

1 The Transylvania County Board of Education (the “board”) intends to administer federal grant
2 awards efficiently, effectively, and in compliance with all requirements imposed by law, the
3 awarding agency, and the North Carolina Department of Public Instruction or other applicable
4 pass-through entity.
5

6 **A. FINANCIAL MANAGEMENT SYSTEMS AND INTERNAL CONTROLS**
7

8 The finance officer shall be responsible to the superintendent to develop, monitor, and
9 enforce effective financial management systems and other internal controls over federal
10 awards that provide reasonable assurance that the school system is managing the awards
11 in compliance with all requirements for federal grants and awards. Systems and controls
12 must meet all requirements of federal law and regulation, including the *Uniform*
13 *Administrative Requirements, Cost Principles, and Audit Requirements for Federal*
14 *Awards* (“Uniform Guidance”) issued by the U.S. Office of Budget and Management and
15 any applicable state requirements, and shall be based on best practices.
16

17 The financial management and internal controls must provide for (1) identification of all
18 federal funds received and expended and their program source; (2) accurate, current, and
19 complete disclosure of financial data in accordance with federal requirements; (3) records
20 sufficient to track the receipt and use of funds; (4) effective control and accountability
21 over assets to assure they are used only for authorized purposes; and (5) comparison of
22 expenditures against budget. In addition, written procedures must be established for cash
23 management and for determining the allowability of costs, as required by the Uniform
24 Guidance.
25

26 At a minimum, the systems and controls shall address the following areas.
27

28 **1. Allowability**
29

30 Costs charged by the school system to a federal grant must be allowed under the
31 individual program and be in accordance with the cost principles established in
32 the Uniform Guidance, including how charges made to the grant for personnel are
33 to be determined. Costs will be charged to a federal grant only when the cost is
34 (1) reasonable and necessary for the program; (2) in compliance with applicable
35 laws, regulations, and grant terms; (3) allocable to the grant; (4) adequately
36 documented; and (5) consistent with school system policies and administrative
37 regulations that apply to both federally-funded and non-federally funded
38 activities. Internal controls shall be sufficient to provide reasonable assurance
39 that charges to federal awards for personnel expenses are accurate, allowable, and
40 properly allocated and documented. Prior written approval for certain cost
41 charges must be obtained as required by the awarding agency in order to avoid
42 subsequent disallowances.
43

44 **2. Cash Management and Fund Control**

45
46 Payment methods must be established in writing that minimize the time elapsed
47 between the draw of federal funds and the disbursement of those funds. Standards
48 for funds control and accountability must be met as required by the Uniform
49 Guidance for advance payments.
50

51 3. Procurement

52
53 All purchases for property and services made using federal funds must be
54 conducted in accordance with all applicable federal, state and local laws and
55 regulations, the Uniform Guidance, and the school system's written policies and
56 procedures. The district shall avoid situations that unnecessarily restrict
57 competition, as defined in 2 C.F.R. 200.319, and shall avoid acquisition of
58 unnecessary or duplicative items. Noncompetitive procurement will be used only
59 in the circumstances allowed by 2 C.F.R. 200.320. Individuals or organizations
60 that develop or draft specifications, requirements, statements of work, and/or
61 invitations for bids, requests for proposals, or invitations to negotiate, must be
62 excluded from competing for such purchases.
63

64 Contracts are to be awarded only to responsible contractors possessing the ability
65 to perform successfully under the terms and conditions of a proposed
66 procurement. Consideration will be given to such matters as contractor integrity,
67 compliance with public policy, record of past performance, and financial and
68 technical resources. No contract shall be awarded to a contractor who is
69 suspended or debarred from eligibility for participation in federal assistance
70 programs or activities.
71

72 Purchasing records must be sufficiently maintained to detail the history of all
73 procurements and must include at least the rationale for the method of
74 procurement, selection of contract type, and contractor selection or rejection; the
75 basis for the contract price; and verification that the contractor is not suspended or
76 debarred.
77

78 The requirements for conflicts of interest established below in subsection A.4 are
79 applicable to all procurements.
80

81 4. Conflict of Interest

82
83 **In addition to the prohibitions against self-benefitting from a public contract**
84 **under G.S. 14-234 and accepting gifts and favors from vendors under G.S. 133-32**
85 **(see policies 2121, Board Member Conflict of Interest; 6401/9100, Ethics and the**
86 **Purchasing Function; and 7730, Employee Conflict of Interest), the following**
87 **standards of conduct apply when an employee, board member, or agent of the**

88 school system engages in the procurement of goods, services, or construction or
89 repair projects funded in whole or part with federal financial assistance.

- 90
91 a. No employee, board member, or agent of the school system may
92 participate directly or indirectly in the selection, award, or administration
93 of a contract supported by a federal grant or award if he or she has a real
94 or apparent conflict of interest.

95
96 A real or apparent conflict of interest exists when (1) the employee, board
97 member, or agent of the school system, (2) any member of his or her
98 immediate family, (3) his or her partner, or (4) an organization which
99 employs or is about to employ any of those parties, has a financial or other
100 interest in or receives a tangible personal benefit from a firm considered
101 for a contract. For purposes of this paragraph, “financial interest” means a
102 financial interest which comprises more than five percent (5%) of the
103 equity of the firm or business or more than five percent (5%) of the assets
104 of the economic interest in indebtedness. “Financial interest” does not
105 include an ownership interest held through a fiduciary, such as a mutual
106 fund or blind trust, where the individual or individual’s employer has no
107 control over the selection of holdings.

108
109 Any employee, board member, or agent of the school system who has a
110 potential conflict of interest shall disclose that conflict in writing to the
111 superintendent. The superintendent shall disclose in writing the potential
112 conflict of interest to the federal awarding agency in accordance with 2
113 C.F.R. 200.112.

- 114
115 b. No employee, board member, or agent of the school system may solicit or
116 accept any trips, meals, gratuities, favors, gifts, or other items of monetary
117 value from a contractor, supplier, or a party to a subcontract except that
118 (1) a single unsolicited item with a nominal value (\$50 or less) or (2)
119 multiple unsolicited items from a single contractor or subcontractor having
120 an aggregate monetary value of \$100 or less in a 12-month period may be
121 accepted. Violations of this rule are subject to disciplinary action.

122
123 ~~Each employee, board member, or agent of the school system who is engaged in~~
124 ~~the selection, award, or administration of a contract supported by a federal grant~~
125 ~~or award (“covered individual”) and who has a potential conflict of interest shall~~
126 ~~disclose that conflict in writing to the superintendent. The superintendent shall~~
127 ~~disclose in writing any potential conflict of interest to the federal awarding agency~~
128 ~~in accordance with 2 C.F.R. 200.112.~~

129
130 ~~For purposes of this paragraph, a conflict of interest would arise when (1) the~~
131 ~~covered individual, (2) any member of his or her immediate family, (3) his or her~~

132 partner, or (4) an organization which employs or is about to employ any of those
133 parties has a financial or other interest in or receives a tangible personal benefit
134 from a firm considered for a contract. A covered individual who is required to
135 disclose a conflict in accordance with this paragraph shall not participate in the
136 selection, award, or administration of a contract supported by a federal grant or
137 award.

138
139 Covered individuals shall not solicit or accept any gratuities, favors, or items from
140 a contractor or a party to a subcontract for a federal grant or award; however,
141 covered individuals may accept (1) a single unsolicited item with a value of \$50
142 or less or (2) multiple unsolicited items from a single contractor or subcontractor
143 having an aggregate monetary value of \$100 or less in a 12-month period.
144 Violations of this rule are subject to disciplinary action.

145 146 **5. Mandatory Disclosures**

147
148 The superintendent shall disclose in writing to the federal awarding agency in a
149 timely manner all violations of federal criminal law involving fraud, bribery, or
150 gratuities potentially affecting any federal award. The superintendent shall fully
151 address any such violations promptly and shall notify the board accordingly. The
152 board may request the superintendent to develop a plan of correction for board
153 approval in appropriate situations as determined by the board.

154 155 **6. Equipment and Supplies Purchased with Federal Funds**

156
157 Equipment and supplies acquired with federal funds will be used, managed, and
158 disposed of in accordance with applicable state and federal requirements.
159 Property records and inventory systems shall be sufficiently maintained to
160 account for and track equipment that has been acquired with federal funds.

161 162 **7. Accountability and Certifications**

163
164 All fiscal transactions must be approved by the finance officer and by the program
165 manager or other person who can attest that the expenditure is allowable and
166 approved under the federal program.

167
168 The finance officer shall submit all required certifications and is authorized to
169 sign them on behalf of the board.

170 171 **8. Monitoring and Reporting Performance**

172
173 The superintendent shall establish sufficient oversight of the operations of
174 federally supported activities to assure compliance with applicable federal
175 requirements and to ensure that program objectives established by the awarding

176 agency are being achieved. Performance reports, including reports of significant
177 developments that arise between scheduled performance reporting dates, must be
178 submitted as required by federal or state authorities.
179

180 **B. AUDITS AND CORRECTIVE ACTION**
181

- 182 1. An annual independent audit will be conducted as provided in policy 8310,
183 Annual Independent Audit. The finance officer will prepare all financial
184 statements, schedules of expenditures, and other documents required for the audit.
185
- 186 2. At the completion of the audit, the superintendent or designee shall prepare a
187 corrective action plan to address any audit findings. The plan must identify the
188 responsible party and the anticipated completion date for each corrective action to
189 be taken. The superintendent shall present the plan to the board for approval.
190
- 191 3. Compliance deficiencies discovered internally through administrative supervision
192 must be addressed promptly with the goal of improving processes to encourage
193 future compliance and reduce audit findings.
194

195 **C. TRAINING**
196

197 All individuals responsible for the administration of a federal grant or award shall be
198 provided sufficient training to carry out their duties in accordance with all applicable
199 requirements for the federal grant or award.
200

201 **D. OTHER APPLICABLE BOARD POLICIES**
202

203 Other board policies provide additional controls over the administration of federal grants.
204 These include, but are not necessarily limited to:
205

- 206 1. Educational programs policies (policies in the 3000 series)
207
- 208 2. School nutrition services policies (policies in the 6200 series)
209
- 210 3. Purchasing policies (policies in the 6400 series)
211
- 212 4. Equipment, materials, and supplies policies (policies in the 6500 series)
213
- 214 5. Personnel policies (policies in the 7000 series)
215
- 216 6. Fiscal management policies (policies in the 8000 series)
217

218 The board intends to comply with all requirements applicable to the use of federal funds.
219 To the extent that any provision of a board policy is contrary to a federal law, regulation,

220 term, or condition applicable to a federal award, employees must follow the applicable
221 federal requirement.

222

223 **E. REPORTING MISMANAGEMENT OF FEDERAL FUNDS**

224

225 Any employee who reasonably believes that federal funds have been misused or that the
226 school system is otherwise in violation of any requirement applicable to the receipt and
227 use of federal funds should report the matter as provided in policy 1760/7280, Prohibition
228 Against Retaliation.

229

230 Legal References: 2. C.F.R. Part 200; **G.S. 14-234; 133-32**

231

232 Cross References: Prohibition Against Retaliation (**policy 1760/7280**), **Board Member Conflict**
233 **of Interest (policy 2121)**, **Ethics and the Purchasing Function (policy 6401/9100)**, **Employee**
234 **Conflict of Interest (policy 7730)**, Fiscal Management Standards (policy 8300)

235

236 Other References: *Standards for Internal Control in the Federal Government* (“*The Green*
237 *Book*”) (GAO), available at <http://www.gao.gov/greenbook/overview>; *Internal Control*
238 *Framework* (Committee of Sponsoring Organizations of the Treadway Commission (COSO)),
239 executive summary, available at <http://www.coso.org/ic.htm>; *Compliance Supplement, Part 6,*
240 *Internal Control* (Office of Management and Budget), available at
241 ~~<https://www.whitehouse.gov/omb/financial-fin-single-audit>~~
242 [https://www.whitehouse.gov/sites/whitehouse.gov/files/omb/circulars/A133/2017/Compliance_S](https://www.whitehouse.gov/sites/whitehouse.gov/files/omb/circulars/A133/2017/Compliance_Supplement_2017.pdf)
243 [upplement_2017.pdf](https://www.whitehouse.gov/sites/whitehouse.gov/files/omb/circulars/A133/2017/Compliance_Supplement_2017.pdf)

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245 Adopted: May 16, 2016

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247 Revised: [DATE]