PG-5.120: GRANT ACCOUNTING

Sec. 1. PURPOSE OF POLICY.

Through this policy, the Board of Directors (hereafter, the "Board") of Midland Academy Charter doing business as Midland Academy (hereafter, the "School") shall address the legal requirements, as applicable, promulgated at:

(a) Texas Education Code ("Tex. Ed. Code") Sections 12.107(a), 12.115(a)(2) and 12.1053(b)(2);
(b) Texas Business Organizations Code ("Tex. Bus. Org. Code");
(c) Texas Administrative Code, Title 19 ("19 TAC"), §100.1006;
(d) United States Code, Title 20 ("20 USC");
(e) Code of Federal Regulations, Title 2 ("2 CFR"), Part 200;
(f) Financial Accountability System Resource Guide ("FASRG");
(g) *Standards for Internal Control in the Federal Government*; and
(h) *Government Auditing Standards*.

Additionally, through this policy, the Board shall address best practices adopted by public schools.

Sec. 2. AUTHORITY OVER FISCAL MATTERS.

Sec. 2.1. In accordance with state law, the Board has primary and ultimate authority over fiscal matters. If a matter or decision-making process is not addressed in this or other duly adopted policies of the Board, authority rests with the Board. In the event of a conflict between this policy and any other Board policy, such conflict shall be brought to the Board for resolution. Refer to the Board's Policy relating to its Authority Over Fiscal Matters (the "Controlling Policy") for requirements applicable to this policy.

Sec. 2.2. The Delegate, as defined in Sec. 3.2 of the Controlling Policy, shall report to the Board any business arrangement or transaction with an individual that is an officer, as defined in Sec. 5 of the Controlling Policy, and any conflicted,[1] interested[2] or related[3] party, as defined in other Board policy or applicable law. The School and its officers may not enter into a business arrangement or conduct a transaction in such a manner so as to circumvent this requirement.

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[1] Tex. Ed. Code § 12.1054; 19 TAC §§ 100.1131 through 100.1135
[2] 19 TAC § 100.1047(f)
[3] Tex. Ed. Code § 12.1166

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Sec. 2.3. As established in Sec. 4 of the Controlling Policy, where the Delegate is authorized to confer authority to a designee (as denoted by the phrase "or designee"), the Delegate may confer such authority to a single designee.

Sec. 3. APPLICABILITY OF POLICY.

This policy applies to state, federal, and philanthropic grants.

Sec. 4. GRANT ACCOUNTING RECORDS.

For each grant, the Delegate or designee shall maintain the following records:

(a) Notice of Grant Award (NOGA), Grant Award Notice (GAN), or private grant award letter.

(b) The approved grant application, including guidelines in effect during the grant period, the budgeted, and amendments.

(c) Communications with grantor, including call logs, emails, and negotiation notes.

(d) Grant expenditure, evaluation, and programmatic reports.

(e) All accounting, administrative, business, charge or credit, contract, finance, disbursement, payroll, personnel, procurement, time accounting, and other records that support the use of grant funds.

Sec. 5. RESPONSIBILITY FOR GRANT ADMINISTRATION.

Sec. 5.1. Financial Management. The Delegate or designee shall bear responsibility for the following financial management activities:

(a) Maintaining fiduciary and financial responsibility over each grant.

(b) Maintaining accurate and complete contemporaneous financial accounting records for each grant, including the use of grant funds and property and the maintenance of employee time accounting records.

(c) Reviewing and approving the budget for each grant, including budget amendments.

(d) Ensuring compliance with applicable law, rule, and grant requirement governing grant financial management, including the appropriate expenditure of grant funds.

(e) Ensuring the lawful procurement of goods and services with grant funds.

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(f) Timely preparing and submitting accurate and complete expense reports for the reimbursement or advanced payment of grant expenses from the grantor.

(g) Perform other duties and responsibilities necessary to ensure fiscal compliance with applicable law, rule and grant requirement.

Sec. 5.2. Program Management. Each grant shall have a manager assigned who shall be responsible for:

(a) Initiating, planning, and preparing grant applications, including conducting a needs assessment, developing goals, strategies, and performance measures, and preparing the grant budget.

(b) Monitoring grant program implementation to ensure that grant terms and conditions are met and that grant goals are attained.

(c) Ensuring compliance with applicable law, rule, and grant requirement governing grant program activities.

(d) Identify, prepare and propose amendments to the approved grant program to address changed circumstances.

(e) Monitoring, assessing, and ensuring that individuals and entities awarded a contract supported with grant funds comply with the contract terms and conditions.

(f) Initiating, planning, and conducting evaluations, surveys and studies to recommend adjustments to the grant program and to submit required evaluations and reports to the grantor.

(g) Preparing and submitting grant reports.

(h) Perform other duties and responsibilities necessary to yield a successful outcome for the grant program.

Sec. 5.3. Audits. The Internal Audits Director shall be responsible for:

(a) Liaising with external auditors to coordinate the conduct of the annual audit and other audits.

(b) Reporting to the Board, the Audit Committee and the Finance Committee the results of the annual and other audits.

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Sec. 6. ALLOWABLE AND PROHIBITED USES OF FUNDS.

Sec. 6.1. In General.

See Board Policy relating to the Allowable and Prohibited Uses of Funds.

Sec. 6.2. Prudent Person Rule.

See Sec. 7 of the Controlling Policy.

Sec. 6.3. Abuse and Waste Prohibited.

See Sec. 8 of the Controlling Policy.

Sec. 6.4. Requirements Specific to Federal Funds.

Sec. 6.4.1. Factors Affecting Allowability of Costs.[4]

School officers and employees shall ensure that:

(a) The expenditure of funds is reasonable and necessary for the performance of the grant program.

(b) Costs are allocable to the grant program, in accordance with applicable legal requirements.

(c) Federal funds are used to support legally authorized activities.

(d) Federal funds are used in a manner consistent with School policies and procedures that apply uniformly to both federally-financed and other activities of School.

(e) Costs are incurred during the approved budget period.

(f) The use of funds is adequately documented.

(g) Costs and expenses incurred conform with the Federal Cost Principles.

Sec. 6.4.2. Reasonable Costs.[5]

Sec. 6.4.2.1. In determining if an expenditure or cost is reasonable, School officers and employees shall adhere to the prudent person rule.

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[4] 2 CFR §200.403
[5] 2 CFR §200.404

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Sec. 6.4.2.2. In determining if a cost is reasonable, School officers and employees shall consider the following factors.

(a) Whether the cost is of a type generally recognized as ordinary and necessary for the operation of the School or the proper and efficient performance of the grant program. Importantly, School officers and staff shall adhere to the accepted practices of Texas public schools relating to the use of grant funds.

(b) The restraints or requirements imposed by such factors as: sound business practices; arm's-length bargaining; Federal, state, local and other laws and regulations; and terms and conditions of the grant.

(c) Market prices for comparable goods or services for the geographic area.

(d) Whether the individuals concerned acted with prudence in the circumstances considering their responsibilities to the School, its employees, where applicable its students, the public at large, and the Federal Government.

(e) Whether the School significantly deviates from its established practices and policies regarding the incurrence of costs, which may unjustifiably increase the cost to the grant program.

Sec. 6.4.3. Standards for Documentation of Personnel Expenses.[6]

Sec. 6.4.3.1. To support payroll costs charged to a grant, the Delegate or designee shall prepare or cause to be prepared records that accurately reflect the work performed by employees and that conform to the following requirements:

(a) Are supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated.

(b) Are incorporated into the School's official records.

(c) Reasonably reflect the total activity for which an employee is compensated by the School, not exceeding 100% of compensated activities.

(d) Encompass both federally-assisted and all other activities compensated by the School on an integrated basis.

(e) Comply with the School's established accounting policies and practices.

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[6] 2 CFR § 200.430(i)

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(f) Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on:

(1) More than one Federal award;

(2) A Federal award and non-Federal award;

(3) An indirect cost activity and a direct cost activity;

(4) Two or more indirect activities which are allocated using different allocation bases; or

(5) An unallowable activity and a direct or indirect cost activity.

Sec. 6.4.3.2. For record keeping purposes, the Delegate or designee shall not use budget estimates (i.e., estimates determined before the services are performed) alone as these do not qualify as support for charges to a Federal grant.

Sec. 6.4.3.3. Sec. 6.4.3.2 of this policy notwithstanding., the Delegate or designee may use budget estimates for interim accounting purposes, provided that the following requirements are met:

(a) The system for establishing the estimates produces reasonable approximations of the activity actually performed.

(b) Significant changes in the corresponding work activity are identified and entered into the records in a timely manner.[7]

(c) The School's system of internal controls includes processes to review after-the-fact interim charges made to a Federal grant based on budget estimates.

(d) All necessary adjustments are made such that the final amount charged to the Federal grant is accurate, allowable, and properly allocated.

Sec. 6.4.4. General Costs.[8]

Federal funds may not be used for general costs of the School normally incurred to provide instruction to students at one or more elementary or secondary grade levels as provided by the charter, unless provided for as a direct cost under a Federal program statute or regulation.

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[7] Short term (such as one or two months) fluctuation between workload categories need not be considered as long as the distribution of salaries and wages is reasonable during the fiscal year.

[8] 2 CFR § 200.444(a)

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Sec. 7. SUPPLEMENT NOT SUPPLANT.[9]

In accordance with applicable Federal law for the pertinent Federal grant program, the Delegate or designee shall ensure that the School uses federal grant funds to supplement and, not supplant, federal, state, and local funds, as applicable to the federal grant program.

Sec. 8. CASH MANAGEMENT.[10]

The Delegate or designee shall implement a system of internal controls that provides for the periodic and timely draw down of grant funds to reasonably coincide with the disbursement of School funds to pay for grant expenses. Importantly, with respect to Federal grants, the Delegate or designee must minimize the time elapsing between the transfer of funds from the United States Treasury or the pass-through entity and the disbursement by the School. The Delegate or designee shall maintain a record of all draw down requests and the corresponding costs charged to the grant program.

Sec. 9. FINANCIAL OBLIGATIONS.

Sec. 9.1. With respect to the use of grant funds, financial obligations are orders issued for property and services, contracts made, and similar transactions that require payment.[11] The Delegate or designee shall ensure that all financial obligations are made in accordance with applicable law and rule, are recognized when made, and are recorded in the School's financial accounting records as encumbrances.[12]

Sec. 10. TRAINING AND UPDATES.[13]

The Delegate or designee shall properly train officers and employees on the requirements of this policy and any administrative procedure(s) adopted to implement this policy. Additionally, the Delegate or designee shall keep officers and employees informed of any changes to this policy and related requirements.

Sec. 11. ADMINISTRATIVE PROCEDURES. [14]

The Delegate shall formally adopt administrative procedures as reasonably necessary to properly administer this policy and to adhere to applicable law and rule. In doing so, the Delegate shall not

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9 20 USC §§ 1413(a)(2)(A)(ii) and 6321(b)
10 2 CFR §200.305(b)
11 2 CFR §200.1
12 2 CFR §200.302(b)(2)-(3)
13 2 CFR § 200.303(a), U.S. Government Accountability Office *Standards for Internal Control in the Federal Government*, 4.02 and 4.05.
14 Tex. Ed. Code § 12.115(a)(2); FASRG Module 2; 2 CFR § 200.303. Consistent with 19 TAC § 100.1033(b)(14)(C)(iv), the Board has the final authority to adopt policies governing charter school operations, including authorizing the Delegate or designee to adopt an administrative procedure to implement this policy. Moreover, as set forth in School's Articles of Incorporation and Bylaws and in accordance with Tex. Bus. Org.

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adopt, and is prohibited from adopting, an administrative procedure that conflicts with applicable law or this policy. Accordingly, the Delegate shall confer with the Board or legal counsel before deviating from the requirements set forth in this policy. In the event that a deviation from this policy becomes necessary, the Delegate shall either recommend an amendment to this policy or the Board's approval of a specific deviation, including the purpose, scope and duration of the requested deviation.

Sec. 12. DATE ADOPTED AND EFFECTIVE.

As set forth in the pertinent minutes to the meeting of the Board, the Board adopted this policy on 09/20/2022 and became effective on 09/20/2022.

Sec. 13. RETENTION.[15]

This policy shall be retained until superseded, expired, or discontinued and for five (5) years thereafter.

Sec. 14. CERTIFICATION.

The Undersigned, being the Secretary of the Corporation, hereby certifies that the foregoing represents a true copy of the Board Policy relating to Grants Accounting, as originally adopted by the Board on 09/20/2022, which Policy, as amended, is in full force and effect and has not been revoked or amended.

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Print
Name:_____,
Secretary

_____

Date Certified

Code §§ 3.101 and 22.201, the Board is the School's governing authority and, as such, manages and directs School's business and affairs through Board actions, resolutions and policy.

[15] Tex. Ed. Code §12.1052; 19 TAC §100.1203; *See* Record Number GR1000-38 and GR1025-25 in Local Schedule GR: Records Common to All Local Governments, Revised 5th Edition (Effective April 17, 2016) adopted by the Texas State Library and Archives Commission at Texas Administrative Code, Title 13, § 7.125(a)(1).

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