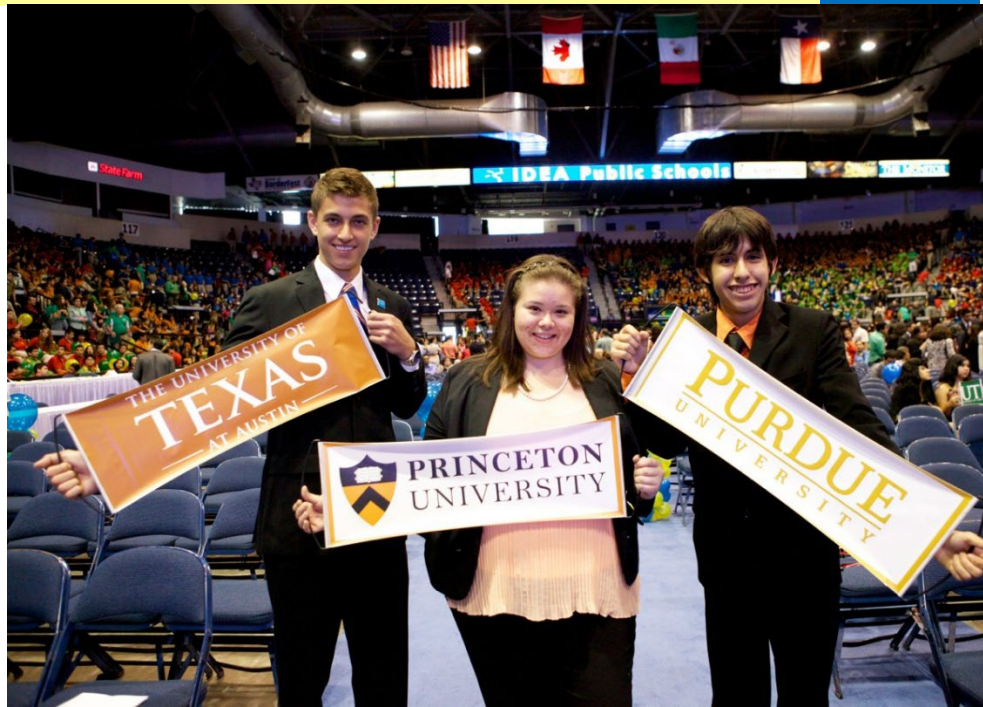


IDEA Public Schools

GRANT ACCOUNTING POLICY



IDEA PUBLIC SCHOOLS BOARD POLICY
GRANT ACCOUNTING POLICY

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Sec. 1. PURPOSE OF POLICY.

The Board of Directors and all “Officers of a Charter School” as defined by Texas law shall endeavor, in accordance with their fiduciary duty and applicable law, to honor any legal restrictions on federal or state funds and donor restrictions (that can be accepted) on philanthropic funds, the use and obligation of all funds, for the purchase of goods and services that have a direct benefit to students, are in the best interest of students and that facilitate the implementation of IDEA’s charter program. Through this policy, the Board of Directors (“Board”) of IDEA Public Schools (“IDEA”) shall address applicable legal requirements, including:

- (a) Texas Education Code (“Tex. Ed. Code”) Sections 12.115(a)(2) and 12.1053(b)(2) and Chapter 44, Subchapter B (“Chapter 44”);
- (b) Texas Government Code (“Government Code”) Chapter 2254, Subchapter A and Chapter 2269 (“Chapter 2269”);
- (c) Texas Local Government Code (“Local Government Code”) Chapter 271, Subchapter B;
- (d) Texas Business Organizations Code (“Tex. Bus. Org. Code”);
- (e) Texas Administrative Code, Title 19 (“19 TAC”), §100.1006;
- (f) United States Code, Title 20 (“20 USC”);
- (g) Code of Federal Regulations, Title 2, Part 200 (“2 CFR § 200”);
- (h) Financial Accountability System Resource Guide (“FASRG”);
- (i) *Standards for Internal Control in the Federal Government*; and
- (j) *Government Auditing Standards*.

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 Authority Over Fiscal Matters Policy (the “Controlling Policy”) for requirements applicable to this policy.

Sec. 2.2. The Delegates (as defined in Sec. 3(b) 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 interested² or related³ party, as defined in other Board policy or applicable law. IDEA (and its officers) may not enter into a business arrangement or conduct a transaction in such a manner so as to circumvent this requirement.

Sec. 3. APPLICABILITY OF POLICY.

This policy pertains to state, federal, and philanthropic grant funds.

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. 4. GRANT ACCOUNTING RECORDS.

The Grant Director will maintain the following grant records:

- (a) Notice of Grant Award (NOGA), or private grant award letter;
- (b) A copy of the grant application;
- (c) Grant rosters;
- (d) Funding guides detailing which expenses are allowable/ unallowable;
- (e) Original budget and amendments made to that budget;
- (f) Correspondence from funders; and
- (g) Financial reports if applicable

Sec. 5. FINANCIAL SERVICES RESPONSIBILITY.

The Grant Director is responsible for the following (not all inclusive):

- (a) Maintaining fiduciary and financial responsibility for all grant activities;
- (b) Processing and maintaining accounting data for each grant;
- (c) Requesting funds through the automated payment request systems;
- (d) Preparing and submitting expense reports and certifying expenses are true and correct;
- (e) Classifying and reporting accounting transactions properly, according to regulatory guidelines;
- (f) Ensuring that funds are expended as approved in the application; and
- (g) Maintaining employee time and effort records.

Sec. 6. COMPLIANCE REQUIREMENTS.

Sec. 6.1. Allowable Costs.

IDEA officers and employees shall ensure that:

- (a) the activities supported by the use of funds and the actual use of funds for personnel and the procurement of goods and services are in compliance with all applicable statutory, regulatory and grant provisions;
- (b) the expenditure of funds be **reasonable, necessary, and not excessive** for the performance of the program;
- (c) the costs be allocable to the grant program;
- (d) the use of funds be consistent with policies and procedures that apply uniformly to both federally-financed, state-financed, and other activities of IDEA, be accorded consistent treatment, and be determined in accordance with generally accepted accounting principles;
- (e) funds are not used for general operating expenses required to carry out responsibilities not directly related to the grant program; and

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- (f) the use of funds be adequately documented.⁴

Sec. 6.2. Reasonable, Necessary, and Not Excessive Costs.

Sec. 6.2.1. In determining if an expenditure or cost is reasonable, necessary, and not excessive IDEA officers and employees shall adhere to the prudent person rule.⁵ A cost is necessary if it is reasonable and a prudent person would agree that it is tied to a direct benefit to the students of IDEA. An expenditure or cost is not excessive if it is both reasonable and necessary and a prudent person would agree that it could not be accomplished in a more efficient manner.

Sec. 6.2.2. In determining if a cost is reasonable, IDEA officers and employees shall consider the following factors.⁶

- (a) Whether the cost is of a type generally recognized as ordinary and necessary for the operation of IDEA or the proper and efficient performance of the Federal award.⁷ Importantly, IDEA 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 Federal award.⁸
- (c) Market prices for comparable goods or services for the geographic area.⁹
- (d) Whether the individuals concerned acted with prudence in the circumstances considering their responsibilities to IDEA, its employees, where applicable its students, the public at large, and the Federal Government.¹⁰
- (e) Whether IDEA significantly deviates from its established practices and policies regarding the incurrence of costs, which may unjustifiably increase the Federal award's cost or increase the costs to other funding sources.¹¹

Sec. 6.3. Prudent Person Rule.

Refer to Sec. 7 of the Controlling Policy.

⁴ 2 CFR §200.403

⁵ 2 CFR §200.404

⁶ *Ibid.*

⁷ 2 CFR §200.404(a)

⁸ 2 CFR §200.404(b)

⁹ 2 CFR §200.404(c)

¹⁰ 2 CFR §200.404(d)

¹¹ 2 CFR §200.404(e)

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Sec. 6.4. Abuse and Waste Prohibited.

Refer to Sec. 8 of the Controlling Policy.

Sec. 6.5. Direct and Indirect Costs.

Sec. 6.5.1. All allowable direct and indirect costs allocated to the grant, minus any applicable credits, constitute the total costs.

Sec. 6.5.2. 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.¹² Direct Costs include:

- (a) Costs for personnel who supervise the activities of program staff, or any direct costs for personnel who perform fiscal and reporting activities related to the grant;
- (b) Costs for contracted services associated with the administration of the program;
- (c) Costs for supplies and materials requested for administrative use;
- (d) Other operating costs requested for administrative purposes; and
- (e) Equipment requested for administrative purposes.

Sec. 6.5.3. Indirect costs are costs incurred for a common or joint purpose benefitting more than one grant program or project and not readily assignable to the grant program or project specifically benefitted, without effort disproportionate to the results achieved.¹³ Indirect costs include:

- (a) Costs of operating and maintaining facilities;
- (b) General administration and general expenses, such as budgeting, accounting, human resources, legal, and purchasing;
- (c) Centralized services, such as information systems; and
- (d) Personnel and accounting administration.

Sec. 6.5.4. Reimbursement of indirect costs under federal awards is determined by an organization's indirect cost rate, which recipients negotiate with their cognizant agency. For public school districts, regional education service centers and open-enrollment charter schools, the Texas Education Agency ("TEA") is the cognizant agency.

Sec. 6.5.5. The indirect costs for TEA subrecipients¹⁴ are computed using a TEA-approved restricted indirect cost rate. The indirect cost rates change annually and are effective for the pertinent fiscal year. The computation of indirect costs is subject to audit.

¹² 2 CFR §200.413(a)

¹³ 2 CFR §200.1

¹⁴ 2 CFR §200.1

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Sec. 6.5.6. As set forth in the pertinent grant requirements, federally and state funded grant programs may claim indirect costs provided that an indirect cost rate has been established and approved.

Sec. 6.6. Unallowable Costs.

Sec. 6.6.1. An unallowable cost is any cost that cannot be charged to the grant regardless of whether the cost is treated as direct or indirect.

Sec. 6.6.2. IDEA shall refund to the grantor agency any amounts received from a grant or other program that the grantor agency determines to be unallowable, either as direct or indirect costs, because the underlying activity or use of funds:

- (a) violated a statute, regulation or the terms and conditions of the grant or program, including any related use of funds to match the grant or program funding;
- (b) is not supported by adequate and contemporaneous original records; or
- (c) appears unreasonable and does not reflect the actions a prudent person would take in the circumstances.¹⁵

Sec. 6.7. Matching.¹⁶

For all Federal awards, any shared costs or matching funds and all contributions, including cash and third-party in-kind contributions, must be accepted as part of IDEA's cost sharing or matching when such contributions meet all of the following criteria:

- (a) Are verifiable from IDEA's records;
- (b) Are not included as contributions for any other Federal award;
- (c) Are necessary and reasonable for accomplishment of project or program objectives;
- (d) Are allowable under Subpart E—Cost Principles of 2 CFR 200;
- (e) Are not paid by the Federal Government under another Federal award, except where the Federal statute authorizing a program specifically provides that Federal funds made available for such a program can be applied to matching or cost sharing requirements of other Federal programs;
- (f) Are funded in the approved budget when required by the Federal awarding agency; and
- (g) Conform to other provisions of 2 CFR 200, as applicable.

Sec. 6.7.1. Documentation.

The Delegates or designee shall ensure that all funds and in-kind services used as a match are accurately documented and that only funds or services directly benefiting the specific grant project will be counted as a match.

¹⁵ 2 CFR §§ 200.1 and 200.410

¹⁶ 2 CFR §200.306(b)

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Sec. 6.7.2. Overall Match.

The Delegates or designee shall ensure that contributions are matched overall as opposed to category-for-category.

Sec. 6.7.3. Source of matching contributions.

Matching contributions may be made from any non-Federal source, including non-Federal grants. Matching or cost-sharing requirements may be satisfied by any necessary and reasonable costs paid by IDEA and verifiable in the accounting records; or the value of third-party in-kind contributions.

Sec. 6.8. Standards for Documentation of Personnel Expenses.

Sec. 6.8.1. Grant funds may be used, if allowed by the grant agreement, to pay all or part of the salaries and allowable fringe benefits of personnel who are directly working on the grant project.¹⁷

Sec. 6.8.2. The Delegates or designee shall ensure that state-funded and federally funded grants bear their fair share of cost. To support charges to payroll for personnel who spend time on a grant, the Delegates or designee shall prepare or cause to be prepared records that accurately reflect the work performed and that conform to all of the following requirements.¹⁸

- (a) Are supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated.¹⁹
- (b) Are incorporated into IDEA's official records;²⁰
- (c) Reasonably reflect the total activity for which an employee is compensated by IDEA, not exceeding 100% of compensated activities.²¹
- (d) Encompass both federally-assisted and all other activities compensated by IDEA on an integrated basis.²²
- (e) Comply with IDEA's established accounting policies and practices.²³
- (f) Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on: more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more

¹⁷ 2 CFR §§ 200.430(a) and 200.431(a)

¹⁸ 2 CFR §200.430(i)

¹⁹ 2 CFR §200.430(i)(1)(i)

²⁰ 2 CFR §200.430(i)(1)(ii)

²¹ 2 CFR §200.430(i)(1)(iii)

²² 2 CFR §200.430(i)(1)(iv)

²³ 2 CFR §200.430(i)(1)(v)

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indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity.

Sec. 6.8.3. For record keeping purposes, the Delegates 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 Federal awards. Nonetheless, as appropriate and necessary, the Delegates or designee may use budget estimates for interim accounting purposes, provided that:

- (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;²⁴
- (c) IDEA's system of internal controls includes processes to review after-the-fact interim charges made to a Federal award based on budget estimates; and
- (d) All necessary adjustments are made such that the final amount charged to the Federal award is accurate, allowable, and properly allocated.²⁵

Sec. 6.9. Supplement Not Supplant.

In accordance with applicable federal law for the pertinent federal grant program, the Delegates or designee shall ensure that IDEA uses federal grant funds to supplement and, not supplant, federal, state, and local funds, as applicable to the federal grant program.²⁶

Sec. 6.10. Cash Management.

The Delegates or designee shall issue payments for grant reimbursements on a monthly basis. Subsequently, the Delegates or designee shall draw down grant funds. The Delegates or designee shall maintain a record of all draw down requests and the corresponding costs charged to the grant program.

Sec. 7. OBLIGATION OF FUNDS.

Sec. 7.1. The Delegates or designee shall ensure that all encumbrances, expenses, and obligations of funds for federal programs occur on or after the effective date of the application and within the grant beginning and ending dates listed on the grant award.

Sec. 7.2. The Delegates or designee shall ensure that all goods are received and all services are rendered between the beginning and ending dates as specified in the grant award.

²⁴ 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 over the longer term.

²⁵ 2 CFR §200.430(i)(1)(viii)

²⁶ 20 USC §§ 1413(a)(2)(ii) and 6321(b)

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Sec. 7.3. When used in connection with IDEA’s utilization of funds under a Federal award, obligations means orders placed for property and services, contracts and subawards made, and similar transactions during a given period that require payment by IDEA during the same or a future period.²⁷

Sec. 7.4. From a federally-funded grant, IDEA makes obligations for various kinds of property and services as observed in the following table.²⁸

If the obligation is for	The obligation is made
Acquisition of real or personal property	On the date on which IDEA makes a binding written commitment to acquire the property.
Personal services by an IDEA employee	When the services are performed.
Personal services by a contractor who is not an IDEA employee	On the date on which IDEA makes a binding written commitment to obtain the services.
Performance of work other than personal services	On the date on which IDEA makes a binding written commitment to obtain the work.
Public utility services	When IDEA receives the services.
Travel	When the travel is taken.
Rental of real or personal property	When IDEA uses the property.
A pre-agreement cost that was properly approved by USDE or TEA under the cost principles in 2 CFR part 200, Subpart E	On the first day of the grant or subgrant performance period.

Sec. 8. APPROVAL OF FEDERAL EXPENDITURES.

Sec. 8.1. Requisitions.

The Delegates or designee shall approve requisitions through a workflow process and shall physically sign off on all direct invoices.

Sec. 8.2. Purchase Card Expenses.

Sec. 8.2.1. IDEA shall not use federal funds to procure goods and services by the purchase card method.

Sec. 8.2.2. Exception: For purchases with Child Nutrition Program (CNP) funds that conform to the following requirements, IDEA may use CNP funds to procure goods and/or services through the micro-purchase procedure established in the Board’s Purchasing policy at Sec. 6.3.1 if:

- (a) the aggregate purchase amount is less than the micro-purchase threshold established in the Board’s Purchasing Policy, Sec. 4.5;

²⁷ 2 CFR § 200.1

²⁸ 34 CFR §76.707

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- (b) the purchase is an equitable distribution of other such purchases;
- (c) the purchase price is at a reasonable cost;²⁹ And
- (d) the purchase is not a prohibited separate, sequential, or component purchase under the Board's Purchasing policy, Sec. 5.12.³⁰

As set forth in Sec. 6.3.1 of the Board's Purchasing policy, the Delegates or designee shall approve any procurement action under this Sec. 8.2.2 prior to the purchase.

Sec. 8.3. Invoices.

The Grant Directors will have oversight of the federal grants and will approve invoices related to federal expenditures.

Sec. 9. REPORTING REQUIREMENTS.

With each grant received there are reporting requirements that must be met (if applicable).

- (a) Federal/State Grants – IDEA reports on expenses for Federal and State grants on a monthly basis through the drawdown process.
- (b) Philanthropic Grants – During the life of the grant grantors might request financial information from IDEA; this information is provided at the grantors request.

Sec. 10. BUSINESS OFFICE CHECK-INS.

The Delegates or designee shall conduct meetings with any officer or employee granted budgetary authority over a federal, state or philanthropic grant on a reoccurring basis to make sure all aspects of the grant, such as expenses, procurement and payroll, are being reviewed on a weekly, bi-weekly or monthly basis.

Sec. 11. TRAINING AND UPDATES.

The Delegates or designee shall properly train or ensure training is provided to IDEA officers and employees on the requirements of this policy and any administrative procedures adopted to implement this policy. Additionally, the Delegates or designee shall keep IDEA officers and employees informed of any changes to this policy and related requirements.

²⁹ Administrator's Reference Manual (July 28, 2022), Section 17, page 32 of 96.

³⁰ Tex. Ed. Code §44.032. Administrator's Reference Manual (July 28, 2022), Section 17, page 32 of 96 ("CEs may not break larger purchases into smaller amounts to qualify under the micro-purchase threshold, and any costs incurred as a result are unallowable.").

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Sec. 12. ADMINISTRATIVE PROCEDURES.³¹

The Delegates 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 Delegates shall not adopt, and are prohibited from adopting, an administrative procedure that conflicts with applicable law or this policy. Accordingly, the Delegates 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 Delegates 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. 13. DATE ADOPTED AND EFFECTIVE.

As set forth in the pertinent minutes to the meeting of the Board, the Board adopted this policy on September 16, 2022, and it became effective on September 16, 2022.

Sec. 14. RETENTION.³²

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

Sec. 15. CERTIFICATION.

The Undersigned, being the Secretary of the Corporation, hereby certifies that the foregoing represents a true copy of the Board Policy relating to the Authorization for the Obligation and Expenditure of Funds, as originally adopted by the Board on May 1, 2020, and as subsequently amended by the Board on June 12, 2020, July 16, 2021, and September 16, 2022, which Policy, as amended, is in full force and effect and has not been revoked or amended.

DocuSigned by:

A. Ryan Vaughan

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Ryan Vaughan, Secretary

9/17/2022

Date Certified

³¹ 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 Delegates or designee to adopt an administrative procedure to implement this policy. Moreover, as set forth in IDEA’s Articles of Incorporation and Bylaws and in accordance with Tex. Bus. Org. Code §§ 3.101 and 22.201, the Board is IDEA’s governing authority and, as such, manages and directs IDEA’s business and affairs through Board actions, resolutions and policy.
³² 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).

