

PENNSYLVANIA DISTANCE LEARNING CHARTER SCHOOL

Book: Policy Manual
Section: Federal Programs
Title: Allowable Use of Funds and Adherence to Cost Circulars Policy
Adopted: February 29, 2016

Revised:

PURPOSE: The purpose of this Policy is to ensure all non-personnel grant expenditures of PDLCS are compliant with cost circulars. This Policy is intended to supplement but not replace any applicable State or Federal laws governing Federal grants applicable to nonprofit and public cyber charter schools.

SCOPE: The Policy applies to the Board of Trustees, school administration, and other school employees with Board delegated powers direct or indirect in grant expenditure decisions related to the school.

POLICY AUTHORITY: Policy draft is reviewed by the CEO of PDLCS; then (1) sent to the Board of Trustees, and (2) presented at the next formal, public Board Meeting for review, public comments and approval.

DEFINITIONS:

Supplement: Something that completes or enhances something else when added to it; an extra element or amount of something already in existence.

Supplant: Supersede or replace someone, or something else already in existence.

DETAILED POLICY STATEMENT: The Grant Program Manager (GPM) and the School Principal are responsible for ensuring that all expenditures processed against grant funds are consistent with the terms of the grant and, for Federal funds, compliant with the applicable Federal Uniform Grant Guidance. Federal grant expenditures must be reasonable, necessary, and allocable. GPMs and the School Principal or their designated representatives should review requests to expend prior to the data entry into the Advantage Financial System.

Most non-personnel expenditures are processed initially through the Advantage Financial system before the obligation has been incurred and therefore provides an opportunity for the Grant Compliance Office (GCO) to review the request. However, in the case of travel and meal requests, the obligations are typically incurred prior to the entry into the Advantage Financial system and therefore require special procedures.

NON-PERSONNEL COST PRINCIPLES: As with personnel costs, non-personnel costs charged to Federal funds with “Supplement, Not Supplant” provisions can only be used to provide additional programs and

resources beyond what the School would have made available in the absence of the Federal funding. Therefore costs that would have been incurred had the Federal funds not been available are not chargeable to Federal funds containing “Supplement, Not Supplant” provisions.

Under Uniform Grant Guidance provisions, all Federal grant award expenditures must be allocable to the grant program. Federal grant funds must be expended in proportion to the federal program’s benefit. For example, if a computer is purchased with 100% Title I, Part A funds, the computer must be used solely for Title I, Part A purposes. Likewise, if a computer is bought with 50% Title I, Part A funds and 50% nonfederal funds, the computer must be used at least 50% of the time for Title I, Part purposes. In addition, all costs supported in whole or in part with Federal grant funds, must be necessary, reasonable and allocable.

In some circumstances, costs related to a single, non-personnel activity may be apportioned across more than one funding source. According to the Education Department’s General Administrative Requirements (EDGAR), a school may use funds under more than one program to support different parts of the same project if (1) the school complies with the requirements of each program with respect to the part of the project assisted with the funds under that program, and (2) the school has an accounting system that permits identification of the costs paid for under each program. Additionally, the Uniform Grant Guidance provides that costs be allocated among grants proportionate to the benefit received.

For example, contract costs to develop a system to help convert multi-year grand budgets to a 12-month fiscal year basis to improve management and decision-making benefits all grant funds. An equitable methodology to apportion those costs among grant funds according to relative benefit could be to charge grants during the year based on the proportion of each grant’s actual expenditures to total actual grant expenditures for the prior year. At the time of the yearly Financial Close, an analysis of each grant’s actual expenditure to total actual grant expenditures for the current year could be made and a “true-up” adjustment made to grant charges prior to the Financial Close.

Another example is the cost of developing a database to record employee time, produce Personnel Activity Reports (PARs), and to report time for the purpose of charging Federal grants. An equitable methodology to apportion costs among the multiple Federal cost objectives could be to charge federal grants based on the proportion of each Federal grant’s actual expenditures to total actual Federal grant expenditures for the prior year. At the time of the yearly Financial Close, a “true-up” calculation could be made as described above.

Another example is contract and other non-personnel costs that support general activities, but also benefit grants as well. The cost of the maintenance and administration of the School’s budget development system and the development of expenditure projections and analysis falls into this category. If the school would incur these costs whether or not grants existed, then the costs are not allocable to federal grants with supplanting provisions. The costs potentially chargeable to grants are those additional costs that occur only because of grants and there is an equitable methodology to define and apportion those costs to grants with a “Supplement, Not Supplant” provision. Given that the grant only portions of these activities in whole or in part would optimally be covered by indirect cost rate.

INVOICE CONTENT: To reconcile that the goods or services being paid for through a vendor invoice was in fact the items ordered and are allowable, the invoice must detail the goods and/or services described below. For goods, most purchases are made through vendors approved by the Administration Office and the items purchased are almost always itemized with the cost for each item. For goods not utilizing standard SDP contracts, the vendor invoicing should contain the elements described below. For service contracts, vendor invoice formats vary significantly. However, the program manager should convey in the LCA or full SDP contract the invoicing requirements, and remind the vendor of those requirements prior to the first invoice being submitted. The invoice should contain, in addition to standard elements (vendor name, address, date of invoice and number, etc), the following:

- An itemized list of the service performed by date and hours to include a brief description.
- The number of hours or quantity of items provided and the cost (per hour or item cost) consistent with the terms of the contract, and the extended cost for the date (for example, number of hours x hourly rate = Cost for the date).
- Any other backup material that may be required by the terms of the contract (e.g., employee sign-in and sign-out sheets).

The Program Manager should review the services to ensure the invoice is consistent with the services/goods received, the detail hours tie to a summary (if provided), and the rates are consistent with the contract. Once satisfied that the invoice represents a true statement, the program manager should physically sign the invoice, date it and indicate “approved for payment” or something similar. The invoice should be processed for payment against the encumbrance created for the good/service.

PURCHASE (EXPENDITURE) APPROVAL THROUGH THE ADVANTAGE FINANCIAL SYSTEM: To ensure grant compliance, Advantage system controls have been established to ensure that the proposed encumbrance (set-aside) of funds by schools and central offices are grant compliant BEFORE they are fully approved in the system.

All system related purchase documents in Advantage require a minimum of two levels of approval with the 1st level of approval normally applied by the document initiator and the 2nd level of approval applied by the administrator of the respective school or office. Additional levels of approval are determined by the type of document (transaction involved) that is generated which can be:

- Purchase Orders: PD, PG, RX/PC & SCE
- Service Contracts: SC
- Payment Voucher: PV
- Print Services: RQI
- Warehouse: SR (forms and “used” furniture)

For example, all service contracts (SC) documents require a 3rd level of approval by the Office of Management & Budget. The Advantage system documents impacted included all transactions types that seek to encumber funds to make a purchase for goods or services.