers sensitive consistent with applicable federal, state, local, and tribal laws regarding privacy and responsibility over confidentiality.

Equipment Management Requirements: The District will manage equipment (including replacement equipment), whether acquired in whole or in part under a federal award, until the District disposes of that equipment, to meet the following requirements of 2 CFR 200.313 and 2 CFR 200.33:

- 1) Maintain property records procedure and policies (include description, serial number or other identification number, source of funding, acquisition date, etc.);
- 2) Develop and maintain a physical inventory procedure to occur a minimum of every 2 years;
- 3) Apply a control system procedure to ensure adequate safeguards are in place to prevent property loss or damage;
- 4) Develop and implement adequate maintenance procedures for such equipment; and

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~~5)–Develop and implement sales procedures for such equipment; and~~

6)5) ~~Develop and implement~~ disposition procedures for such equipment- to ensure the best return. See Policy 717.00 Disposal of Property Under Federal Grants for disposition requirements.

Procurement: The District will use its own documented procurement procedures which reflect applicable State, local, and tribal laws and regulations, provided that the procurements conform to applicable federal law and the standards identified below from 2 CFR 200.320;

- 1) A procedure for micro-purchases (Under 10,000);
- 2) A procedure for small purchases (10,000 to 250,000);
- 3) A procedure for sealed bids (using Lowest Bidder for over 250,000);
- 4) A procedure for competitive proposals (including showing why ~~not~~ sealed bids were not ~~used~~ accepted for over 250,000); and
- 5) A procedure for noncompetitive bids (when sole sourced, must prove only source).

All contracts involving federal and state grant programs, awards or funds shall contain the following provisions:

1. An assurance that minority business, women's business enterprises, and labor surplus area firms are used when possible. [2 CFR 200.321]
2. An Anti-Lobbying clause for all contracts and for those contracts exceeding \$100,000 a requirement that bidders submit an Anti-Lobbying Certification. [2 CFR 200, Appendix II(I)]
3. A Suspension and Debarment clause for contracts of any value. [2 CFR 200, Appendix II(H)]
4. A clause to address termination for cause and for convenience, including the manner by which it will be affected and the basis for settlement if the contract amount exceeds \$10,000. [2 CFR 200, Appendix II(B)]
5. A clause to address administrative, contractual, or legal remedies in instances where contractors violate or breach contract terms if the contract amount exceeds \$250,000, and to provide for sanctions and penalties. [2 CFR 200, Appendix II(A)]
6. Clauses addressing the Clean Air Act and the Federal Water Pollution Control Act if the contract amount exceeds \$150,000. [2 CFR 200, Appendix II(G)]
7. A provision to maintain contract oversight to ensure that contractors perform in accordance with the terms, conditions, and specifications of their contracts or purchase orders. [2 CFR 200.318(b)]
8. Written standards of conduct covering conflicts of interest and governing the actions of the employees engaged in the selection, award and administration of contracts. [2 CFR 200.318(c)(1)]

9. A requirement to keep records sufficient to detail the history of the procurement, including, but not limited to, records documenting the rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price. [2 CFR 200.318(i)]

Record Retention: Financial records, supporting documents, statistical records, and all other non-federal entity records pertinent to a federal award must be retained for a period of three years from the date of submission of the final expenditure report or, for federal awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, respectively, as reported to the federal awarding agency or pass-through entity in the case of a sub-recipient in accordance with 2 CFR 200.333. Other records will be retained for a period of time as required by law.

Suspension and Debarment: The District may not subcontract with or award subgrants in any federal assistance program to any person or company who is debarred or suspended and is required to check for excluded parties at the System for Award Management, SAM (formerly the Excluded Parties List System, EPLS) website before any procurement transaction in accordance with 2 CFR 200.213 and Policy 706.07 Suspension and Debarment.

Financial Management: The District must develop and maintain financial management systems to account for federal funds, including records documenting compliance with federal statutes, regulations, and the terms and conditions of the federal award. Such records must be sufficient to permit the preparation of reports required by general and program-specific terms and conditions; and the tracing of funds to a level of expenditures adequate to establish that such funds have been used according to the federal statutes, regulations, and the terms and conditions of the federal award in accordance with 2 CFR 200.302. See also §200.450 Lobbying.

The financial management system of each non-federal entity must provide for the following;

- 1) A procedure for identification of all federal awards received and expended and the federal programs under which they were received;
- 2) A procedure for accurate, current, and complete disclosure of the financial results of each federal award or program in accordance with reporting requirements
- 3) A procedure to maintain records that identify adequately the source and application of funds for federally funded activities.
- 4) A procedure for maintaining effective control over, and accountability for, all funds, property, and other assets.
- 5) A procedure for comparing District expenditures with budget amounts for each federal award.

- 6) A procedure to ensure payments of federal funds are made in accordance with 2 CFR 200.305.
- 7) A procedure for determining the allowability of costs in accordance with 2 CFR 200.305 Subpart E-Cost Principles and the term and conditions of the federal award.

Program Income: The District will follow the guidance of the federal awarding agency in how it uses, applies and accounts for all income received under those programs as listed below in accordance with 2 CFR 200.307;

- 1) *Deduction.* Ordinarily program income must be deducted from total allowable costs to determine the net allowable costs.
- 2) *Addition.* With prior approval of the federal awarding agency program income may be added to the federal award by the federal agency and the non-federal entity. The program income must be used for the purposes and under the conditions of the federal award.
- 3) *Cost sharing or matching.* With prior approval of the federal awarding agency, program income may be used to meet the cost sharing or matching requirement of the federal award. The amount of the federal award remains the same.

Cost Sharing or Matching: For all federal awards, any shared costs or matching funds and all contributions, including cash and third party in-kind contributions, must be accepted as part of the District's cost sharing or matching when such contributions meet all of the following criteria in accordance with 2 CFR 200.306 and a procedure must ensure these criteria are covered:

- 1) Are verifiable from the District's records;
- 2) Are not included as contributions for any other federal award;
- 3) Are necessary and reasonable for accomplishment of project or program objectives;
- 4) Are allowable under 2 CFR 200.305 Subpart E—Cost Principles;
- 5) Are not paid by the federal government under another federal award, except where the federal statute authorizing a program specifically provides that federal funds made available for such program can be applied to matching or cost sharing requirements of other federal programs;
- 6) Are provided for in the approved budget when required by the federal awarding agency; and
- 7) Conform to other provisions of the law, as applicable in the terms and conditions of the federal award.

Construction Project Funds: The contractor will meet local prevailing wages and fringe benefits under the Davis-Bacon Act (40 USC 3141) for construction, alteration, or repair of public buildings or public works under federal government contracts. In accordance with 2 CFR 200.326, the contractor will meet federal bonding policy and requirements for construction or facility improvement contracts

Unexpected or Extraordinary Circumstances: For all federal awards, If the District does not currently have in place a policy that addresses extraordinary circumstances such as those caused by COVID-19, the District may later amend or create a policy in order to put emergency contingencies in place for federal and non-federal similarly situated employees in accordance with 2 CFR 200 et seq. If the conditions exist for charges to be made to the federal grant, charges may also be made to any non-federal sources that are used by the District in order to meet a matching requirement. The District may develop a procedure to ensure that federal expenditures during the unexpected or extraordinary circumstance are allowable.

Compensation for personal services: (a) *General.* Compensation for personal services includes all remuneration, paid currently or accrued, for services of employees rendered during the period of performance under the federal award, including but not necessarily limited to wages, salaries, and fringe benefits in accordance with 2 CFR 200.430 and .431. Costs of compensation are allowable to the extent that they satisfy the following requirements;

- 1) Is reasonable for the services rendered and conforms to the established written policy and procedures of the District consistently applied to both federal and non-federal activities;

Compensation and fringe benefits:

(a) Fringe benefits are allowances and services provided by employers to their employees as compensation in addition to regular salaries and wages. Fringe benefits in accordance with 2 CFR 200.431 include, but are not limited to, the costs of leave (vacation, family-related, sick or military), employee insurance, pensions, and unemployment benefit plans. Except as provided elsewhere in these principles, the costs of fringe benefits are allowable provided that the benefits are reasonable and are required by law, District employee agreement, or an established policy of the District.

(b) *Leave.* 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, family-related leave, sick leave, holidays, court leave, military leave, administrative leave, and other similar benefits, are allowable if all of the following criteria are met:

- 1) They are provided under established written leave policies;

Standards for Documentation of Personnel Expenses: (1) Charges to federal awards for salaries and wages must be based on records that accurately reflect the work performed in accordance with 2 CFR 200.430. These records must:

- (i) Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;
- (ii) Be incorporated into the official records of the District;
- (iii) Reasonably reflect the total activity for which the employee is compensated by the non-federal entity, not exceeding 100% of compensated activities;

- (iv) Encompass both federally assisted and all other activities compensated by the District on an integrated basis, but may include the use of subsidiary records as defined in the District's written policy;
- (v) Comply with the established accounting policies and practices of the District; and
- (vi) Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one federal award; a federal award and non-federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity.
- (vii) Budget estimates do not qualify as support for charges to federal awards, but may be used for interim accounting purposes, provided that:
 - (A) The system for establishing the estimates produces reasonable approximations of the activity actually performed;
 - (B) Significant changes in the corresponding work activity (as defined by the District's written policies) are identified and entered into the records in a timely manner. Short term (such as one or two months) fluctuation between workload categories need not be considered as long as the distribution of salaries and wages is reasonable over the longer term; and
 - (C) The District's system of internal controls includes processes to review after-the-fact interim charges made to a federal award based on budget estimates. All necessary adjustment must be made such that the final amount charged to the federal award is accurate, allowable, and properly allocated.

(2) In accordance with Department of Labor regulations implementing the Fair Labor Standards Act (FLSA) (29 CFR part 516), charges for the salaries and wages of nonexempt employees, in addition to the supporting documentation described in this section, must also be supported by records indicating the total number of hours worked each day.

Travel: Travel costs include the transportation, lodging, subsistence, and related items incurred by employees who are in travel status on official business of the district or contractor in accordance with 2 CFR 200.475. These costs may be charged on an actual cost basis, on a per diem or mileage basis, or on a combination of the two, provided the method used is applied to an entire trip and not to selected days of the trip. The method used must be consistent with those normally allowed in like circumstances in other activities and in accordance with the district's established written policies and contracts. Notwithstanding the provisions of 200.444, travel costs of officials covered by that section are allowable with the prior written approval of the district when they are specifically related to the federal award.

Conflict of Interest: No employee, officer, agent, or board member with a real or apparent conflict of interest may participate in the selection, award, or administration of a contract supported by the federal funds, grants, or awards and the district must maintain written standards covering conflicts of interest. Any potential conflict of interest must be

disclosed in accordance with 2 CFR 200.112 and 200.318. A conflict of interest includes when the employee, officer, agent, or board member, any member of their immediate family, their partner, or an organization that employs or is about to employ any of those parties has a financial or other interest in or a tangible personal benefit from an entity considered for a contract. An employee, officer, agent, and board member of the district may neither solicit nor accept gratuities, favors, or anything of monetary value from contractors except in situations under the district's written policies where the financial interest is not substantial or a gift is an unsolicited item of nominal value. The district's conflict of interest standards must also provide for disciplinary actions to be applied for violations by its employees, officers, agents, or board members.