



9492 West Emerald Street | Boise, ID 83704

LEA 566

FINANCIAL MANAGEMENT SYSTEMS PROCEDURES

The LEA maintains a proper financial management system in order to receive both direct and state-administered grants and to expend funds associated with a grant award. Certain fiscal controls and procedures must be in place to ensure that all financial management system requirements are met. Failure to meet a requirement may result in return of funds or termination of the award.

A. Financial Management Standards

The standards for financial management systems are found at 2 C.F.R. § 200.302. The required standards include:

Identification

The LEA must identify, in its accounts, all federal awards received and expended and the federal programs under which they were received. Federal program and award identification must include, as applicable, the CFDA title and number, federal award identification number and year, name of the federal agency, and, if applicable, name of the pass-through entity.

Financial Reporting

Accurate, current, and complete disclosure of the financial results of each federal award or programs must be made in accordance with the financial reporting requirements set forth in the Education Department General Administrative Regulations (EDGAR).

Accounting Records

The LEA must maintain records which adequately identify the source and application of funds provided for federally-assisted activities. These records must contain information pertaining to grant or subgrant awards, authorizations, obligations, unobligated balances, assets, expenditures, income and interest, and be supported by source documentation.

Internal Controls

Effective control and accountability must be maintained for all funds, real and personal property,

and other assets. The LEA must adequately safeguard all such property and must assure that it is used solely for authorized purposes.

“Internal controls” are tools to help program and financial managers achieve results and safeguard the integrity of their program. Internal controls should be designed to provide reasonable assurance that the following objectives are achieved:

- Effectiveness and efficiency of operations;
- Adequate safeguarding of property;
- Assurance property and money is spent in accordance with grant program and to further the Selected objectives; and
- Compliance with applicable laws and regulations.

Budget Control

Actual expenditures or outlays must be compared with budgeted amounts for each federal award.

Cash Management

The LEA must maintain written procedures to implement the cash management requirements found in EDGAR.

Please see Federal Cash Management Procedures.

Allowable Costs

The LEA must maintain written procedures for determining allowability of costs in accordance with EDGAR.

Please see Determining Allowability of Cost Procedures.

B. Overview of the Financial Management/Accounting System

The accounting system used by Cardinal Academy is Budget Manager provided by 2M. This system interfaces with Idaho’s Financial Reporting Management System (IFARMS), providing the basis for complete financial and cost accounting, for the development of program budgets, and for the preparation of periodic financial reports. The uniformity of the system enables Cardinal Academy to fulfill state requirements and give the flexibility to obtain program and account detail to meet management needs. The Business Manager enters the proposed budget numbers provided by the Federal Programs Director into the proposed budget tool. Once the budget is finalized and approved by the Board, the new budget numbers are moved over to the main budget report for the new fiscal year. The Business Manager and Executive Director are responsible for managing budgets and accounts payable. Each federal fund is setup with balance sheet, revenue and expenditure accounts, using the IFARMS codes. A Detail Ledger, listing the budgeted amount, the year-to-date activity, and details of the selected period(s) activity. This is followed by the total year-to-date activity, account balance, and percentage. This report may list the details of any period or range of periods. Also available is the Budget Report, showing account activity for the specified period, year-to-date, balance, and percent of budget used.

The Business Manager will provide the Executive Director and Board updated budget reports by the 15th of each month as part of the monthly financial reconciliation process. All reports are reviewed and approved by the Executive Director prior to the Board’s review. The reports include monthly and cumulative expenditures, project budgets, and a balance remaining.

C. Budgeting

The Planning Phase: Meetings and Discussions

Before Receiving the Grant Award Notice (GAN): The Executive Director begins initial budget discussions, meeting one day a week during the school year. Discussions include: how the budget is put together; staffing; assigning account numbers and applicable codes; and reviewing grant objectives, reporting requirements, responsibilities and special conditions.

The Executive Director and Business Manager begin working on the proposed budget in April (near the end of fiscal year). The Business Manager will provide salary, benefit, and carry-over projections to help construct the Federal Programs budgets and the CFSGA.

By end of May, the Executive Director reviews the items in the budget to ensure allowability. If the Executive Director determines that a cost is not allowable, then revisions will be made and resubmitted for final approval.

Once the Executive Director determines that all budgeted items are allowable, the budget is sent to the Board for final review and approval. Generally, the budget receives final approval during June's Board Meeting. Once the budget is approved, the Business Manager will load the new budget amounts in the accounting system by the beginning of the fiscal year.

After Receiving the GAN

The Executive Director and Business Manager will continue to have budget discussions at their weekly meetings to discuss any adjustments that need to be made based on the GAN.

Amending the Budget

The Business Manager and the Executive Director will meet to revise the budgets or the CFSGA when:

1. Final allocations are received from the State Department of Education.
2. Final fiscal year reimbursements are requested and the actual carry-over is finalized.
3. Program budgets or CFSGA require amendments because actual expenses vary from projected expenses (i.e., travel costs, purchased services).

The Business Manager will update the accounting system, after all budget lines are updated, Business Manager will print an updated copy of the budget report for the Executive Director to verify the totals are correct. The Business Manager will provide a print screen of the CFSGA budget tab by program (website). The Business Manager will initial the report; the Business Manager will retain the hard copy in the school records.

At the end of the fiscal year, the Business Manager will provide the Board with a revised budget to approve that reflects the amendments throughout the year.

Budget Control

The Executive Director and Business Manager will review the monthly financial reports to

ensure the federal budgets are on track. If any changes are needed, the business manager will make the adjustments and will submit to Executive Director for review/approval.

D. Accounting Records

All accounting records are kept in a locked cabinet in the office of the Business Manager. The Business Manager is responsible for maintaining accounting records. The Executive Director reviews and signs off on all payables (authorized check signer).

The Business Manager and Executive Director meet quarterly to review the expenses for all federal programs and verify the reimbursement amount for each program. Business Manager will submit the reimbursement request in the Grant Reimbursement Application. All federal reimbursements are electronic fund transfers (EFT). The Business Manager will enter the receipt into the accounting system during the bank reconciliation process, once a month.

A journal entry is created each month accruing the reimbursement amounts to accounts receivable based on the expenditures that month. The journal is then reversed once the reimbursement is received. All journal entries are reviewed and approved by the Executive Director (included with the monthly financial reconciliation).

Example of Chart of Accounts for Federal Programs:

AcctNo	Description	AcctType	CashAcct
251-111100-000-000-0	CASH IN BANK - TITLE I	Balance Sheet	Y
251-111200-000-000-0	PAYROLL ACCOUNT - TITLE I	Balance Sheet	Y
251-114000-000-000-0	ACCOUNTS RECEIVABLE-TITLE I	Balance Sheet	N
251-114001-000-000-0	CARRYOVER RECEIVABLE - TITLE I	Balance Sheet	N
251-213000-000-000-0	ACCOUNTS PAYABLE - TITLE I	Balance Sheet	N
251-217100-000-000-0	SALARIES PAYABLE - TITLE I	Balance Sheet	N
251-217200-000-000-0	BENEFITS PAYABLE - TITLE I	Balance Sheet	N
251-221000-000-000-0	DEFERRED REVENUE - TITLE I	Balance Sheet	N
251-320001-000-000-0	ANNUAL FUND BALANCE	Balance Sheet	N
251-320100-000-000-0	FUND BALANCE - TITLE I	Balance Sheet	N
251-512100-000-000-0	SALARIES - TITLE I-BASIC	Expenditure	N
251-512115-000-000-0	CLASSIFIED SALARIES -TITLE I-BASIC	Expenditure	N
251-512200-000-000-0	BENEFITS - TITLE I-BASIC	Expenditure	N
251-512300-000-000-0	PURCHASED SERVICES - TITLE I-BASIC	Expenditure	N
251-512400-000-000-0	SUPPLIES - TITLE I-BASIC	Expenditure	N
251-512500-000-000-0	EQUIPMENT - TITLE I	Expenditure	N
251-512600-000-000-0	ADMINISTRATIVE-TITLE I	Expenditure	N
251-515100-000-000-0	SALARIES - TITLE I	Expenditure	N
251-515200-000-000-0	BENEFITS - TITLE I	Expenditure	N
251-621500-000-000-0	TRAVEL - TITLE I	Expenditure	N
251-920810-000-000-0	TRANSFER OUT - TITLE I	Expenditure	N
251-320000-000-000-0	BUDGET BALANCE CARRY FORWARD	Revenue	N

251-445100-000-000-0	REVENUE - TITLE I-BASIC	Revenue	N
251-460000-000-000-0	TRANSFER IN - TITLE I	Revenue	N

Spending Grant Funds

While developing and reviewing the grant budget, the Executive Director keeps in mind the difference between direct costs and indirect costs. All costs charged to a federal grant are classified as either direct or indirect. While developing and reviewing the grant budget and when expending grant funds, program and fiscal staff should keep in mind the difference between direct costs and indirect costs as defined in EDGAR and 2 CFR Part 200 the Uniform Administrative Requirements Cost Principles and Audit Requirements for Federal Awards (referred to as Part 200). All costs must be properly and consistently identified as either direct or indirect in the accounting system. It is the policy and/or procedure for the LEA to review these costs in the following order to ensure the principles of the award are followed:

Expenditures must be aligned with approved budgeted items. Any changes or variations from the state-approved budget and grant application need prior approval from the state.

When determining how the LEA will spend its grant funds, the Executive Director and Business Manager will review the proposed cost to determine whether it is an allowable use of federal grant funds *before* obligating and spending those funds on the proposed good or service. All costs supported by federal education funds must meet the standards outlined in EDGAR, 2 CFR Part 3474 and 2 CFR Part 200, which are provided in the bulleted list below. The following factors must be considered when making an allowability determination specific to each program.

Necessary and Reasonable

All costs must Be Necessary and Reasonable for the performance of the federal award. The Executive Director and Business Manager must consider these elements when determining the reasonableness of a cost. A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision to incur the cost was made. For example, reasonable means that sound business practices were followed, and purchases were comparable to market prices.

When determining reasonableness of a cost, consideration must be given to:

- Whether the cost is a type generally recognized as ordinary and necessary for the operation of the SDE or the proper and efficient performance of the federal award.
- The restraints or requirements imposed by factors, such as: sound business practices; arm's-length bargaining; federal, state, and other laws and regulations; and terms and conditions of the federal award.
- Market prices for comparable goods or services for the geographic area.
- Whether the individuals concerned acted with prudence in the circumstances considering their responsibilities to the SDE, its employees, its students, the public at large, and the federal government.
- Whether the LEA significantly deviates from its established practices and policies regarding the incurrence of costs, which may unjustifiably increase the federal award's cost. 2 C.F.R. §200.404.

While 2 C.F.R. §200.404 does not provide specific descriptions of what satisfies the “necessary” element beyond its inclusion in the reasonableness analysis above, necessary is determined based on the needs of the program. Specifically, the expenditure must be necessary to achieve an important program objective.

When determining whether a cost is necessary, consideration may be given to:

- Whether the cost is needed for the proper and efficient performance of the grant program.
- Whether the cost is identified in the approved budget or application.
- Whether there is an educational benefit associated with the cost.
- Whether the cost aligns with identified needs based on results and findings from a needs assessment.
- Whether the cost addresses program goals and objectives and is based on program data.

Allocable to the federal award

All costs must be Allocable to the federal award. A cost is allocable to the federal award if the goods or services involved are chargeable or assignable to the federal award in accordance with the relative benefit received. This means that the federal grant program derived a benefit in proportion to the funds charged to the program. 2 C.F.R. §200.405. For example, if 50% of an employee’s salary is paid with grant funds, then that employee must spend at least 50% of his or her time on the grant program.

Consistent with policies and procedures

All costs must be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the SDE.

Adequately documented

All costs must be adequately and properly documented. All costs must be determined in accordance with general accepted accounting principles (GAAP), unless provided otherwise in Part 200.

While developing and reviewing the grant budget, the Federal Programs Director should keep in mind the difference between direct costs and indirect costs.

Direct and Indirect Costs

Determining Whether a Cost is Direct or Indirect: Direct costs are those 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. 2 C.F.R. § 200.413(a). Indirect costs are those that have been incurred for a common or joint purpose benefitting more than one cost objective, and not readily assignable to the cost objectives specifically benefitted, without effort disproportionate to the results achieved. 2 C.F.R. § 200.56. Costs incurred for the same purpose in like circumstances must be treated consistently as either direct or indirect costs. 2 C.F.R. § 200.413(a).

Identification with the federal award rather than the nature of the goods and services involved is the determining factor in distinguishing direct from indirect costs of Federal awards. Typical costs charged directly to a Federal award are the compensation of employees who work on that award, their related fringe benefit costs, the costs of materials, and other items of expense incurred for the Federal award. 2 C.F.R. § 200.413(b). The salaries of administrative and clerical staff should normally be treated as indirect costs. Direct charging of these costs may be appropriate only if all the following conditions are met:

- Administrative or clerical services are integral to a project or activity;
- Individuals involved can be specifically identified with the project or activity;
- Such costs are explicitly included in the budget or have the prior written approval of the federal awarding agency; and
- The costs are not also recovered as indirect costs. 2 C.F.R. § 200.413(c).

Indirect Cost Rate: The State Department of Education, Public School Finance Department computes and issues the restricted indirect cost rate to those LEAs who request one for one fiscal year. **Our LEA does not apply for indirect cost rate.**

Policy History:

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Revised on: