

Business Operations**Internal Controls**

The District will develop and maintain internal control procedures as required by law and in accordance with sound fiscal monitoring practices that will ensure appropriate oversight of state and federal funds. The following internal control procedures will be utilized for all federal grants:

Generally: If the District receives federal awards, grants, or other funds, the District will:

- 1) Establish and maintain effective internal control over the federal award that provides reasonable assurance that the District manages the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award. The District will endeavor to develop and align these internal controls consistent with the “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 award;
- 3) Evaluate and monitor the District's compliance with statutes, regulations and the terms and conditions of federal award;
- 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, and local laws regarding privacy and responsibility over confidentiality.

Legal Reference: 2 C.F.R. § 200.303.

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 such equipment. The District will, as a minimum, meet the following requirements:

- 1) Maintain property records of the equipment (including equipment description, serial number or other identification number, source of funding, acquisition date, and the like);
- 2) Maintain a physical inventory procedure, with an inventory occurring at a minimum of every two (2) years;
- 3) Implement a control system to ensure safeguards for preventing property loss, damage, or theft;
- 4) Implement adequate maintenance procedures for the equipment; and
- 5) Implement sales and disposition procedures for the equipment to ensure the highest possible return.

All equipment, whether acquired in whole or in part under a federal award, with a current fair market value of \$10,000 or less (per unit) may be retained, sold, or otherwise disposed of in accordance with the Board's Sale and Disposal of Property Policy.

All equipment, whether acquired in whole or in part under a federal award, with a current fair market value in excess of \$10,000 (per unit), may only be sold or otherwise disposed of in accordance with the provisions of 2 C.F.R. § 200.313(e)(2)-(3).

Legal Reference: 2 C.F.R. §§ 200.313 & 200.303.

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 requirement standards imposed by law, including:

- 1) A procedure for micro-purchases (Under \$15,000);
- 2) A procedure for simplified acquisition thresholds (between \$15,000 to \$350,000);
- 3) A procedure for sealed bids (over \$350,000);
- 4) A procedure for competitive proposals (with an explanation for why sealed bids were not accepted if over \$350,000); and
- 5) A procedure for noncompetitive bids.

Legal Reference: 2 C.F.R. §§ 200.317 through 200.326.

Cross-Reference: Policies 3130 & 3131.

Contract Terms: All contracts funded (in whole or in part) by federal funds and/or federal awards must contain the following terms or, via this Policy, the following terms are required and incorporated into any such contracts:

- 1) An assurance that minority business enterprises and labor surplus area firms are used, when possible;
- 2) An Anti-Lobbying clause for all contracts, including an Anti-Lobbying Certification, for contracts exceeding \$100,000;
- 3) A Suspension and Debarment clause;
- 4) A provision for termination for cause and for convenience, including the manner by which it will be affected and the basis for settlement;
- 5) A clause that addresses administrative, contractual, or legal remedies in instances where contractors violate or breach contract terms, and a provision for sanctions and penalties;
- 6) For contracts in excess of \$150,000, a clause addressing the Clean Air Act and the Federal Water Pollution Control Act;
- 7) A provision maintaining contract oversight to ensure that contractors perform in accordance with the terms, conditions, and specifications of their contracts or purchase orders;
- 8) A provision addressing the District's conflict of interest policies; and
- 9) A requirement that the contractor maintains records related to the contracted work.

Legal Reference: 2 CFR § 200.319(d); 2 CFR § 200.321; 2 CFR § 200, Appendix II(I); 2 CFR § 200, Appendix II(H); 2 CFR § 200, Appendix II(B); 2 CFR § 200, Appendix II(A); 2 CFR § 200, Appendix II(G); 2 CFR § 200.318(b); 2 CFR § 200.318(c)(1); 2 CFR § 200.318(i); 2 CFR § 200.324(a); 2 CFR § 200.324(b).

Federal Interest Reporting: The District will follow the required federal interest reporting and recording requirements, if applicable, for any real property or improvement interest financed, in whole or in part, with federal funds.

Legal Reference: 2 CFR §§ 200.310-200.313.

Record Retention: Financial records, supporting documents, statistical records, and all other related records pertinent to a federal award will be retained for a period of three (3) 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, or as otherwise specified by the federal award or federal law.

For all other records, the District will retain such records for the length of time as required by law.

Legal Reference: 2 C.F.R. § 200.333, 2 C.F.R. § 200.34 & 34 C.F.R. § 81.31.

Suspension and Debarment: The District will not contract with any entity or individual who has been debarred, suspended, or otherwise excluded from or ineligible for participation in federal assistance programs or activities. Before entering into a contract regarding a federal award, the District will either: (1) verify that a vendor has not been debarred, suspended or otherwise excluded via SAM.gov, (2) collect a verification from that vendor; or (3) add a clause to the contract with the vendor. The District will maintain a copy of said verification or documentation.

Legal Reference: 2 C.F.R. § 200.213.

Financial Management: The District will maintain financial management systems to account for the federal funds, including records documenting compliance with federal statutes, regulations, and the terms and conditions of the federal award. These records will be sufficient to permit the District to prepare 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. The financial management system will provide for the following:

- 1) Identifying all of the federal awards received and expended and the federal programs under which they were received;
- 2) Ensuring that accurate, current, and complete disclosure of the financial results of each federal award or program are maintained in accordance with reporting requirements;
- 3) Maintaining records and documentation that sufficiently identify the amount, source, and expenditure of funds for federally funded activities;
- 4) Ensuring effective controls over accountability and safeguards for all funds, property, and other assets;
- 5) Comparing actual expenditures with budget amounts for each federal award;
- 6) Ensuring payments of federal funds are made in accordance with applicable law, including 2 CFR § 200.305; and
- 7) Determining the allowability of costs in accordance with applicable law and the conditions of the federal award.

Legal Reference: 2 C.F.R. § 200.302.

Program Income: The District will consult with the federal awarding agency and refer to the applicable law and federal program terms and conditions to determine how to account for, deduct and otherwise handle income from federal programs.

Legal Reference: 2 C.F.R. § 200.307.

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:

- 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 the applicable Cost Principles requirements;
- 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 or terms and conditions of the federal award, as applicable.

Legal Reference: 2 C.F.R. § 200.306.

Compensation: Compensation for personal services includes all remuneration for services of employees rendered during the period of performance under the federal award, including, but not limited to wages, salaries, and fringe benefits. Costs of compensation may be allowable under federal law and the federal grant to the extent that they satisfy the following requirements:

- 1) Is reasonable for the services rendered; and
- 2) Conforms to the established written expectations of the District, as applied consistently to both federal and non-federal activities.

If the District intends to charge compensation to federal awards, such charges will be based on records that accurately reflect the work performed, and will:

- 1) Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;
- 2) Be incorporated into the official records of the District;
- 3) Reasonably reflect the total activity for which the employee is compensated by the District, not exceeding 100% of compensated activities;
- 4) 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 procedures;
- 5) Comply with the established accounting policies and practices of the District; and
- 6) Differentiate and account for the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one (1) federal award; a federal award and non-federal award; an indirect cost activity and a direct cost activity; two (2) or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity.

Any leave and/or fringe benefits charged to a federal award must satisfy all criteria set forth in 2 C.F.R. § 200.431(b) and/or (c).

Budget estimates will generally not be used to support charges to federal awards but may be used for interim accounting purposes.

Legal Reference: 2 C.F.R. §§ 200.430 & 200.431.

Federal Funds for Construction Projects: If the District is granted the authority to use federal funds for a construction project, the District will follow the Davis-Bacon and Related Acts, including the payment of “prevailing wages” to those who work on the job site, as well as the contractor bonding requirements.

Legal Reference: 40 U.S.C. § 3141, et seq; 2 C.F.R. § 200.326.

Capitalization and Depreciation: The District will 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, District staff will check costs against the selected items of cost requirements to ensure the cost is allowable. In addition, federal, state, or program-specific rules, including the terms and conditions of the award, may deem a cost as unallowable and District personnel shall follow those requirements. The following rules of allowability apply to equipment and other capital expenditures:

- 1) Capital expenditures for general purpose equipment, buildings, and land are unallowable as direct charges, except with the prior written approval of the federal awarding agency or pass-through entity.
- 2) Capital expenditures for special purpose equipment are allowable as direct costs, provided that items with a unit cost of \$10,000 or more have the prior written approval of the federal awarding agency or pass-through entity.
- 3) Capital expenditures for improvements to land, buildings, or equipment which materially increase their value or useful life are unallowable as a direct cost except with the prior written approval of the federal awarding agency or pass-through entity.
- 4) Allowability of depreciation on buildings, capital improvements, and equipment shall be in accordance with 2 CFR § 200.436 and 2 CFR § 200.465.
- 5) When approved as a direct cost by the federal awarding agency or pass-through entity under Sections A - C, capital expenditures will be charged in the period in which the expenditure is incurred, or as otherwise determined appropriate and negotiated with the federal awarding agency.
- 6) If the District is instructed by the federal awarding agency to otherwise dispose of or transfer the equipment, the costs of such disposal or transfer are allowable.

- 7) Any depreciation will be computed, charged, and recorded in a manner consistent with federal regulations and any requirements of the federal awarding agency.

Legal Reference: 2 C.F.R. §§200.436 & 200.439.

Conflict of Interest: No District employee, 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 or with federal funds. A “conflict of interest” includes, but is not limited to, a financial or other interest in or a tangible personal benefit from federal funds that would directly or indirectly benefit either (1) the employee, agent, or board member; (2) any member of their immediate family; or their spouse or partner, or (3) an organization that employs or is about to employ those individuals. District employees, agents, and Board Members may only accept gratuities, favors, or anything of monetary value from federally funded contractors in accordance with the District’s Conflict of Interest Policy. Any District employee, agent, or Board Member who knowingly violates these terms may be subject to discipline, up to and including termination of employment and/or referral for possible criminal prosecution.

Legal Reference: 2 C.F.R. §§ 200.112 & 200.318.

Unexpected or Extraordinary Circumstances: For all federal awards, if the District does not currently have in place a sufficient policy that addresses extraordinary circumstances, such as those caused by COVID-19, the District may amend or create a policy at a later date in order to put emergency contingencies in place for federal and non-federal similarly situated employees. If the conditions exist for charges to be made to the federal grant, then 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 will take other steps to comply with federal award requirements in the event of unexpected or extraordinary circumstances.

Legal Reference: 2 C.F.R. § 200, et seq.

Travel Costs: Travel costs (including transportation, lodging, subsistence, and related items) incurred by an employee who travels on official business for a federal award may only be charged to the federal award on an actual cost basis, 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 District will ensure that the method used will be consistent with the method normally allowed in similar circumstances in the District’s other travel and Board Policies. Any travel costs charged directly to a federal award must be documented to justify that (1) the individual’s participation is necessary for the federal award and (2) the costs are reasonable and consistent with the District’s travel costs and expectations. All travel costs must be reasonable and not in excess of what the District typically allows for other travel. All reasonable rates and amounts will be consistent with the rates and amounts established under 5 U.S.C. 5701-11.

Legal Reference: 2 C.F.R. § 200.475

Date of Adoption: [Insert Date]