

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**

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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 **terms and conditions of the awards as well as all** requirements **the U.S.**  
13 **Constitution and** of federal law and regulation, including the *Uniform Administrative*  
14 *Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform  
15 Guidance”) issued by the U.S. Office of **Management and Budget—~~and Management~~**  
16 **(except to the extent that an exception to the Uniform Guidance has been authorized by**  
17 **the relevant federal agency)**, and any applicable state requirements, and shall be based on  
18 best practices.

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

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

30  
31 1. Allowability

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

44 documented. Prior written approval for certain cost charges must be obtained as  
45 required by the awarding agency in order to avoid subsequent disallowances.

46  
47 2. Cash Management and Fund Control

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

53  
54 3. Procurement

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56 All purchases for property and services made using federal funds must be  
57 conducted in a manner providing full and open competition and in accordance  
58 with the Uniform Guidance, all other applicable federal, state, and local laws and  
59 regulations, ~~the Uniform Guidance~~, and the school system's written policies and  
60 procedures. The district shall avoid situations that unnecessarily restrict  
61 competition, as defined in 2 C.F.R. 200.319, and shall avoid acquisition of  
62 unnecessary or duplicative items. Noncompetitive procurement will be used only  
63 in the circumstances allowed by 2 C.F.R. 200.320(c). School officials are  
64 encouraged to maximize the purchase and use of goods, products, and materials  
65 produced in the United States to the extent consistent with law.

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67 Individuals or organizations that develop or draft specifications, requirements,  
68 statements of work, and/or invitations for bids, requests for proposals, or  
69 invitations to negotiate, must be excluded from competing for such purchases.

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71 Contracts are to be awarded only to responsible contractors possessing the ability  
72 to perform successfully under the terms and conditions of a proposed  
73 procurement. Consideration will be given to such matters as contractor integrity,  
74 compliance with public policy, record of past performance, and financial and  
75 technical resources. No contract shall be awarded to a contractor who is  
76 suspended or debarred from eligibility for participation in federal assistance  
77 programs or activities. Contracts shall contain all provisions required by 2 C.F.R.  
78 Part 200.

79  
80 Purchasing records must be sufficiently maintained to detail the history of all  
81 procurements and must include at least the rationale for the method of  
82 procurement, selection of contract type, and contractor selection or rejection; the  
83 basis for the contract price; and, when applicable, verification that the contractor  
84 is not suspended or debarred.

85  
86 The requirements for conflicts of interest established below in subsection A.4 are  
87 applicable to all procurements.

88  
89 4. Conflict of Interest  
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91 In addition to the prohibitions against self-benefitting from a public contract  
92 under G.S. 14-234 and accepting gifts and favors from vendors under G.S. 133-32  
93 (see policies 2121, Board Member Conflict of Interest; 6401/9100, Ethics and the  
94 Purchasing Function; and 7730, Employee Conflict of Interest), the following  
95 standards of conduct apply when an employee, board member, or agent of the  
96 school system engages in the procurement of goods, services, or construction or  
97 repair projects funded in whole or part with federal financial assistance.  
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- 99 a. No employee, board member, or agent of the school system may  
100 participate directly or indirectly in the selection, award, or administration  
101 of a contract supported by a federal grant or award if he or she has a real  
102 or apparent conflict of interest.  
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104 A real or apparent conflict of interest exists when (1) the employee, board  
105 member, or agent of the school system, (2) any member of his or her  
106 immediate family, (3) his or her partner, or (4) an organization which  
107 employs or is about to employ any of those parties, has a financial or other  
108 interest in or receives a tangible personal benefit from a firm considered  
109 for a contract. For purposes of this paragraph, “financial interest” means a  
110 financial interest which comprises more than five percent (5%) of the  
111 equity of the firm or business or more than five percent (5%) of the assets  
112 of the economic interest in indebtedness. “Financial interest” does not  
113 include an ownership interest held through a fiduciary, such as a mutual  
114 fund or blind trust, where the individual or individual’s employer has no  
115 control over the selection of holdings.  
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117 Any employee, board member, or agent of the school system who has a  
118 potential conflict of interest shall disclose that conflict in writing to the  
119 superintendent. The superintendent shall disclose in writing the potential  
120 conflict of interest to the federal awarding agency in accordance with 2  
121 C.F.R. 200.112.  
122

- 123 b. No employee, board member, or agent of the school system may solicit or  
124 accept any trips, meals, gratuities, favors, gifts, or other items of monetary  
125 value from a contractor, supplier, or a party to a subcontract except that  
126 (1) a single unsolicited item with a nominal value (\$50 or less) or (2)  
127 multiple unsolicited items from a single contractor or subcontractor having  
128 an aggregate monetary value of \$100 or less in a 12-month period may be  
129 accepted. Violations of this rule are subject to disciplinary action.  
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131 5. Mandatory Disclosures

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133 The superintendent shall disclose in writing to the federal awarding agency in a  
134 timely manner all violations of federal criminal law involving fraud, bribery, or  
135 gratuities potentially affecting any federal award. The superintendent shall fully  
136 address any such violations promptly and shall notify the board accordingly. The  
137 board may request the superintendent to develop a plan of correction for board  
138 approval in appropriate situations as determined by the board.

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140 6. Equipment and Supplies Purchased with Federal Funds

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142 Equipment and supplies acquired with federal funds will be used, managed, and  
143 disposed of in accordance with applicable state and federal requirements.  
144 Property records and inventory systems shall be sufficiently maintained to  
145 account for and track equipment that has been acquired with federal funds.

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147 7. Accountability and Certifications

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149 All fiscal transactions must be approved by the finance officer and by the program  
150 manager or other person who can attest that the expenditure is allowable and  
151 approved under the federal program.

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

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156 8. Monitoring and Reporting Performance

157  
158 The superintendent shall establish sufficient oversight of the operations of  
159 federally supported activities to assure compliance with applicable federal  
160 requirements and to ensure that program objectives established by the awarding  
161 agency are being achieved. **Financial and P**erformance reports, including reports  
162 of significant developments that arise between scheduled performance reporting  
163 dates **and final closeout reports**, must be submitted as required by federal or state  
164 authorities.

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166 **B. AUDITS AND CORRECTIVE ACTION**

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168 1. An annual independent audit will be conducted as provided in policy 8310,  
169 Annual Independent Audit. The finance officer will prepare all financial  
170 statements, schedules of expenditures, and other documents required for the audit.

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172 2. At the completion of the audit, the superintendent or designee shall prepare a  
173 **summary schedule of prior audit findings and a** corrective action plan to address  
174 any **prior** audit findings. The **corrective action** plan must identify the responsible

175 party and the anticipated completion date for each corrective action to be taken.  
176 The superintendent shall present the plan to the board for approval.  
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178 3. Compliance deficiencies discovered internally through administrative supervision  
179 must be addressed promptly with the goal of improving processes to encourage  
180 future compliance and reduce audit findings.  
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### 182 C. TRAINING

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184 All individuals responsible for the administration of a federal grant or award shall be  
185 provided sufficient training to carry out their duties in accordance with all applicable  
186 requirements for the federal grant or award.  
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### 188 D. OTHER APPLICABLE BOARD POLICIES

189  
190 Other board policies provide additional controls over the administration of federal grants.  
191 These include, but are not necessarily limited to:  
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- 193 1. Educational programs policies (policies in the 3000 series)
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- 195 2. School nutrition services policies (policies in the 6200 series)
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- 197 3. Purchasing policies (policies in the 6400 series)
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- 199 4. Equipment, materials, and supplies policies (policies in the 6500 series)
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- 201 5. Personnel policies (policies in the 7000 series)
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- 203 6. Fiscal management policies (policies in the 8000 series)
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- 205 7. Policies protecting the confidentiality of personally identifiable information and  
206 other sensitive information (policies in the 4000, 6000, and 7000 series)
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208 The board intends to comply with all requirements applicable to the use of federal funds.  
209 To the extent that any provision of a board policy is contrary to a federal law, regulation,  
210 term, or condition applicable to a federal award, employees must follow the applicable  
211 federal requirement.  
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### 213 E. REPORTING MISMANAGEMENT OF FEDERAL FUNDS

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

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Legal References: **2 C.F.R. Part 180**; ~~2~~- C.F.R. Part 200; G.S. 14-234; 133-32

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

**Other Resources:** *Standards for Internal Control in the Federal Government (“The Green Book”)* (U.S. Government Accountability Office), available at <http://www.gao.gov/greenbook/overview>; *Internal Control Framework* (Committee of Sponsoring Organizations of the Treadway Commission (COSO)), executive summary, available at <https://www.coso.org/pages/ic.aspx>; *Compliance Supplement, Part 6, Internal Control* (Office of Management and Budget), available at <https://www.whitehouse.gov/omb/office-federal-financial-management/>

~~Other References: *Standards for Internal Control in the Federal Government (“The Green Book”)* (GAO), available at <http://www.gao.gov/greenbook/overview>; *Internal Control Framework* (Committee of Sponsoring Organizations of the Treadway Commission (COSO)), executive summary, available at <http://www.coso.org/ic.htm>; *Compliance Supplement, Part 6, Internal Control* (Office of Management and Budget), available at [https://www.whitehouse.gov/sites/whitehouse.gov/files/omb/circulars/A133/2017/Compliance\\_Supplement\\_2017.pdf](https://www.whitehouse.gov/sites/whitehouse.gov/files/omb/circulars/A133/2017/Compliance_Supplement_2017.pdf)~~

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