

DFAC - TYPE OF COSTS, OBLIGATIONS AND PROPERTY MANAGEMENT – FEDERAL PROGRAM

(Sample Procedure)

Type of Costs, Obligations and Property Management – Federal Programs

The district establishes and maintains board policies, administrative regulations, and administrative procedures on administration of federal funds in federal programs as required by the Uniform Grant Guidance and other federal, state, and local laws, regulations, and requirements. The district’s fiscal management system includes internal controls and grant management standards in the following areas when federal funds are involved.

Direct and Indirect Costs

**Direct costs** – 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.

**Indirect costs** – costs incurred for a common or joint purpose benefiting more than one (1) cost objective, and not readily assignable to the cost objectives specifically benefitted, without effort disproportionate to the results achieved.

Costs incurred for the same purpose in like circumstances must be treated consistently as either direct or indirect costs. (2 CFR Sec. 200.405, 200.413)

The association of costs with a federal award determines whether costs are direct or indirect.

Direct and indirect costs shall be determined in accordance with law, regulations, the terms and conditions of the federal award, and the district’s negotiated indirect cost rate.

The district shall develop an indirect cost rate proposal and cost allocation plan in accordance with law, regulations, and the terms and conditions of the federal award.

Timely Obligation of Funds

**Financial Obligations** – orders placed for property and services, contracts, and subawards made and similar transactions during a given period that require payment by the district during the same or a future period.

The following table illustrates when funds must be obligated under federal regulations:

Obligation is for:	Obligation is made:
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Acquisition of property	On the date on which the district makes a binding written commitment to acquire the property
Personal services by a district employee	When the services are performed

Personal services by a contractor who is not a district employee	On the date on which the district makes a binding written commitment to obtain the services
Public utility services	When the district receives the services
Travel	When the travel occurs
Rental of property	When the district uses the property
A pre-agreement cost that was properly approved by the Secretary under the cost principles in 2 CFR Part 200, Subpart E - Cost Principles	On the first day of the project period

34 CFR §75.707; 34 CFR §76.707

All obligations must occur between the beginning and ending dates of the federal award project, which is known as the period of performance. The period of performance is dictated by law and regulations and will be indicated in the federal award. Specific requirements for carryover funds may be specified in the federal award and must be adhered to by the district. (2 CFR Sec. 200., 200.309)

The district will handle obligations and carry over of state-administered and direct grants in accordance with state and federal law and regulations and the terms and conditions of the federal award. Carryover will be calculated and documented by the ☐ *Superintendent* ☐ *Business Manager* ☐ *Federal Programs Coordinator*.

The district may initiate an extension of the period of performance under a direct grant in accordance with law, regulations, and the terms and conditions of the federal award when written notice is provided to the federal awarding agency at least ten (10) calendar days the conclusion of the period of performance. (2 CFR Sec. 200.308(g)(2))

The ☐ *Superintendent* ☐ *Business Manager* ☐ *Federal Programs Coordinator* will decide when an extension of the period of performance is necessary and will recommend that the board approve this process.

The ☐ *Superintendent* ☐ *Business Manager* ☐ *Federal Programs Coordinator*

will develop the required written notice that includes that supporting justification and revised period of performance; the notice will be issued no later than ten (10) calendar days prior to the end of the currently documented period of performance in the federal award.

The district must seek approval from the federal awarding agency for an extension of the period of performance when the extension is not contrary to federal law or regulations, and the following conditions apply:

1. The terms and conditions of the federal award prohibit the extension;
2. The extension requires additional federal funds; or
3. The extension involves any change in the approved scope of the project. (2 CFR Sec. §200.308)

The ☐ *Superintendent* ☐ *Business Manager* ☐ *Federal Programs Coordinator* will determine when an extension must be requested for approval by the federal awarding agency, draft the written request and notify the ☐ *Board* ☐ *Superintendent* ☐ *Business Manager* ☐ *Federal Programs Coordinator* of the requested extension.

#### Management of Property Acquired ~~-with~~ Federal Funds

##### *Contract and Purchasing Administration -*

The district maintains internal controls, administrative regulations, and procedures to ensure that contractors deliver goods and services in accordance with the terms, conditions, and specifications of the designated contract, purchase order, or requisition.

##### *Property Classifications -*

Property shall be classified as **real or personal property** as defined and specified in accordance with law and regulations.

##### *Inventory Control/Management -*

All personal property, other than intangible property, which is purchased with federal funds, regardless of cost, will be inventoried as a safeguard.

Inventory will be received by the department or program requesting the item; designated staff will inspect the property, compare it to the applicable purchase order or requisition, and ensure it is appropriately logged and tagged in the district's property management system. Items acquired will be physically labeled by source of funding and acquisition date.

Inventory records of equipment and computing devices must be current and available for review and audit, and include the following information:

1. Description of the property.
2. Manufacturer's serial number or another identification number.
3. Identification of funding source including the FAIN, and the title holder.
4. Acquisition date and the property cost.
5. Source of items, such as company name.
6. Percentage of the federal agency contribution towards the original purchase.
7. Present location, use, condition of the property, and date information was reported.
8. Pertinent information on the ultimate transfer, replacement or disposition of the item and sale price of the property.

The recipient and subrecipient are responsible for maintaining and updating property records when there is a change in the status of the property.

#### Physical Inventory -

Physical inventory of property will be completed by designated district staff in accordance with applicable federal law and regulation and board policy DIC.

The physical inventory of items will be conducted annually, and the results will be reconciled with the inventory records and reported to the federal awarding agency.

#### Maintenance -

The district establishes regular maintenance procedures to ensure that property is maintained in proper working condition in accordance with law, regulation, and board policy.

#### Safeguards -

The district ensures that safeguards are in place for preventing loss, damage, or theft. The district will follow the requirements:

1. Any loss, damage or theft will be reported to the ☐ *Superintendent* ☐ *Business Manager* ☐ *Federal Programs Coordinator*, investigated and fully documented, and may be reported to local law enforcement and shall notify the federal agency or pass-through entity of any loss, damage, or theft of equipment that will have an impact on the program.
2. If stolen items are not recovered, the district will submit copies of the investigative report and insurance claim to the federal awarding agency.
3. The district may be responsible for replacing or repairing lost, damaged, destroyed, or stolen items.

4. Replaced equipment is property of the originally funded program and should be inventoried accordingly.
5. District property may only be loaned in accordance with board policy KGA and administrative regulations and procedures.

*Disposition of Property Acquired with Federal Funds –*

When the district determines that real property, including land, land improvements, structures, and accessories thereto, acquired under a federal award is no longer needed for the originally authorized purpose, the district must obtain disposition instructions from the federal awarding agency or pass-through entity administering the program, in accordance with applicable law and regulations. (2 CFR Sec. 200.3)

When the district determines that equipment or supplies acquired under a federal award are no longer needed for the original project, program or for other activities currently or previously supported by a federal agency, the ☐ *Superintendent* ☐ *Business Manager* ☐ *Federal Programs Coordinator* will contact the federal agency or pass-through entity for disposition instructions-if required by the terms and conditions of the federal award.

However, if the equipment has a fair market value of \$10,000 or less per unit, the district may retain, sell, or otherwise dispose of equipment or supplies acquired under a federal award with no further responsibility to the federal agency or pass-through entity.

Further, if the equipment has a fair market value in excess of \$10,000 and the federal agency or pass-through entity fails to provide requested disposition instructions within 120 days, the district may retain or sell the equipment, however the federal agency is entitled to an amount calculated by multiplying the percentage of the federal agency's contribution towards the original purchase by the current market value or proceeds from the sale. If the equipment is sold, the federal agency or pass-through entity may permit the district to retain from the federal share \$1,000 of the proceeds to cover expenses associated with the selling and handling of the equipment.

The district may transfer title to the property to the Federal Government or to an eligible third party. In such cases, the district shall be entitled to compensation for its attributable percentage of the current fair market value of the property.

If the district fails to take appropriate disposition actions, the federal agency or pass-through entity may direct the district to take disposition actions.

When acquiring replacement equipment, the district may either trade-in or sell the equipment and use the proceeds to offset the cost of the replacement equipment.

The district may use the following methods in disposing of unnecessary equipment or supplies acquired with federal funds:

- ☐ *Public auction and/or online sale – generally conducted by a licensed auctioneer.*

- ☐ *Salvage – scrap sold to local dealers.*
- ☐ *Negotiated sale – normally used when disposing of items of substantial value.*
- ☐ *Sealed bid – normally used for items of substantial value or unique qualities.*
- ☐ *Pre-priced sale – large quantities of obsolete or surplus equipment or supplies may be sold by this method.*
- ☐ *Donation to charitable organizations, for equipment or supplies with little to no value.*
- ☐ *Disposition to trash for equipment or supplies with no value.*

The ☐ *Superintendent* ☐ *Business Manager* ☐ *Federal Programs Coordinator* will be responsible for maintaining records of obsolete and surplus property disposed of and will report to the federal agency when required.

Approved:

KASB Recommended – 6/17; 12/24