

**MAINE DEPARTMENT OF EDUCATION
Federal Grant Management Handbook
Fiscal Guidance for Federal Grant Programs**

SUMMARY: The purpose of this document is to provide a reference to the fiscal requirements and procedures necessary for responsible financial management of Federal grant programs. This document provides interpretation and State policy regarding the most common Federal regulations that govern the use and management of Federal funds. This document does not replace nor is it intended to be used in substitution of EDGAR, OMB Circulars, or other Federal source documents. This document identifies more restrictive State policies and, as Federal regulations clearly state, if the State policy is more restrictive and follows Federal policy, then subgrantees must abide by the more restrictive policy.

Italicized text signifies State interpretation, examples of application, and provides a basis for measuring subrecipient compliance to regulatory requirements.

Non-italicized Times Roman text signifies State and Federal statutory or regulatory requirements.

*Signifies institutions of higher education and non-profit organizations must comply with 34 CFR Part 74.

This is a working document subject to change without notice. If you have any questions concerning the content of this document please contact your Maine DOE Federal program manager.

The yellow highlighted areas indicate updates and changes since the last published version.

Table of Contents

Financial Management Systems	1
Allowability of Cost	2
Cost Principles for Determining Allowability	3
Supplement Not Supplant	6
Conferences & Meetings	8
Parent Involvement Activities & the Allowance of Food	10
Equipment & Supplies	11
Equipment Use	13
Supplies Management	14
Real Property Management	15
Pre-paid/Gift Card Purchase and Use	15
Time and Effort	17
Semi Annual Certification Example	18
Personnel Activity Report Example	19
Stipends and Extra-Duty Pay	19
Period of Availability of Funds	20
Example of Appropriate Use of Funding Period	22
Program Income	23
Procurement	24
Methods of Procurement	25
Debarment and Suspension	26
Non-Federal Audit	26
Retention	27
Fraud and Abuse	27
Federal Grant Management Written Policy and Procedures	28
Obligation of Funds	29
Substantially Approvable and determining first invoice “from date”	30
Direct vs. Indirect Costs	31
INDEX	33

Federal Programmatic & Fiscal Grant Management Requirement

A. FINANCIAL MANAGEMENT SYSTEMS

1. **Definition.** Fiscal control and accounting procedures of the State, as well as its subgrantees and cost-type contractors, must be sufficient to:

Permit preparation of reports required by this part (34 CFR Part 74 & 80) and the statutes authorizing the grant, and [34 CFR §74.21(b) & §80.20(a)(1)]

Permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes. [34 CFR §80.20(a)(2)]

2. **Standards of fiscal management system.** The financial management system of other grantees and subgrantees must meet the following standards:

Financial reporting - Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant. [34 CFR §74.21(b)(1) & §80.20(b)(1)]

Accounting records - Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially-assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income. [34 CFR §74.21(b)(2) & §80.20(b)(2)]

Internal control - Effective control and accountability must be maintained for all grant and subgrant cash, real and personal property, and other assets. Grantees and subgrantees must adequately safeguard all such property and must assure that it is used solely for authorized purposes. [34 CFR §74.21(b)(3) & §80.20(b)(3)]

Budget control - Actual expenditures or outlays must be compared with budgeted amounts for each grant or subgrant. Financial information must be related to performance or productivity data, including the development of unit cost information whenever appropriate or specifically required in the grant or subgrant agreement. If unit cost data are required, estimates based on available documentation will be accepted whenever possible. [34 CFR §74.21(b)(4) & §80.20(b)(4)]

Allowable cost - Applicable OMB cost principles, agency program regulations, and the terms of grant and subgrant agreements will be followed in determining the reasonableness, allowability, and allocability of costs. [34 CFR §74.21(b)(6) & §80.20(b)(5)]

Source documentation - Accounting records must be supported by such source documentation as cancelled checks, paid bills, payrolls, time and attendance records, contract and subgrant award documents, etc. [34 CFR §74.21(b)(7) & §80.20(b)(6)]

Cash management - Procedures for minimizing the time elapsing between the transfer of funds from the U.S. Treasury and disbursement by grantees and subgrantees must be followed whenever advance payment procedures are used.
 [34 CFR §74.21(b)(5) & §74.22 & §80.20(b)(7) & 80.21]

The Maine Department of Education utilizes a web-based grant reimbursement system for Federal programs except Child Nutrition.

B. ALLOWABILITY OF COST

1. **Definition.** Grant funds may be used only for:
 - a. The allowable costs of the grantees, subgrantees, and cost-type contractors, including allowable costs in the form of payments to fixed-price contractors; and
 - b. Reasonable fees or profit to cost-type contractors but not any fee or profit (or other increment, above allowable costs) to the grantee or subgrantee.
 [34 CFR §80.22(a)(1-2)]

2. For each kind of organization, there is a set of Federal principles for determining allowable costs.

For the cost of a-	Use the principles in-
State, local or Indian tribal government	OMB Circular A-87.
Private nonprofit organization other than an (1) institution of higher education, (2) hospital, or (3) organization named in OMB Circular A-122 as not subject to that circular	OMB Circular A-122.
Educational Institutions (<i>Colleges and Universities</i>)	OMB Circular A-21.
For-profit organization other than a hospital and an organization named in OMB Circular A-122 as not subject to that circular	48 CFR part 31. Contract Cost Principles and Procedures, or uniform cost accounting standards that comply with cost principles acceptable to the Federal agency.

[34 CFR §74.27(a) & §80.22(b)]

3. OMB Circular A-87 Cost Principles for State, Local, and Indian Tribal Governments *states for a cost* to be allowable under Federal awards, costs must meet the following general criteria:
 - a. Be necessary and reasonable for proper and efficient performance and administration of Federal awards;
 - b. Be allocable to Federal awards under the provisions of 2 CFR part 225;
 - c. Be authorized or not prohibited under State or local laws or regulations;
 - d. Conform to any limitations or exclusions set forth in these principles, Federal laws, terms and conditions of the Federal award, or other governing regulations as to types or amounts of cost items;
 - e. Be consistent with policies, regulations, and procedures that apply uniformly to both Federal awards and other activities of the governmental unit;

- f. Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost;
 - g. Except as otherwise provided for in 2 CFR part 225, be determined in accordance with generally accepted accounting principles;
 - h. Not be included as a cost or used to meet cost sharing or matching requirements of any other Federal award in either the current or a prior period, except as specifically provided by Federal law or regulation;
 - i. Be the net of all applicable credits; and
 - j. Be adequately documented.
- [OMB A-87 Appendix A to Part 225 §C(1)(a-j)]

*Institutions of higher education and non-profit organizations basic considerations are similar to OMB A-87 but should verify with OMB A-21 and A-122 for compliance.

4. **Applicable credits.** Applicable credits refer to those receipts or reduction of expenditure-type transactions that offset or reduce expense items allocable to Federal awards as direct or indirect costs. Examples of such transactions are: Purchase discounts, rebates or allowances, recoveries or indemnities on losses, insurance refunds or rebates, and adjustments of overpayments or erroneous charges. To the extent that such credits accruing to or received by the governmental unit relate to allowable costs, they shall be credited to the Federal award either as a cost reduction or cash refund, as appropriate. [OMB A-21 Appendix A to Part 220 §C(5) & OMB A-87 Appendix A to Part 225 §C(4)(a) & OMB A-122 Appendix A to Part 230 §A(5)]

5. **Cost Principles for Determining Allowability**

Educational Institutions

Selected Items of Cost – To establish if certain items of costs are allowable or unallowable, the following principles (1 through 54 as listed in OMB Circular A-21, Appendix A Section J) must be applied:

1. Advertising and public relations costs	28. Lobbying
2. Advisory councils	29. Losses on other sponsored agreements or contracts
3. Alcoholic beverages	30. Maintenance and repair costs
4. Alumni/ae activities	31. Material and supplies costs
5. Audit costs and related services	32. Meetings and conferences
6. Bad debts	33. Memberships, subscriptions and professional activity costs
7. Bonding costs	34. Patent costs
8. Commencement and convocation costs	35. Plant and homeland security costs
9. Communication costs	36. Pre-agreement costs
10. Compensation for personal services	37. Professional service costs
11. Contingency provisions	38. Proposal costs
12. Deans of faculty and graduate schools	39. Publication and printing costs
13. Defense and prosecution of criminal and civil proceedings, and claims, appeals and patent infringement	40. Rearrangement and alteration costs
14. Depreciation and use allowances	41. Reconversion costs
15. Donations and contributions	42. Recruiting costs

16. Employee morale, health, and welfare costs	43. Rental costs of building and equipment
17. Entertainment costs	44. Royalties and other costs for use of patents
18. Equipment and other capital expenditures	45. Scholarships and student aid costs
19. Fines and penalties	46. Selling and marketing
20. Fund raising and investment management costs	47. Specialized service facilities
21. Gains and losses on depreciable assets	48. Student activity costs
22. Goods or services for personal use	49. Taxes
23. Housing and personal living expenses	50. Termination costs applicable to sponsored agreements
24. Idle facilities and idle capacity	51. Training costs
25. Insurance and indemnification	52. Transportation costs
26. Interest	53. Travel costs
27. Labor relations costs	54. Trustees

State and Local Governments

Selected Items of Cost – To establish if certain items of costs are allowable or unallowable, the following principles (1 through 43 as listed in OMB Circular A-87, Appendix B to Part 225) must be applied:

1. Advertising and public relations costs	23. Interest
2. Advisory councils	24. Lobbying
3. Alcoholic beverages	25. Maintenance, operations, and repairs
4. Audit costs and related services	26. Materials and supplies costs
5. Bad debts	27. Meetings and conferences
6. Bonding costs	28. Memberships, subscriptions, and professional activity costs
7. Communication costs	29. Patent costs
8. Compensation for personal services	30. Plant and homeland security costs
9. Contingency provisions	31. Pre-award costs
10. Defense and prosecution of criminal and civil proceedings, and claims	32. Professional service costs
11. Depreciation and use allowances	33. Proposal costs
12. Donations and contributions	34. Publication and printing costs
13. Employee morale, health, and welfare costs	35. Rearrangement and alteration costs
14. Entertainment costs	36. Reconversion costs
15. Equipment and other capital expenditures	37. Rental costs of building and equipment
16. Fines and penalties	38. Royalties and other costs for the use of patents
17. Fund raising and investment management costs	39. Selling and marketing
18. Gains and losses on disposition of depreciable property and other capital assets and substantial relocation of Federal programs	40. Taxes
19. General government expenses	41. Termination costs applicable to sponsored agreements
20. Goods or services for personal use	42. Training costs
21. Idle facilities and idle capacity	43. Travel costs
22. Insurance and indemnification	

Non-profit Organizations

Selected Items of Cost – To establish if certain items of costs are allowable or unallowable, the following principles (1 through 52 as listed in OMB Circular A-122, Appendix B to Part 230) must be applied:

1. Advertising and public relations costs	27. Maintenance and repair costs
2. Advisory councils	28. Material and supplies costs
3. Alcoholic beverages	29. Meetings and conferences
4. Audit costs and related services	30. Memberships, subscriptions and professional activity costs
5. Bad debts	31. Organization costs
6. Bonding costs	32. Page charges in professional journals
7. Communication costs	33. Participant support costs
8. Compensation for personal services	34. Patent costs
9. Contingency provisions	35. Plant and homeland security costs
10. Defense and prosecution of criminal and civil proceedings, and claims, appeals and patent infringement	36. Pre-agreement costs
11. Depreciation and use allowances	37. Professional service costs
12. Donations and contributions	38. Publication and printing costs
13. Employee morale, health, and welfare costs	39. Rearrangement and alteration costs
14. Entertainment costs	40. Reconversion costs
15. Equipment and other capital expenditures	41. Recruiting costs
16. Fines and penalties	42. Relocation costs
17. Fund raising and investment management costs	43. Rental costs of building and equipment
18. Gains and losses on depreciable assets	44. Royalties and other costs for use of patents and copyrights
19. Goods or services for personal use	45. Selling and marketing
20. Housing and personal living expenses	46. Specialized service facilities
21. Idle facilities and idle capacity	47. Taxes
22. Insurance and indemnification	48. Termination costs applicable to sponsored agreements
23. Interest	49. Training costs
24. Labor relations costs	50. Transportation costs
25. Lobbying	51. Travel costs
26. Losses on other sponsored agreements or contracts	52. Trustees

C. SUPPLEMENT NOT SUPPLANT

1. **Definition.** Under the Federal “supplement, not supplant” requirement, subgrantees may use Federal funds only to supplement and, to the extent practical, increase the level of funds that would, in the absence of the Federal funds, be made available from non-Federal sources for the education of participating students. In no case may subgrantees use Federal program funds to supplant (take place of) funds from non-Federal sources. [\[http://find.ed.gov/search?q=supplant&spell=1&client=default_frontend&site=default_collection&output=xml_no_dtd&proxystylesheet=default_frontend&ie=UTF-8&access=p\]](http://find.ed.gov/search?q=supplant&spell=1&client=default_frontend&site=default_collection&output=xml_no_dtd&proxystylesheet=default_frontend&ie=UTF-8&access=p)

2. Supplement, not supplant provisions generally operate the same way for all programs. Supplanting is presumed to occur in the following instances:
 - a. to provide services that the subgrantee was required to make available under federal, state or local law;
 - b. to provide services it provided with non-federal funds in the prior year(s); and
 - c. to provide services for participating students that it provided with non-federal funds for non-participating students.

The burden of proof is on the subgrantee to have expenditures supplementing the core programs and connecting to the supplemental learning activity or service.

[\[http://find.ed.gov/search?q=supplant&spell=1&client=default_frontend&site=default_collection&output=xml_no_dtd&proxystylesheet=default_frontend&ie=UTF-8&access=p\]](http://find.ed.gov/search?q=supplant&spell=1&client=default_frontend&site=default_collection&output=xml_no_dtd&proxystylesheet=default_frontend&ie=UTF-8&access=p)

3. **Presumptions of Supplanting.** Presumptions are rebuttable if the subgrantee can demonstrate that it would not have provided the services in question with non-Federal funds had the Federal funds not been available. To rebut a presumption, the subgrantee must present fiscal or programmatic evidence or documentation to confirm that in the absence of federal funds, staff or services in question would have been eliminated.

Such documentation could include:

- a. Minutes of a finance or budget committee meeting;
- b. State or local legislative action which changed or removed the requirement for a specific activity or service; or
- c. Budget histories and information.

[\[http://find.ed.gov/search?q=supplant&spell=1&client=default_frontend&site=default_collection&output=xml_no_dtd&proxystylesheet=default_frontend&ie=UTF-8&access=p\]](http://find.ed.gov/search?q=supplant&spell=1&client=default_frontend&site=default_collection&output=xml_no_dtd&proxystylesheet=default_frontend&ie=UTF-8&access=p)

If a subgrantee believes it cannot maintain services previously paid with state or local funds had Federal program funds not been available then it should be able to demonstrate the following:

- *A decrease of state and local funds from the prior year, and the maintenance or increase in standard operating costs (salaries, benefits, supplies, etc.) from the prior year;*

OR

- *That any increase in state and local funds is less than the increase of the standard operating costs, and state/local funds have not been redirected to a new activity;*

AND

- *That management is on record as deciding to eliminate the activity under question unless a new source of funds is made available from non-state and non-local funds (in the absence of state and local funds), and the activities to be funded under a particular Federal program are clearly consistent with the purpose of that program.*

4. **Schoolwide Program Schools.** Unlike a targeted assistance program, a schoolwide program school is not required to select and provide supplemental services to specific children identified as in need of services.

A school operating a schoolwide program does not have to:

- a. Show that Federal funds used with the school are paying for additional services that would not otherwise be provided;
- b. Demonstrate that Federal funds are used only for specific target populations;
or
- c. Separately track Federal program funds once they reach the school.

A schoolwide program school, however, must use Title I funds only to supplement the amount of funds that would, in the absence of the Title I funds, be made available from non-Federal sources for that school, including funds needed to provide services that are required by law for children with disabilities and children with limited English proficiency. [Section 1114(a)(2)]

http://find.ed.gov/search?q=supplant&spell=1&client=default_frontend&site=default_collection&output=xml_no_dtd&proxystylesheet=default_frontend&ie=UTF-8&access=p

Examples of supplement/supplanting scenarios and questions:

- *An LEA used Title I funds to provide services that the LEA was required to make available under Federal, State, or local law.*
 - *The Individuals with Disabilities Education Act (IDEA) requires that an LEA serving children with disabilities develop an individualized education program (IEP) to ensure that a child with a disability receives a free appropriate public education. The IEP functions as a framework for the services the LEA is required to provide to each child to meet the requirements of IDEA. An LEA may not use Title I funds to provide services that must be provided under each child's IEP because, in the absence of the Title I funds, it is presumed that the LEA would use other funds or it would be in violation of the IDEA. However, in a targeted assistance school, an LEA may use its Title I funds to provide additional, supplemental services to such children. In a schoolwide school, an LEA must ensure the Title I funds a school receives supplement the amount of funds that would, in the absence of the Title I funds, be made available from non-Federal sources for that school, including the amount of funds needed to provide services that are required by law for children with disabilities.*
- *An LEA used Title I funds to provide services that the LEA provided with non-Federal funds in the prior year(s).*
 - *An LEA paid for a reading specialist in a Title I school in the previous year from State and local resources but decides to use Title I funds to pay for that teaching position in the current year. This would be a presumption of supplanting because the LEA is replacing State and local resources with Title I resources to pay for the same teaching position.*
- *May an LEA use Title I funds to pay for extended-day kindergarten costs for Title I eligible students, while parent contributions pay for non-Title I students?*
 - *Yes, Title I funds could be used to pay for extended-day kindergarten for Title I-eligible students while parents of non-Title I students pay to participate in the same program, provided that the program the non-Title I students are paying for is the same program that is being provided to Title I students with Title I funds at no cost to the Title I students. This assumes that there are no State or local legal prohibitions to charging parents tuition or a fee for education provided by a public school.*
- *An LEA has hired a Director of Literacy as a K-12 administrative position. All the Title I schools in the LEA are K-5 targeted assistance schools. Thirty percent of the students in the LEA receive Title I services. May Title I pay for 30 percent of the Literacy Director's salary?*

- *No. This is a K-12 position and this employee is responsible for literacy services for all children in the LEA, not just at-risk children in Title I schools. No supplemental services are being provided by the Literacy Director to Title I students. In other words, Title I students are receiving the same services that non-Title I students are receiving, and nothing more. This would be supplanting. In looking at this situation, it is also helpful to ask what the LEA would do in the absence of Title I funds. Since 70 percent of the students are non-Title I students, it is likely the Literacy Director would still be a necessary position that would be paid for with State and/or local funds.*

D. Conferences¹ & Meetings

1. **Definition.** The primary purpose of the conference or meeting is the dissemination of technical information, *assistance, or provides professional development.* [OMB A-87 Appendix B to Part 225 §27]
2. *Allowable costs associated with attending or hosting a meeting or conference include meals, transportation, rental of facilities, speakers' fees, and other items incidental to such meetings or conferences.* [OMB A-87 Appendix B to part 225 §27]
3. *Grantees and subgrantees must demonstrate that attending or hosting a meeting or conference is:*
 - a. *Consistent with its approved application or plan;*
 - b. *For purposes that are directly relevant to the program and the operation of the grant, such as for conveying technical information related to the objectives of the approved grant;*
 - c. *Reasonable and necessary to achieve the goals and objectives of the approved grant as described in OMB Circular A-87; and*
 - d. *The most effective or efficient way to achieve the desired result, or whether an alternative method such as video conference or webinars would be similarly effective or more efficient in terms of time and cost.*
4. **Meals.** *The use of Federal grant funds to pay for food and beverages for meeting or conference attendees will be determined on a case-by-case basis and require a very high burden of proof to show that paying for food and beverages with Federal funds is necessary to meet the goals and objectives of a Federal grant. Grantees and subgrantees will have to make a compelling case to their Maine DOE Federal program manager that their circumstances are unique and rare and justify the costs as reasonable and necessary as described in OMB A-87 Appendix A to Part 225 §C.*
5. *In all cases using Federal grant funds to pay for receptions and “networking” sessions is not justified because participation in such activities is rarely necessary to achieve the purpose of the meeting or conference.*

¹ [U.S. Department of Education. (May 2013). GRANTS & CONTRACTS ED Memoranda & Guidance for Grantees | U.S. Department of Education. In ED.gov. Retrieved June 10, 2013, from <http://www2.ed.gov/policy/fund/guid/gposbul/gposbul.html>.]

Subgrantees are encouraged to contact their Maine DOE program manager prior to committing Federal grant funds for such expenditures.

6. **Hosting a meeting.** *When hosting a meeting or conference is reasonable and necessary to meet the goals and objectives of the grant, a grantee or subgrantee should consider the following;*
- a. *Negotiate with vendors for meeting space and other relevant goods and services;*
 - b. *Structure the agenda for the meeting or conference so there is time for participants to purchase their own food, beverages, and snacks;*
 - c. *Consider hosting the meeting or conference in a location in which participants have easy access to food and beverages;*
 - d. *If the hotel vendor embeds food and beverage costs into a hotel contract for meeting space, the grantee or subgrantee should work with the hotel to have the food and beverage costs identified and “backed out” of the contract;*
 - e. *Verify that “complimentary” beverages or snacks are not charged to the grant in another area;*
 - f. *Offer participants the option of paying for food and beverages, and arrange for these items to be available at the meeting (i.e. boxed lunches), this does not circumvent the costs of beverages and food to be allowable under the grant; or*
 - g. *Use non-Federal resources to pay for food or beverages at a meeting or conference (grantees and subgrantees should follow their own policies and procedures and State and local law for using non-Federal resources. However, if non-Federal resources are used to pay for food and beverages, the grantee or subgrantee should provide a clear disclaimer that Federal grant funds were not used to pay for the cost of food and beverages).*

Subgrantees are encouraged to contact their Maine DOE program manager prior to committing Federal grant funds for such expenditures.

7. **Attending a meeting.** *If attending a meeting or conference is necessary to achieve the goals and objectives of the grant, and if the expenses are reasonable (based on the grantee’s own policies and procedures, and State and local laws), Federal grant funds may be used to pay for travel expenses and registration fees of grantee employees, consultants, or experts to attend a meeting or conference. Allowable travel expenses include transportation, per diem, lodging, and meals allowable only when participants are in travel status.*

When attending a meeting the following should be considered:

- a. *If the host embeds food and beverage costs in the registration fee, the grantee or subgrantee should work with the host to have the food and beverage costs identified and those costs paid for in accordance with Federal, State, and local policies and regulations;*
- b. *Limit the number of people who should attend a meeting or conference on its behalf to those necessary to accomplish the goals and objectives of the grant; and*
- c. *Determine whether attending the entire meeting or only a portion of conference is reasonable and necessary.*

8. **Travel expenses.** *Travel expenses are only allowable to the extent that such costs are reasonable and necessary and do not exceed charges normally allowed by the grantee or subgrantee in its regular operations consistent with its written travel policies. In the absence of acceptable written travel policies, grantees and subgrantees must follow the Federal travel and subsistence rates established by the General Services Administration. 48 CFR 31.205-46(a) (established under subchapter I of Chapter 57, Title 5, United States Code (“Travel and Subsistence Expenses; Mileage Allowances”))*
9. **Purchasing food for conference and meetings with non-Federal grant funds.** *The Maine Department of Education recommends that all subgrantees adopt formal written internal policies and procedures that describe the allowable use and approval process for the provisions of providing food at conferences and meetings, including formal training sessions.*
10. **Parent involvement activities and the allowance of food.** *For Federal grant awards where parent involvement activities are allowable and encouraged. Parent involvement activities have a high burden of proof to show that providing food and beverages at parent involvement activities is reasonable and necessary to meet the goals and objectives of the grant. Subgrantees are encouraged to contact their Maine DOE program manager prior to committing Federal grant funds for such expenditures.*

Examples of technical information that may be conveyed at a meeting or conference and considered allowable use of Federal grant funds are:

- *Specific programmatic, administrative, or fiscal accountability requirements;*
- *Best practices in a particular field;*
- *Theoretical, empirical, or methodological advances in a particular field;*
- *Effective methods of training or professional development, and*
- *Effective grant management and accountability.*

Examples of allowable use of Federal grant funds to pay for food and beverages when attending or hosting a meeting or conference:

- *A Federal grant manager attends a grant management conference in Washington, D.C. and the participant is placed in travel status. All costs associated with the costs of travel are allowable under the Federal grant. If the participant decides to pay an additional fee for a scenic dinner and live music, the costs are not allowable under the Federal grant.*
- *Maine Department of Education hosts a regional meeting to disseminate specific grant management fiscal responsibilities to its subgrantees and structures the agenda so the participants can purchase food and beverages on their own. All costs associated with hosting the meeting are allowable under the Federal grant. If Maine DOE decides to include a “networking” session after the meeting and provides snacks and beverages the costs are not allowable under the Federal grant and non-Federal resources will need to be used to pay for the expenses.*

E. EQUIPMENT & SUPPLIES

1. **Definition.** *Equipment is tangible personal property, with a useful life of one year or more, and has an acquisition cost of \$5,000 or more per unit.*

Definition. *Equipment is tangible personal property, with a useful life of one year or more, and has an acquisition cost of \$500.00 or more per unit or is considered “highly walkable”. Software is addressed in section (3).*

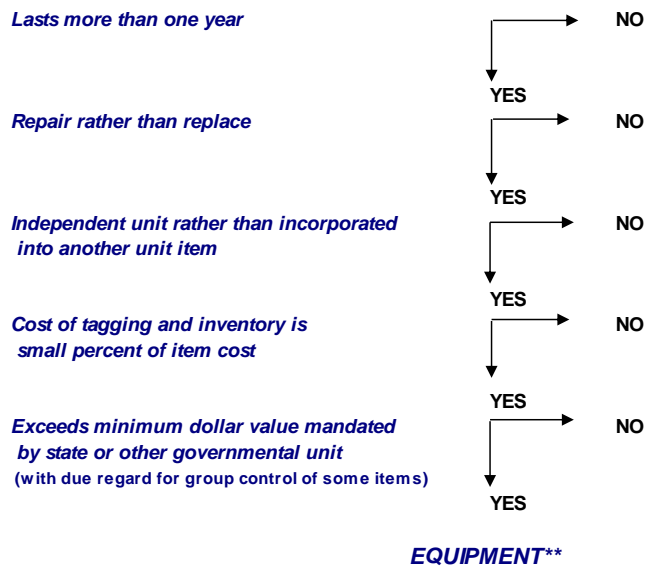
“Highly walkable” items include but are not limited to computers, laptops, iPads, PDAs, audio-visual equipment, televisions, DVD players, printers, copiers, cameras, hand tools, cell phones, etc.

Definition. *Supplies are consumable items with a useful life of less than one year.*

The following flow chart is (or has been) provided by the Financial Accounting for Local and State School Systems: 2009 Edition. If the item doesn’t meet the definition of equipment or “highly walkable” use of the following chart to help distinguish an equipment item from a supply item:

CRITERIA FOR DISTINGUISHING SUPPLY ITEMS FROM EQUIPMENT ITEMS

At first “no”, item is determined to be a supply, not equipment



** An equipment item is any instrument, machine, apparatus or set of articles that meets all of the following criteria:

- 1) It retains its original shape, appearance and character with use.
- 2) It does not lose its identity through fabrication or incorporation into a different or more complex unit or substance.
- 3) It is nonexpendable; that is, if the item is damaged or some of its parts are lost or worn out, it is more feasible to repair the item than to replace it with an entirely new unit.
- 4) Under normal conditions of use, including reasonable care and maintenance, it can be expected to serve its principal purpose for at least one year.

2. **Management requirements.** Procedures for managing equipment (including replacement equipment), whether acquired in whole or in part with grant funds, until disposition takes place will, as a minimum, meet the following requirements: [34 CFR §74.34(f) & §80.32(d)]

- a. Inventory Management Records *will be kept in a central record keeping system and must be maintained and include:*
 1. *Inventory ID*

2. Description of the property;
3. Serial number or other identification number;
4. Funding source of the property;
5. Who holds the title, if applicable;
6. Acquisition date;
7. Cost of the property;
8. Percentage of federal participation;
9. *Building name and room location*;
10. Use and condition of the property; and
11. Any ultimate disposition data including the date of disposal and sale price of the property.

[34 CFR §74.34(f)(1) & §80.32(d)(1)]

b. *All equipment must be tagged upon receipt and tags must:*

1. Be permanent
2. *Include*
 - a. *Inventory ID*;
 - b. *Federal Funding Source*;
 - c. *Building name and room location*; and
 - d. *Acquisition Date*

c. *If the item is too small to label with all items in section b or if the subgrantee uses barcodes the following must be listed on each item:*

1. *Inventory ID*
2. *Federal funding source*

3. *Software will be tracked in the Inventory Management Records as follows:*

- a. *Web based software is excluded from inventory management*
- b. *Non-Web based software:*
 1. *Description of the software*;
 2. *Funding source of the software*;
 3. *Acquisition Date*;
 4. *Cost of the software*;
 5. *Percentage of federal participation*;
 6. *License expiration date*; and
 7. *Identify all devices of which the software is installed either by inventory ID or by the property's serial number*

4. A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years. *Software is not subject to physical inventory reconciliation.* [34 CFR §74.34(f)(3) & §80.32(d)(2)]

5. A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft must be investigated *and the investigation documented.* [34 CFR §74.34(f)(4) & §80.32(d)(3)]

6. Adequate maintenance procedures must be developed to keep the property in good condition. [34 CFR §74.34(f)(5) & §80.32(d)(4)]

7. **Equipment use.** Equipment shall be used by the grantee or subgrantee in the program or project for which it was acquired as long as needed, whether or not the project or

program continues to be supported by Federal funds. When no longer needed for the original program or project, the equipment may be used in other activities currently or previously supported by a Federal agency. [34 CFR §74.34(c) & §80.32(c)(1)]

The grantee or subgrantee shall also make equipment available for use on other projects or programs currently or previously supported by the Federal government, providing such use will not interfere with the work on the projects or program for which it was originally acquired. First preference for other use shall be given to other programs or projects supported by the awarding agency. User fees should be considered if appropriate. [34 CFR §74.34(d) & §80.32(c)(2)]

If the use of the equipment increases the rate of depreciation faster than normal use, then the subgrantee should give consideration to either limit the allowable use or charge for the use of the equipment.

Notwithstanding the encouragement in 34 CFR §74.24 & §80.25(a) to earn program income, the grantee or subgrantee must not use equipment acquired with grant funds to provide services for a fee to compete unfairly with private companies that provide equivalent services, unless specifically permitted or contemplated by Federal statute. [34 CFR §74.34(b) & §80.32(c)(3)]

8. **Equipment disposition.** When acquiring replacement equipment, the grantee or subgrantee may use the equipment to be replaced as a trade-in or sell the property and use the proceeds to offset the cost of the replacement property, subject to the approval of the awarding agency. [34 CFR §74.34(e) & §80.32(c)(4)]

When original or replacement equipment acquired under a grant or subgrant is no longer needed for the original program or project or for other activities currently or previously supported by a Federal agency, disposition of the equipment will be as follows: [34 CFR §80.32(e)]

- a. Items of equipment with a current per-unit fair market value of less than \$5,000 may be retained, sold, or otherwise disposed of with no further obligation to the awarding agency. [34 CFR §80.32(e)(1)]
- b. Items of equipment with a current per-unit fair market value in excess of \$5,000 may be retained or sold and the awarding agency shall have a right to an amount calculated by multiplying the current market value or proceeds from the sale by the awarding agency's share of the equipment. *If the sub-recipient is authorized or required to sell the property, proper sales procedures must be established to ensure the highest possible return.* [34 CFR §80.32(e)(2)]
- c. In cases where a grantee or subgrantee fails to take appropriate disposition actions, the awarding agency may direct the grantee or subgrantee to take excess and disposition actions. [34 CFR §80.32(e)(3)]
- d. *The disposition of all equipment must be recorded in the central record keeping system maintained by the subgrantee.*

*Institutions of higher education and non-profit organizations must comply with 34 CFR §74.34(g) for proper disposition.

9. **Supplies management.** *Supplies are not subject to inventory control management. However, subgrantees will maintain a control system to ensure adequate safeguards to prevent loss, damage, or theft of supplies.*
10. **Supplies disposition.** *If there is a residual inventory of unused supplies exceeding \$5,000 in total aggregate fair market value upon termination or completion of the award, and if the supplies are not needed for any other federally sponsored programs or projects, the grantee or subgrantee shall compensate the awarding agency for its share. [34 CFR §74.35(a) & §80.33(b)]*

F. REAL PROPERTY MANAGEMENT

1. **Definition.** *Real property is land, land improvement, and structures.*
2. *No subgrantee may use grant funds to acquire real property unless specifically permitted by the awarding agency or Federal statutes.*
3. **Property records.** *The subgrantee will keep property records in a central location to include but not limited to the following:*
 - a. *Description of the property;*
 - b. *Location of the property;*
 - c. *Funding source of the property;*
 - d. *Who holds the title, if applicable;*
 - e. *Acquisition date;*
 - f. *Cost of the property;*
 - g. *Percentage of federal participation;*
 - h. *Use and condition of the property;*
 - i. *Maintenance records; and*
 - j. *Any ultimate disposition data including the date of disposal and sale price of the property*
4. **Real property use.** *Except as otherwise provided by Federal statutes, real property will be used for the original authorized purpose as long as needed for that purposes, and the grantee or subgrantee shall not dispose of or encumber its title or other interests. [34 CFR §80.31(b)]*

**Institutions of higher education and non-profit organizations must comply with 34 CFR §74.32 concerning the use and disposition of real property.*

5. **Real property disposition.** *When real property is no longer needed for the originally authorized purpose, the grantee or subgrantee will request disposition instructions from the awarding agency. [34 CFR §74.32(c) & §80.31(c)]*

G. PRE-PAID/GIFT CARD PURCHASE AND USE

1. **Definition.** *Pre-paid goods or services and/or preloaded gift cards for future purchases of goods or services.*

2. **Allowability.** *Based on review and analysis of Federal grant regulations, the Maine Department of Education does not allow subgrantees to purchase and use pre-paid/gift cards with Federal funds.*

3. **Exceptions.** *If either of these exceptions applies, the expense of the purchase using a vendor or cash card/account cannot be claimed against Federal funds at the time the card is purchased or the account is established. Expenditures for exceptions may be claimed against Federal funds only after the card or account is used to make the purchase, the goods are received, and invoices are retained on file.*
 - a. *Device Applications: Using vendor or cash cards or vendor accounts for the purchase and use of applications for devices such as iPods, iPads, and laptops and the costs are allowable under EDGAR and the OMBs.*
 - b. *Homeless Student Purchases: Prepaid/gift cards to meet the emergency educational needs of individual homeless students.*

4. **Purchasing pre-paid/gift cards with non-Federal funds.** *The Maine Department of Education does not recommend subgrantees to purchase and use pre-paid/gift cards. However, if a subgrantee chooses to purchase pre-paid/gift cards with non-Federal funds the following internal controls are strongly recommended:*
 - a. *Clearly defined and written management oversight policies and procedures (internal controls);*
 - b. *All purchases be approved with two signatures;*
 - c. *The cards be kept in a secure location; and*
 - d. *To maintain a central database/inventory system with the following elements for all card purchases and use:*
 1. *date of purchase*
 2. *card identifier i.e. the retailer or vendor of card (Wal-Mart, Visa, iTunes) and the last four digits of the card*
 3. *amount of card (retain receipts for proof of purchase)*
 4. *to whom issued*
 5. *date issued,*
 6. *purpose of issuance and*
 7. *signature of person issuing the card and receiving the card;*
 8. *or use an individually signed document with the following certification in lieu of the last four elements above:*

I, _____, am issuing card #: ##### in the amount of \$ _____ to _____ for the purpose of _____.

Signature: _____
Date: _____

I, _____, am accepting the above referenced card for the above referenced purpose, and will provide copies of itemized receipts, if applicable.

Signature: _____
Date: _____

Example of an allowable use of Federal grant funds regarding pre-paid/gift cards:

- A subgrantee purchases several \$25.00 iTunes gift cards for its teachers to purchase program specific applications that are allowable under the grant. The initial cost of the purchase is not allowable under the grant and will need to be paid with non-Federal funds. Once the purchases of the applications are made and the goods and services are received the costs of the applications are then allowable under the grant but only after the applications are received.
- The Maine Department of Education recommends that subgrantees adopt adequate policies and procedures to ensure receipt of goods and services, supporting documentation, and reimbursement to the non-Federal funding resource for all allowable use of prepaid/gift card purchases.

H. TIME AND EFFORT

1. **Definition.** The OMB Circulars require all employees, including teachers, paraprofessionals, administrators, and other staff that are paid with Federal funds to document time and effort they spend within the program. The portion of the Federally paid salary should be reflective of the actual activity, not budgeted, the individual has put forth for that Federal program. Time and effort reporting is required when any part of an individual's salary is charged to a Federal program or used as match for a Federal program. [OMB Circulars A-21, A-87, & A-122:
http://www.whitehouse.gov/omb/circulars_default/]

2. Each OMB Circular (noted below) may require different documentation for time and effort. This section provides guidance on best practices in complying with time and effort documentation.

OMB Circular A-21	Universities & Community Colleges
OMB Circular A-87	State, Local, & Indian Tribal Governments
OMB Circular A-122	Non-profits & Community Based Organizations

More information can be found at: http://www.whitehouse.gov/omb/circulars_default/

3. **Semi-Annual Certification.** Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees work solely on that program for the period covered by the certification. These certifications must be:
 - a. prepared at least semi-annually;
 - b. signed by the employee or supervisory official having first-hand knowledge of the work performed by the employee; and
 - c. signed after-the-fact.[OMB A-21 Appendix A to Part 220 §J(10)(c)(2) & A-87 Appendix B to Part 225 §h(3)]

Example of a Semi-Annual Certification:

Semi-Annual Certification

This is to certify that Jane Doe has worked 100% of his/her time for the period March 1, 2009 through August 31, 2009 on program name IDEA Part B.

Signature of Employee

Signature of Supervisor

Printed Name of Employee

Printed Name of Supervisor

Date

Date

4. **Personnel Activity Report.** Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in *each applicable OMB Circular*. [OMB A-21 Appendix A to Part 220 §J(10)(b) & A-87 Appendix B to Part 225 §8(h)(4) & A-122 Appendix B to Part 230 §8(m)]

Personnel activity reports or equivalent documentation must meet the following standards:

- a. reflect an after-the-fact distribution of the actual activity of each employee;
- b. account for the total activity for which each employee is compensated;
- c. be prepared at least monthly and must coincide with one or more pay periods; and
- d. they must be signed by the employee.

Example of a Personnel Activity Report:

Personnel Activity Report

Name _____

Department _____

<i>Account No.</i>	<i>2470</i>	<i>2300</i>	<i>1000</i>	<i>3000</i>	<i>4000</i>	<i>5000</i>	<i>Totals</i>
<i>Account Title</i>	<i>Local Entitlement</i>	<i>Title I Disadv.</i>	<i>General Fund</i>	<i>Annual Leave</i>	<i>Sick Leave</i>	<i>Holiday Leave</i>	
<i>Monday 8/1/2012</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>8</i>	<i>8</i>
<i>Tuesday 8/2/2012</i>	<i>3</i>	<i>3</i>	<i>2</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>8</i>
<i>Wednesday 8/3/2012</i>	<i>3</i>	<i>2</i>	<i>0</i>	<i>0</i>	<i>3</i>	<i>0</i>	<i>8</i>
<i>Thursday 8/4/2012</i>	<i>1</i>	<i>2</i>	<i>5</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>8</i>
<i>Friday 8/5/2012</i>	<i>4</i>	<i>2</i>	<i>2</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>8</i>
<i>Totals</i>	<i>11</i>	<i>9</i>	<i>9</i>	<i>0</i>	<i>3</i>	<i>8</i>	<i>40</i>

I certify that is report represents a true recording of time and effort for the period indicated.

Signature of Employee

Signature of Supervisor (optional)

Printed Name of Employee

Date

Examples of semi-annual certification and monthly personnel activity reports (PAR):

- *A teacher works on two Title IA projects, Supplemental Math and Literacy and Maine Literacy Partners. Both projects come from Title IA instruction and the teacher splits his/her time and effort 50/50 under each project. Do they complete a semi-annual certification or is a monthly PAR required?*
 - *They are both Title IA projects of which neither is a mandated set-aside or separate required project so a semi-annual certification is sufficient.*
 - *If there is a required Title I set-aside, i.e. Parent Involvement set-aside for SAUs with an allocation greater than \$500,00, and salaries were paid for time spent in this project, then the separation of duty would be time spent on regular Title I instructional activities and required parent set-aside activities. In this case a monthly PAR would be required.*
 - *If the teacher works part-time Title I at a private school for the private school equitable services in addition to the regular Title I public school program, they should do a*

monthly PAR to identify time spent in each of these activities to ensure that the private school received their equitable services to match the private school project.

5. **Stipends and Extra-Duty Pay.** *When a subgrantee pays for extra work beyond an employee's regular contract, professional development, or other federally funded payroll the employee must complete time and effort documentation in support of those salaries and wages.*

The documentation could be a semi-annual time certification or a monthly personnel activity reports which ever complies with the regulations set forth under OMB Circular A-87.

Examples of stipends and extra-duty pay to comply with time and effort requirements:

- *Here is one example of how time and effort could be documented for stipends paid to teachers using NCLB Title IIA funds:*
 - *The LEA is using some of its Title IIA funds to pay a stipend to teachers participating in Professional Development activities outside of their contractual day. For instance, an Action Research PLC meets monthly for 3 hours and teachers are paid a stipend at the rate of \$20/hour (as per their contract) to participate. The PLC is facilitated by the LEA's Curriculum Coordinator.*
 - *Each time the PLC meets, the participants all sign in. At the bottom of the sign sheet is the following statement: "This is to certify that the above participants spent 100% of their time during this meeting on March 1, 2009 working on Action Research and were paid a stipend for this work with NCLB Title IIA grant funds."*
 - *It would then be signed and dated (after the fact) by the Curriculum Coordinator who has firsthand knowledge of the work performed by the participants.*
- 6. **Substitute Systems.** *The Maine Department of Education does not authorize the use of substitute systems in place of activity reports.*

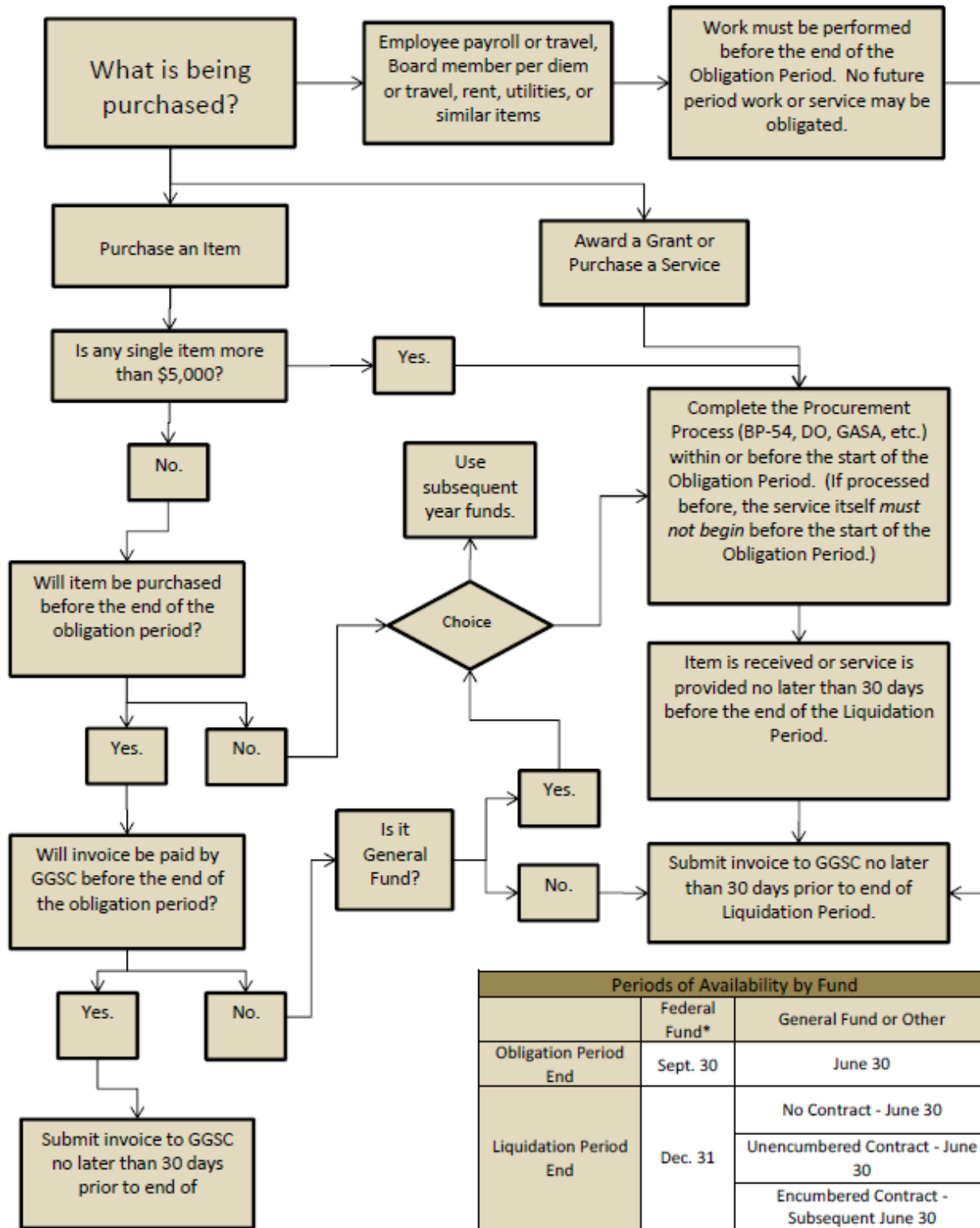
I. PERIOD OF AVAILABILITY OF FUNDS

1. **Definition.** *Where a funding period is specified, a grantee may charge to the award only costs resulting from obligations of the funding period unless carryover of unobligated balances is permitted, in which case the carryover balances may be charged for costs resulting from obligations of the subsequent funding period. [34 CFR §74.28 & §80.23(a)]*
2. **Liquidation of obligations.** *A grantee must liquidate all obligations incurred under the award not later than 90 days after the end of the funding period (or as specified in a program regulation) to coincide with the submission of the annual Financial Status Report (SF-269). The Federal agency may extend this deadline at the request of the grantee. [34 CFR §80.23(b)]*

The obligation of funds prior to September 30 is supported with the actual performance or service occurring at a later date. The performance and payment of such must be done during the 90-day liquidation period.

The Maine Department of Administrative and Financial Services have provided the following flow chart and table as guidance on timely obligations and liquidation:

Process for Procuring and Paying for Items and Applicable Funding Period



Periods of Availability by Fund		
	Federal Fund*	General Fund or Other
Obligation Period End	Sept. 30	June 30
Liquidation Period End	Dec. 31	No Contract - June 30
		Unencumbered Contract - June 30
		Encumbered Contract - Subsequent June 30

* Assumes September 30 year end. If any other, Liquidation is typically 90 days after the end of the Obligation Period. See grant documents for specifics.

Examples of Procuring and Paying for Goods and Services, and Appropriate Use of Funding Period							
Ex #	What is being purchased?	Fund	Cost?	Date of Contract	Date of Purchase or Service	Date of Payment	Result
1	Employee Travel	Federal	\$ 200.00	n/a	9/20-9/25/2013	10/15/2013	Obligated at the time employee travelled, which was within the Year 2 Obligation Period. Paid for within Liquidation Period of Year 1.
2	Employee Out of State Travel	Federal	\$ 1,500.00	OOS Travel App'd 9/1/2013	Trip 10/2-10/7/2013	10/30/2013	Out of State Travel Request was approved during Year 1. However, the travel and the obligation did not occur until after the Year 1 Obligation Period ended. Trip is obligated against Year 2.
3	Office Supplies	Any	\$ 125.00	n/a	5/15/2013	6/2/2013	Item purchased and invoice paid within Obligation Period of Year 1
4	Office Supplies	Federal	\$ 99.00	n/a	9/25/2013	10/15/2013	Items purchased within Obligation Period and paid for within Liquidation Period of Year 1
5	Booklets	General	\$ 1,000.00	n/a	6/25/2013	7/25/2013	Items purchased in Year 1 but not paid within the General Fund Obligation Period; No contract was written, so there is no Liquidation Period; Payment will be from Year 2 funds
6	Booklets	General	\$ 1,000.00	n/a	6/25/2013	6/25/2013 by Procurement Card	Procurement Card payment does not preserve the Year 1 funds; No contract was written, so there is no Liquidation Period; Payment will be from Year 2 funds
7	Booklets	General	\$ 1,000.00	5/15/2013	6/25/2013	7/25/2013	Encumbered contract can be paid in Year 2 using funds that carried from Year 1. Unencumbered contract could be paid in Year 2, but with Year 2 funds.
8	Technical Support from an outside vendor	Federal	\$ 10,000.00	12/15/2012	1/1/2013 - 9/30/2013	10/15/2013	Both the contract date and service dates are within the Year 1 Obligation Period; Payment made within Year 1 Liquidation Period.
9	Technical Support from an outside vendor	Federal	\$ 10,000.00	9/1/2012	10/1/2012 - 9/30/2013	10/15/2013	Service Dates are within Obligation Period of Year 1 Grant. Even though the contract was entered into prior to the Obligation Period of Year 1, it is allowable because service commenced with the start of the grant year. Amounts were paid within the Year 1 Liquidation Period.
10	Contract with outside vendor to provide training	Federal	\$ 10,000.00	9/21/2013	10/15/2013	11/15/2013	Contract obligated during the Year 1 Obligation Period. Service and payment are within the Year 1 Liquidation Period.
11	Contract with outside vendor to provide training	Federal	\$ 15,000.00	9/21/2013	10/15/2013	1/6/2014	Contract obligated properly but paid after liquidation period of Year 1 Grant. Year 2 Grant funds could be used, as service was provided within obligation period of Year 2.
12	Contract with outside vendor to provide training	Federal	\$ 15,000.00	9/21/2013	9/30/2013	1/6/2014	Neither Year 1 nor Year 2 Grant funds could be used. Payment was made after the Liquidation Period of Year 1, and Service was provided before the start of the Obligation Period for Year 2. Payment would need to be from another non-federal source.

General Government Service Center, February 2013

J. PROGRAM INCOME

1. **Definition.** Program income means gross income received by the grantee or subgrantee directly generated by a grant supported activity, or earned only as a result of the grant agreement during the grant period. The grant period is the time between the effective date of the award and the ending date of the award reflected in the final financial report. [34 CFR §80.25(b)]

If a program is not in part or wholly supported by or if the program income would exist without the support of Federal grant funds it is not subject to program income restrictions.

*Institutions of higher education and non-profit organizations must comply with 34 CFR §74.24.

2. Grantees are encouraged to earn income to defray program costs and sustain program activities.

Program income includes income from:

- a) Fees for services performed;
- b) The use or rental of real or personal property acquired with grant funds;
- c) From the sale of commodities or items acquired under the grant agreement; and
- d) From payments of principal and interest on loans made with grant funds.

Except as otherwise provided by Federal regulations, program income does not include:

- a) Interest of grant funds;
- b) Rebates;
- c) Credits;
- d) Discounts;
- e) Refunds; and
- f) Interest earned on any of the above items.

[34 CFR §80.25(a)]

3. The following items are program income only if they are specifically identified in the grant agreement or in Federal agency regulations as program income:
 - e. Governmental revenues such as taxes, special assessments, levies, fines and other such revenues raised by a sub-recipient; and
 - f. Income from royalties and license fees for copyrighted materials, patents, and inventions developed by a sub-recipient.

[34 CFR §80.25(d)(e)]

4. If authorized by Federal regulations or the grant agreement, costs incident to the generation of program income may be deducted from gross income to determine program income. [34 CFR §80.25(c)]
5. Proceeds from the sale of real property or equipment will be handled in accordance with the requirements of 34 CFR§80.32 and 80.32. [34 CFR §80.25(f)]

6. Program income will be deducted from outlays which may be both Federal and non-Federal as described below, unless the Federal agency regulations or the grant agreement specify another alternative (or a combination of the alternatives). In specifying alternatives, the Federal agency may distinguish between income earned by the grantee and income earned by subgrantees and between the sources, kinds, or amounts of income. When Federal agencies authorize the alternatives in paragraphs (g)(2) and (3) of 34 CFR 80.25, program income in excess of any limits stipulated shall also be deducted from outlays. [34 CFR §80.25(g)]
7. Program income shall be deducted from total allowable costs to determine the net allowable costs. Program income shall be used for current costs unless the Federal agency authorized otherwise. Program income which the grantee did not anticipate at the time of the award shall be used to reduce the Federal agency and grantee contributions rather than to increase the funds committed to the project. [34 CFR §80.25(g)(1)]
8. When authorized, program income may be added to the funds committed to the grant agreement by the Federal agency and the grantee. The program income shall be used for the purposes and under the conditions of the grant agreement. [34 CFR §80.25(g)(2)]
9. When authorized to use program income may be used to meet the cost sharing or matching requirement of the grant agreement. The amount of the Federal grant award remains the same. [34 CFR §80.25(g)(3)]
10. There are no Federal *or State* requirements governing the disposition of program income earned after the end of the award period (i.e., until the ending date of the final financial report, see paragraph (a) of 34 CFR 80.25), unless the terms of the agreement or the Federal agency regulations provide otherwise. [34 CFR §80.25(h)]

K. PROCUREMENT

1. **Definition.** *The purchase of supplies, equipment, property and services funded in whole or in part by Federal grant funds.*

When procuring property and services under a grant, a State will follow the same policies and procedures it uses for procurements from its non-Federal funds. The State will ensure that every purchase order or other contract includes any clauses required by Federal statutes and executive orders and their implementing regulations. Other grantees and subgrantees will follow paragraphs (b) through (i) in this section (34 CFR §74.40 & §80.36):

2. Grantees and subgrantees will use their own procurement procedures which reflect applicable State and local laws and regulations, provided that the procurements conform to applicable Federal law and the standards identified in section 34 CFR §80.36. [34 CFR §74.44(a) & §80.36(b)(1)]

The State of Maine procurement procedures, laws, and regulations can be found at:
<http://www.maine.gov/purchases/>

3. Grantees and subgrantees will maintain a contract administration system which ensures that contractors perform in accordance with the terms, conditions, and specifications of their contracts or purchase orders. [34 CFR §74.47 & §80.36(b)(2)]
4. Grantees and subgrantees will maintain a written code of standards of conduct governing the performance of their employees engaged in the award and administration of contracts. [34 CFR §74.42 & §80.36(b)(3)]
5. Grantee and subgrantee procedures will provide for a review of proposed procurements to avoid purchase of unnecessary or duplicative items. [34 CFR §74.44(a)(1) & §80.36(b)(4)]
6. Grantees and subgrantees will make awards only to responsible contractors possessing the ability to perform successfully under the terms and conditions of a proposed procurement. [34 CFR §74.44(d) & §80.36(b)(8)]
7. Grantees and subgrantees will maintain records sufficient to detail the significant history of procurement. These records will include, but are not necessarily limited to the following: rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price. [34 CFR §74.46 & §80.36(b)(9)]
8. Grantees and subgrantees alone will be responsible, in accordance with good administrative practice and sound business judgment, for the settlement of all contractual and administrative issues arising out of procurements. [34 CFR §74.41 & §80.36(b)(11)]
9. Grantees and subgrantees will have protest procedures to handle and resolve disputes relating to their procurements and shall in all instances disclose information regarding the protest to the awarding agency. [34 CFR §74.41 & §80.36(b)(12)]
10. All procurement transactions will be conducted in a manner providing full and open competition consistent with the standards of §80.36. [34 CFR §74.43 & §80.36(c)]
11. **Methods of procurement.** *The method by which procurement will be obtained will fall into one of these four categories:*

Small purchase procedures – are those relatively simple and informal procurement methods for securing services, supplies, or other property that do not cost more than the simplified acquisition threshold fixed at 41 U.S.C. 403(11) (currently set at \$100,000). If small purchase procedures are used, price or rate quotations shall be obtained from an adequate number of qualified sources. [34 CFR §80.36(d)(1)]

Procurement by sealed bids (formal advertising) –are publicly solicited and a firm-fixed-price contract (lump sum or unit price) is awarded to the responsible bidder whose bid, conforming with all the material terms and conditions of the invitation for bids, is the lowest in price. [34 CFR §80.36(d)(2)]

Procurement by competitive proposals – is normally conducted with more than one source submitting an offer, and either a fixed-price or cost-reimbursement type contract is awarded. [34 CFR §80.36(d)(3)]

Procurement by noncompetitive proposals – is procurement through solicitation of a proposal from only one source, or after solicitation of a number of sources, competition is determined inadequate. [34 CFR §80.36(d)(4)]

The Maine Department of Education recommends that subgrantees adopt adequate local policies and procedures to satisfy compliance with all procurement procedures outlined above.

L. DEBARMENT AND SUSPENSION

1. **Definition.** Recipients shall comply with the nonprocurement debarment and suspension common rule (implemented by the Secretary in 34 CFR part 85). This common rule restricts subawards and contracts (*any vendor*) with certain parties that are debarred, suspended, or otherwise excluded from or ineligible for participation in Federal assistance programs or activities under Executive Order 12549 “Debarment and Suspension”. [34 CFR §74.13 & Appendix A to Part 74 §(8) & §80.35]

When a subgrantee enters into a covered transaction with an entity at the next lower tier, the subgrantee must verify that the entity with whom the subgrantee intend to do business is not excluded or disqualified. [2 CFR Part 180 Subpart C §180.300]

2. **Requirements.** *When a subgrantee enters into a lower tier contract value of \$15,000 or more or a subgrant of any amount, they must verify the entity is not suspended or debarred.*

Vendors for contracts and subgrants that are covered transactions of the lower tier are not required to register with the System of Award Management (SAM).

3. **Verification.** Exclusion records identify those parties excluded from receiving federal contracts, certain subcontracts, and from certain types of federal financial and non-financial assistance and benefits. These are also commonly known as “suspensions” and “debarments”. [https://www.sam.gov/sam/transcript/Public_-_Identifying_Excluded_Entities.pdf]

Prior to any procurement or subgrant, the grantor must check the SAM to verify the vendor is not on the debarred and suspended list. The list can be found at: <https://www.sam.gov/>

4. *Proof of verification must be kept on file for all awarded contracts/subgrants.*

The Maine Department of Education recommends that all subgrantees adopt adequate policies and procedures to ensure compliance in reviewing the System for Award Management (SAM) and record keeping.

5. **Identifying Excluded Entities**

1. Open <http://www.sam.gov/>
 - a. Internet Explorer may not work properly. Consider using Firefox or Google Chrome
2. Select Search Records from the top

3. You can search by using one of the following:
 - a. The entity's name
 - b. DUNS Number
 - c. CAGE Code Search

(NOTE: Individuals are not assigned DUNS numbers)

Some searches require additional information and exact matches to prevent phishing for information. For example, if you want to search by an SSN or TIN, you are also required to provide the first and last name of the entity. Both sets of information must match the record exactly in order for a result to be displayed.

4. If no exclusion record is found for the entity, the entity does not have an active exclusion submitted in SAM by a federal agency.

Search results are defaulted to show ACTIVE entity registrations and exclusions only. If you get no results, you can select the Inactive filter found on the left-hand side of the screen and click Apply Filter, to see if the entity or exclusion is just in an Inactive status. If you still see no results then the entity has no record in SAM.

5. If an exclusion record is found, it will display in a box marked "Exclusion" in purple; check the status in the top-right corner of the box. If the status indicates "Active", there is an active exclusion for that entity.

Here's an example.

The diagram illustrates two search results. On the left, a box labeled 'No exclusion' has a green arrow pointing to a search result card for 'AL HUDA CONTRACTING COMPANY LLC'. The card shows 'Status: Active' and 'Has Active Exclusion?: No'. Below it, a box labeled 'Exclusion' has a purple arrow pointing to a search result card for 'Al-Methwad Company'. This card shows 'Status: Active' and 'Classification: Firm'. Both cards include fields for DUNS, CAGE Code, and DoDAAC, along with a 'View Details' button.

Additional help can be found under the HELP tab at the top of the SAM.gov page.

[\[https://www.sam.gov/sam/transcript/Public_-_Identifying_Excluded_Entities.pdf\]](https://www.sam.gov/sam/transcript/Public_-_Identifying_Excluded_Entities.pdf)

M. NON-FEDERAL AUDIT

1. **Definition.** Grantees and subgrantees are responsible for obtaining audits in accordance with the Single Audit Act Amendments of 1996 (31 U.S.C. 7501-7507) and revised OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." The audits shall be made by an independent auditor in accordance with generally

accepted government auditing standards covering financial audits, *as well as, in accordance with Maine Education and School Statutes Title 20-A Education*. [34 CFR §74.26(a) & §80.26(a)]

2. Maine Education and School Statutes Title 20-A Education Audit Requirements:
 - a) A school board shall provide for an annual audit of the school administrative unit. [§6051(1)]
 - b) The fiscal year of an audit shall be from July 1st to June 30th, except that audits of federal programs shall conform to federal requirements. [§6051(2)]
 - c) Audits must be conducted by qualified certified public accountants or public accountants registered by the Board of Accountancy. The auditor shall review the audit with the school board. [§6051(3)]

N. RETENTION

1. **Definition.** Retention applies to all financial and programmatic records, supporting documents, statistical records, and other records of grantees or subgrantees. [34 CFR §74.53(b) & §80.42(a)]
2. Records must be retained for three years from the day the grantee submits its final expenditure report. [34 CFR §74.53(b) & §80.42(b)(c)]
3. *The Federal statute of limitation is five years. Therefore all records must be available for review up to five years from the day the grantee submits its final expenditure report.* [34 CFR §81.31(c)]
4. *Maine State Archives Chapter 10: Rules for Disposition of Local Government Records. Grantees and subgrantees are required to retain all financial and programmatic record, supporting documents, statistical records, and other records as a result of accepting a Federal award for six years from the day the grantee submits its final expenditure report.*

Maine State Archives Chapter 10 can be found at:
<http://www.maine.gov/sos/arc/records/local/index.html>

5. Maine Education and School Statutes Title 20-A Education requires that financial records and accounts shall be kept for 7 years after the end of the fiscal year and shall be available to the auditors and any other upon request. [§6051(5)]
6. ***Maine DOE interprets all these laws and rules that subgrantees retain all financial and programmatic records, supporting documents, and other records as a result of accepting a Federal award for seven years from the day the subgrantee submits its final expenditure report until further notice.***

Subgrantees are encouraged to contact their Maine DOE program manager before disposing of any Federal grant fund records.

O. FRAUD AND ABUSE

1. **Definition.** The Office of Inspector General is charged with receiving and handling allegations regarding fraud, waste, abuse, mismanagement or misconduct affecting Department of State programs and operations. [<http://oig.state.gov/>]

To report fraud, waste and abuse of Federal funds, contact the Office of Inspector General (OIG) at:

Phone: 1-800-409-9926
Mail: Office of Inspector General
HOTLINE
P.O. Box 9778
Arlington, VA 22219
Email: oighotline@state.gov
Website: <http://oig.state.gov/hotline/index.htm>

P. FEDERAL GRANT MANAGEMENT WRITTEN POLICIES AND PROCEDURES

1. **Definition.** EDGAR 34 CFR Part 74 and 80 indicate requirements for recipients of Federal grant funds shall provide written procedures *in accordance with Federal and State regulations, rules, and laws.*

Definition. *Written policies are the principles, rules, and guidelines the organization develops to comply with applicable laws and regulations through clear and consistent interpretation and application.*

Definition. *Written procedures are the specific methods developed to express policies in day-to-day operations of the organization.*

2. **Table of Contents.** *The following table of contents is recommended for strong internal controls, clear and consistent interpretation and application of rules and regulations applicable to federal grant management. It is expected that the LEA would have written procedures for each of these items. The Table of Contents shall include but not be limited to:*

- *Financial and Program Management Standards*
 - *Responsibilities and duties*
 - *Internal controls*
 - *Control environment*
 - *Risk assessment*
 - *Control activities*
 - *Information & communication*
 - *Monitoring*
 - *Cash management*
 - *Budget control*
 - *Budget to actual reconciliation*
 - *Application amendments*
 - *Fund accounting*
 - *Accounting Procedures*
 - *Segregation of duties*

- Allowable costs
 - Applicable credits
 - Program income
 - Meetings & conferences
 - Equipment vs. supplies
 - Professional development
 - Travel
 - Period of availability
 - Authorization procedures
 - Supplement not supplant
 - Reimbursement procedures
 - Source documentation
 - Time and Effort Standards
 - Semi-annual certifications
 - Monthly Personnel Activity Reports (PAR)
 - Central record keeping
 - Monitoring
 - Procurement Standards
 - Procurement procedures
 - Procurement by competitive proposals
 - Procurement by noncompetitive proposals
 - Cost and price analysis
 - Procurement records
 - Conflict of interest
 - Codes of conduct
 - Debarred and suspended parties
 - Compliance with Davis-Bacon Act
 - Contract administration system
 - *Property Standards*
 - *Management procedures*
 - *Equipment*
 - *Supplies*
 - *Real property*
 - *Central record keeping*
 - *Property tagging*
 - *Physical inventory reconciliation*
 - *Control system*
 - *Use*
 - *Disposition*
 - *Non-Federal Audits Standards*
 - *Schedule*
 - *Procuring an auditor*
 - *Allocable and allowable costs to Federal grant*
 - *School Board responsibilities*
 - *Reports and Records Standards*
 - *Financial reporting*
 - *Retention and access requirements*
 - *Disposal schedule*

Q. OBLIGATION OF FUNDS

1. **Definition.** The following table shows when a State or a subgrantee makes obligations for various kinds of property and services. [34 CFR §76.707]

If the obligation is for —	The obligation is made —
(a) Acquisition of real or personal property	On the date on which the State or subgrantee makes a binding written commitment to acquire the property.
(b) Personal services by an employee of the State or subgrantee	When the services are performed.
(c) Personal services by a contractor who is not an employee of the State or subgrantee	On the date on which the State or subgrantee makes a binding written commitment to obtain the services.
(d) Performance of work other than personal services	On the date on which the State or subgrantee makes a binding written commitment to obtain the work.
(e) Public utility services	When the State or subgrantee receives the services.
(f) Travel	When the travel is taken.
(g) Rental of real or personal property	When the State or subgrantee uses the property.
(h) A preagreement cost that was properly approved by the State under the cost principals identified in 34 CFR 74.171 and 80.22.	

2. Certain subgrantees may begin to obligate funds.

- a) If the authorizing statute for a program requires a State to make subgrants on the basis of formula (see §76.5), the State may not authorize an applicant for a subgrant to obligate funds until the later of the following two dates:
 1. The date that the State may begin to obligate funds under §76.703; or
 2. The date that the applicant submits its application to the State in substantially approvable form.
 - i. Reimbursement for obligation under paragraph (a) of this section is subject to final approval of the application.

[34 CFR §76.708(a)(1-2) & (b)]

- b) *Substantial approval must be granted before the subgrantee can use the date of submission for substantial approval as the first “from date” on an invoice.*
- c) *Competitive grants (i.e. 21st Century, Adult Education, and School Improvement grants) may begin to obligate funds in accordance with the effective date indicated in the award letter (typically July 1st).*
- d) *Methodology for determining the first allowable “from date” for invoicing using substantially approvable:*
 1. *The date of electronic certification of submission for substantial approval is the first date allowable or the grant cycle start date (i.e. July 1st) whichever is the later date.*
 - i. *NCLB – if the applicant is given permission to obligate funds prior to submission for substantial approval through the pre-award request process and the date for substantial approval is*

later than the grant cycle start date (i.e. July 1st), the applicant can use the grant cycle start date (i.e. July 1st) as the first invoice "from date".

2. IDEA – the date of electronic certification of substantial submission is the initial date of submission of substantial approval.
 3. All others – the date of electronic certification of submission is the initial date of submission of substantial approval.
- e) On submission for substantial approval, the grant manager can:
1. Grant substantial approval; or
 2. Reopen the application for modifications before substantial approval can be granted
 - i. If the application is reopened for modifications before granting substantial approval, on resubmission, the date of submission for substantial approval will be the date of resubmission.
 3. Once the grant manager gives substantial approval, the date of submission for substantial approval is locked and will not be updated even in the event the application is reopened during the review process for granting "full" approval of the application.
- f) Methodology for determining the first allowable "from date" for invoicing when there is no substantial approval:
1. The date of electronic certification of submission is the first allowable "from date" for invoicing.
 2. If the application is reopened before being approved, then the date of resubmission is the first allowable "from date" for invoicing.
 3. Once the application is approved this date is locked down and will not change even if at a later date the application is reopened and then resubmitted.
- g) Other considerations regarding submission and approval:
1. Each NCLB title is individually submitted and tracked.
 2. Both IDEA 5-20 and 3-5 are submitted and tracked simultaneously.

R. Direct vs. Indirect Costs

1. **Definition:** Direct costs are those that can be identified specifically with a particular cost objective and can be directly assigned to activities relatively easily with a high degree of accuracy. These costs may be charged directly to grants, contracts, or to other programs against which costs are finally assigned. Typical direct costs chargeable to a grant include, but are not limited to:
 - a) Compensation of employees for the time devoted and identified specifically to the performance of those programs;
 - b) Costs of materials acquired, consumed, or expended specifically for the purpose of those programs;
 - c) Travel expenses incurred specifically to carry out the program, etc.
2. **Definition:** Indirect costs are those not readily identifiable with the activities of the grant but incurred for the joint benefit of those activities and other activities of the organization. In accordance with OMB Circular A-87, indirect costs are:
 - Incurred for a common or joint purpose benefiting more than one cost objective; and

- Not readily assigned to the cost objective specifically benefited, without effort disproportionate to the results achieved.

In general federal regulations require consistent treatment of costs charged as direct or indirect to federal grant awards. Once a cost is treated as direct or indirect, it should be treated that way for all projects and activities, regardless of the source of funding. The following guidance is provided to better explain allowable compensation for personnel services paid in-part or in-whole with federal funds:

1. *If the activities are specific to one federal grant and no other federal grant requires the same or similar activities, then the federal grant can be charged for the time a person performs the activities as a direct cost. This will require proper time and effort documentation in accordance with federal requirements in OMB A-87.*
2. *If the activities are done for all funding streams and only selected federal grants would contribute funding for these activities, then no federal grant should be charged for those activities as a direct cost.*
3. *If the same or similar activities or job tasks are needed and/or completed for multiple federal grants and all of the federal grants contribute to the salary and benefits of the position(s) based on actual time worked, then such activities may be allowable. This will require proper time and effort documentation in accordance with federal requirements in OMB A-87. The general rule implies--The more funding streams supporting the position, the greater the requirement becomes to maintain daily activity logs with great detail. If maintaining comprehensive daily logs and monthly certifications appears unmanageable, then the position performing these activities should be deemed an indirect cost and should not be charged to federal grants.*

Indirect Examples:

- *Indirect costs relating to facilities would include depreciation on buildings, equipment and capital improvement, interest on debt associated with certain buildings, equipment and capital improvements, and operations and maintenance expenses.*
- *All facilities costs described as “overhead” are indirect and cannot be charged as direct costs.*
- *Indirect costs relating to administration would include accounting, procurement, data processing, human resources, auditing, budgeting and payroll processing.*

Direct Examples:

- *Direct facility costs would include utility charges specifically identified on a separate meter, directly related to a specific program (such as food services).*
- *Direct administrative costs would include personnel providing direct instructional services, student services, and food services.*
- *An easy way to determine whether employees are direct or indirect costs is to ask this question: “Does the position exist because the program/activity exists?” If yes, it could be a direct cost. Refer to items 1-3 above to make a final determination. If no, it would be an indirect cost.*

All indirect costs are nonallowable pursuant to requirements of Federal EDGAR Regulations and the Cost Allocation Guide for State and Local Governments.

Subrecipients with federal grants that do not have a ‘supplement not supplant’ clause or grants with an administrative cap should consult with Maine DOE federal program staff for further guidance on allowable costs.

INDEX

TOPIC	PAGE #
Allowability of Cost	2
Conferences & Meetings	8
Cost Principles for Determining Allowability	3
Debarment and Suspension	26
Direct vs. Indirect Costs	30
Equipment & Supplies	11
Equipment Use	13
Example of Appropriate Use of Funding Period	22
Federal Grant Management Written Policy and Procedures	28
Financial Management Systems	1
Fraud and Abuse	27
Methods of Procurement	25
Non-Federal Audit	26
Obligation of Funds	29
Parent Involvement Activities & the Allowance of Food	10
Period of Availability of Funds	20
Personnel Activity Report Example	19
Pre-paid/Gift Card Purchase and Use	15
Procurement	24
Program Income	23
Real Property Management	15
Retention	27
Semi Annual Certification Example	18
Stipends and Extra-Duty Pay	19
Supplement Not Supplant	6
Supplies Management	14
Time and Effort	17