

**New York State Education Department
Office of Student Support Services
21st Century Community Learning Centers (CCLC)**

Additional Guidance on Fiscal Policies and Procedures
Revised 3/7/19

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¹ Based on the 21st CCLC Site Monitoring Visit Report Template

Additional Guidance Regarding a Policy to Safeguard Against Supplanting

(Corresponds with Section C-3 of the Site Visit Monitoring Report)

Supplement-Not-Supplant

This is a provision common to many federal education program statutes. In general, this statutory requirement specifies that a State or Local Educational Agency (LEA) may allocate and use funds received under a particular federal program only to supplement and not supplant (or replace) funds from non-federal sources. See page 31 of Education Department General Administrative Regulations(EDGAR) 3rd Edition. This means a LEA:

- May not divert state and local funds for other uses simply because these particular federal grant funds are available;
- May not use these federal grant funds to pay for activities required by State law or local district policy; and
- May use these federal funds to expand existing programs and/or add new programs that would not otherwise be available from state and local funding sources.

Grantees should carefully review applicable program statute and regulations to determine if the supplement, not supplant requirement applies in order to ensure full compliance with such requirements.

Examples of situations that are not considered supplanting are:

- The grantee “buys out” a percentage of a faculty member’s time so that instead of teaching five classes he/she teaches four. The percentage of time corresponding to that buy out can now be charge to a grant.
- The faculty member is on a 10-month contract and uses time off in the summer to take on approved additional grant funded work for the organization. The additional time can be billed to the grant, but the compensation paid must correspond with the organization’s normal pay scale for that work and for that person.
- The grant involves overtime hours or a stipend for additional work above the employee’s normal assignments.

The following are likely supplanting and should be avoided with grants that prohibit supplanting:

- First securing a grant to cover an expense, then later securing a second “no supplanting” grant and billing that expense to the new grant; and

- Billing something to a grant that would have otherwise been in the organization's budget. (This may be allowed with the right documentation that shows why it is not supplanting.)

Supplement, not supplant, provisions used by the United States Department of Education generally require grantees use state or local funds for all services required by state law, state rule, or local policy and prohibit those funds from being diverted for other purposes when federal funds are available.

Federal funds must supplement, or add to, programs and services offered with state and local funds. Federal funds are not permitted to be used to supplant the state and local funds used to offer those programs and services.

Enhancing, expanding, or extending required activities:

If federal funds are used to enhance or expand a state mandate or local board policy, then the federal supplementary activities must be separately identified and clearly distinguishable from those activities identified as necessary for implementing the state mandate or local board policy as outlined in the implementation plan. Good documentation can be the proof that this is not a supplanting situation. Your organization must generally be able to document a clear plan for meeting the mandated requirement and another plan for providing supplementary activities from federal funds in addition to the mandated requirement.

Presumptions of supplanting:

There are two common scenarios in which a funding agency will presume supplanting has occurred. In both cases, once the presumption of supplanting has been made, it is your organization's responsibility to rebut the presumption. Preferably, your organization will budget and expend federal dollars to avoid either of the following two presumptions entirely:

- 1) Providing services required under state or local law. Any services that an entity is required to provide under state law, local policy, or policy at another level must be provided using state or local funds.
- 2) Providing same services as those provided in prior years with state or local funds. If state or local funds were used in the prior year to provide services, and those services are provided again in the current year, the funder may presume a supplanting situation has occurred if the state or local funds are replaced by federal funds. Even in cases where a budget shortfall is anticipated, the entity may not plan to use federal funds to cover a shortage of state or local funds.

Additional Guidance Regarding a Policy on Internal Controls

(Corresponds with Section C-5 of the Site Visit Monitoring Report)

As per pages 108-109 of EDGAR 3rd Edition:

OMB §200.303 Internal controls.

The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).
- (b) Comply with Federal statutes, regulations, and the terms and conditions of the Federal awards.
- (c) Evaluate and monitor the non-Federal entity's compliance with statutes, regulations and the terms and conditions of Federal awards.
- (d) Take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings.
- (e) Take reasonable measures to safeguard protected personally identifiable information and other information the Federal awarding agency or pass-through entity designates as sensitive or the non-Federal entity considers sensitive consistent with applicable Federal, state, local, and tribal laws regarding privacy and obligations of confidentiality.

The Government Accountability Office (GAO) segments internal controls into five standards, and your organization's faculty and staff members should consider these five standards whenever managing grants, participating in monitoring visits, and making grant related decisions.

GAO: Five internal control standards

Control Environment

Management and employees should establish and maintain an environment throughout the organization that sets a positive and supportive attitude toward internal control and conscientious management.

Risk Assessment

Internal control should provide for an assessment of the risks the agency faces from both external and internal sources.

Control Activities

Internal control activities help ensure that management's directives are carried out. The control activities should be effective and efficient in accomplishing the agency's control objectives.

Information and Communication

Information should be recorded and communicated to management and others within the entity who need it and in a form and within a time frame that enables them to carry out their internal control and other responsibilities.

Monitoring

Internal control monitoring should assess the quality of performance over time and ensure that the findings of audits and other reviews are promptly resolved.

An effective system of internal controls is supported by best practices including, but not limited to:

- **Segregation of Duties** – To prevent the occurrence of undetected errors or fraud, responsibilities must be divided so that one individual does not control all aspects of a transaction.
- **Safeguarding Assets** – Assets and records must always be kept secure to prevent unauthorized access, loss or damage. The security of assets and records is essential for accurate operations.

- **Safeguarding Confidential Information** – Ensure the security and confidentiality of personal and private information, protect against any anticipated threats to its security or integrity, and guard against unauthorized access and use.
- **Review and Approval** – Review and approval of internal processes should be obtained from a knowledgeable and independent party.
- **Timeliness** – Make all efforts to meet prescribed deadlines and prioritize critical work to avoid fines and negative impacts on operational processes.
- **Documentation** – Provide evidence for transactions to support accuracy and consistency.

Internal Control Program

Your organization's internal control program must be a system of accountability and includes all the plans and actions that assure reasonable control over operations. Control activities, which occur throughout the organization at all levels and functions, help ensure that necessary actions are taken to address risk while achieving the organization's objectives. Internal controls are owned by the individuals performing the organization's operations and every employee is responsible for ensuring that the program is effective in achieving the organization's mission. Employee competence and professional integrity are essential components of a sound internal control program.

While internal controls, themselves, are owned by the employees responsible for the control, along with their managers or supervisors, the internal control program is supported at the highest levels of management. Senior leadership provides guidance and the resources to maintain a successful program. The internal control program is enforced through thoughtful, risk-based assessments.

An effective internal control system provides reasonable assurance that your organization will achieve its mission. Reasonable assurance is a concept that recognizes the cost of internal controls should not exceed the benefits. Managers must use judgment and estimates to assess cost, benefit, and risk and develop controls that support achievement of goals and adequately safeguard assets, provide reliable information, and meet compliance requirements.

Additional Guidance Regarding a Policy on Controls to Detect, Deter and Mitigate Fraud

(Corresponds with Section C-6 of the Site Visit Monitoring Report)

Your organization must develop controls to assist in preventing and detecting fraud at your agency. They consist of ten areas:

1. System of checks and balances to ensure no one person has control over all parts of a financial transactions.

- Require purchases, payroll, and disbursements to be authorized by a designated person.
- Separate handling (receipt and deposit) functions from record keeping functions (recording transactions and reconciling accounts).
- Separate purchasing functions from payables functions.
- Ensure that the same person isn't authorized to write and sign a check.
- When opening mail, endorse or stamp checks "For Deposit Only" and list checks on a log before turning them over to the person responsible for depositing receipts. Periodically reconcile the incoming check log against deposits.
- Require supervisors to approve employees' time sheets before payroll is prepared.
- Require paychecks to be distributed by a person other than the one authorizing or recording payroll transactions or preparing payroll checks.
- If the agency is so small that you can't separate duties, require an independent check of work being done, for example, by a board member.
- Require accounting department employees to take vacations.

2. Reconcile agency bank accounts every month.

- Require the reconciliation to be completed by an independent person who doesn't have bookkeeping responsibilities or check signing responsibilities or require supervisory review of the reconciliation.
- Examine canceled checks to make sure vendors are recognized, expenditures are related to agency business, signatures are by authorized signers, and endorsements are appropriate.
- Examine bank statements and cancelled checks to make sure checks are not issued out of sequence.
- Initial and date the bank statements or reconciliation report to document that a review and reconciliation was performed and file the bank statements and reconciliations.

3. Restrict use of agency credit cards and verify all charges made to credit cards or accounts to ensure they were business-related.

- Limit the number of agency credit cards and users.
- Establish a policy that credit cards are for business use only; prohibit use of cards for personal purposes with subsequent reimbursement.
- Set account limits with credit card companies or vendors.
- Inform employees of appropriate use of the cards and purchases that are not allowed.
- Require employees to submit itemized, original receipts for all purchases.
- Examine credit card statements and corresponding receipts each month, independently, to determine whether charges are appropriate and related to agency business.

4. Provide Board of Directors oversight of agency operations and management.

- Monitor the agency's financial activity on a regular basis, comparing actual to budgeted revenues and expenses.
- Require an explanation of any significant variations from budgeted amounts.
- Periodically review the check register or general ledger to determine whether payroll taxes are paid promptly.
- Document approval of financial procedures and policies and major expenditures in the board meeting minutes.
- Require independent auditors to present and explain the annual financial statements to the Board of Directors and to provide management letters to the Board.
- Evaluate the Executive Director's performance annually against a written job description.
- Participate in the hiring/approval to hire consultants including the independent auditors.

5. Prepare all fiscal policies and procedures in writing and obtain Board of Directors approval. Include policies and/or procedures for the following:

- Cash disbursements
- Attendance and leave
- Expense and travel reimbursements
- Use of agency assets
- Purchasing guidelines
- Petty cash
- Conflicts of interest

6. Ensure that agency assets such as vehicles, cell phones, equipment, and other agency resources are used only for official business.

- Examine expense reports, credit card charges, and telephone bills periodically to determine whether charges are appropriate and related to agency business.
- Maintain vehicle logs, listing the dates, times, mileage or odometer readings, purpose of the trip, and name of the employee using the vehicle.
- Periodically review the logs to determine whether usage is appropriate and related to agency business.
- Maintain an equipment list and periodically complete an equipment inventory.

7. Protect petty cash funds and other cash funds.

- Limit access to petty cash funds. Keep funds in a locked box or drawer and restrict the number of employees who have access to the key.
- Require receipts for all petty cash disbursements with the date, amount received, purpose or use for the funds, and name of the employee receiving the funds listed on the receipt.
- Reconcile the petty cash fund before replenishing it.
- Limit the petty cash replenishment amount to a total that will require replenishment at least monthly.
- Keep patient funds separate from petty cash funds.

8. Protect checks against fraudulent use.

- Prohibit writing checks payable to cash.
- Deface and retain voided checks.
- Store blank checks in a locked drawer or cabinet, and limit access to the checks.
- Require that checks are to be signed only when all required information is entered on them and the documents to support them (invoices, approval) are attached.
- Require two signatures on checks above a specified limit. Require board member signature for the second signature above a higher specified limit. (Ensure that blank checks are not pre-signed.)
- Mark invoices "Paid" with the check number when checks are issued.
- Enable hidden flags or audit trails on accounting software.

9. Protect cash and check collections.

- Ensure that all cash and checks received are promptly recorded and deposited in the form originally received.
- Issue receipts for cash, using a pre-numbered receipt book.
- Conduct unannounced cash counts.
- Reconcile cash receipts daily with appropriate documentation (cash reports, receipt books, mail tabulations, etc.)
- Centralize cash receipts whenever possible.

10. Avoid or discourage related party transactions.

- Require that a written conflict of interest and code of ethics policy is in place and that it is updated annually.
- Require that related party transactions be disclosed and be approved by the Board.
- Require competitive bidding for major purchases and contracts.
- Discourage the hiring of relatives and business transactions with Board members and employees.

Additional Guidance Regarding a Policy on Equipment/Inventory Control

(Corresponds with Section C-7 of the Site Visit Monitoring Report)

As per pages 116-117 of EDGAR 3rd Edition, your organization must establish a capitalization threshold of \$5,000 and tracks that inventory annually. For federal grants, equipment means tangible personal property (including information technology systems) having a useful life of more than one year and a per-unit acquisition cost which equals or exceeds the lesser of the capitalization level established by the non-federal for financial statement purposes. This means that for inventory tracking, your organization's \$5,000 threshold will apply the Office of Management and Budget (OMB) rules on inventory tracking:

OMB 200.313

... (1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of funding for the property (including the FAIN), who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the project costs for the Federal award under which the property was acquired, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.

Note: the FAIN is the Federal Award Identification Number specific to that one grant agreement.

Your organization must not sell or dispose of equipment worth \$5,000 or more purchased with federal grant funds without the approval of the funding organization, as per OMB requirements. Under OMB Super Circular rules, "items with a current per unit fair market value of \$5,000 or less may be retained, sold or otherwise disposed of with no further obligation to the Federal awarding agency" (as per OMB 2 CFR §200.313. e.1). That means from the federal government's perspective an equipment item becomes a supply item after it depreciates to be worth less than \$5,000. It is still, however, an equipment item that should be inventoried under your rules until the value of the item drops below that set by your organization (\$5,000).

Additional Guidance Regarding a Policy on Procurement/Purchases

(Corresponds with Section C-8 of the Site Visit Monitoring Report)

All purchases and procurements will be reasonable and necessary. The intent of these policies is to emphasize a high level of accountability, minimize organizational risk, and provide for efficient and effective approaches to deliver quality services in a timely manner. See pages 120-121 of EDGAR 3rd Edition.

1. **Micro-purchases** (up to \$10,000): Competitive bids are not required. To the extent practicable, your organization must distribute micro-purchases equitably among qualified suppliers.
2. **Small purchases** (\$10,000 to \$250,000): Small purchase procedures are those relatively simple and informal procurement methods for securing services, supplies, or other property that do not cost more than \$250,000. If small purchase procedures are used, price or rate quotations must be obtained from an adequate number of qualified sources.
3. **Sealed bids**: These are required under your policy for purchases of \$250,000 or more. The procurement process will be conducted in accordance with the OMB requirements detailed in 2 CFR §200.320. This is the usual approach to construction purchases and is also the preferred approach to the purchase of goods and general services. Sealed bids will generally involve the creation of a committee to oversee the process and the creation of request for bid documents. The committee may also involve representatives from partner agencies and the general community. The low bidder that meets specifications and qualifications wins the contract. Communication with funders is highly recommended to confirm that procurement approaches meet grant agreement requirements and funder preferences.
4. **Competitive proposals**: Your organization uses the technique of competitive proposals for purchases of \$250,000 or more when conditions are not appropriate for the use of sealed bids. It is the normal approach to the purchase of professional services. The process is normally conducted with more than one source submitting an offer, and either a fixed price or cost reimbursement type contract is awarded. The procurement decision can be based on factors besides price, although reasonableness in pricing is always required. Contracts must be awarded to the responsible firm whose proposal is most advantageous to the program, with price and other factors considered. A scoring or ranking system is highly encouraged. The process will meet the OMB requirements detailed at the end of this procurement section and in 2 CFR §200.320.
5. **Non-competitive proposals** (also known as sole- or single-source procurement): Procurement by noncompetitive proposals is procurement through solicitation of a proposal from only one source. The process will meet the OMB requirements detailed in

2 CFR §200.320. It may be used only when one or more of the following circumstances apply:

- a) The item is available only from a single source;
- b) The public exigency or emergency for the requirement will not permit a delay resulting from competitive solicitation;
- c) The Federal awarding agency or pass-through entity expressly authorizes noncompetitive proposals in response to a written request from the non-Federal entity; or
- d) After solicitation of a number of sources, competition is determined inadequate.

Additional Guidance Regarding a Policy on Records Retention

(Corresponds with Section C-9 of the Site Visit Monitoring Report)

Record Keeping and Retention

Program as well as financial records, including supporting and source documentation, must be maintained and available for review by State and federal representatives or their duly authorized representatives.

In order to meet the requirements of both State and federally funded programs, these records must be kept for a period of six years after the last payment was made unless specified by program requirements or otherwise stated in the grant agreement. This six-year period is in excess of OMB rule that requires grant records be retained for federally-funded grant projects for three years from closeout or final formal inquiry, in keeping with the following OMB requirement. Audit or litigation will “freeze the clock” for records retention purposes until the issue is resolved. For example, if the audit were done five years after closeout, the federal record retention rules would be in effect for an additional three years. This would result in an eight-year retention period rather than your organization’s six-year period.

For projects awarded under a multi-year grant-contract, all project and contract-related documents (including the contract itself as well as the annual budgets) need to be retained for 6 years following the end of the contract.

Information on records retention may be found in:

- 2 CFR §200.333. See page 126 of EDGAR 3rd Edition;
- [Records Retention and Disposition Schedules published by the New York State Archives](#)

Local agencies must retain records that show the amount of funds by grant, including total cost, how the awardee used the funds, authorizations, obligations, share of costs provided from other sources, as well as compliance with program requirements. In addition, source documents are required to support all transactions entered into the grantee's record keeping system.

Source documents that authorize the disbursement of grant funds may consist of purchase orders, contracts, time & effort records, delivery receipts, vendor invoices, travel documentation, and payment documents, including check stubs. More information and examples of the types of documents used to support payment for other types of costs (such as goods, services, travel, utilities, and property leases) may be found in Chapter XII, Section 3 and Section 4.B.1 of the [Guide to Financial Operations](#) published by the NYS Office of the Comptroller.

Additional Guidance Regarding a Travel Policy

(Corresponds with Section C-10 of the Site Visit Monitoring Report)

Please see pages 161-162 of EDGAR 3rd Edition 2 CFR §200.474

Travel and Meals

In general, employees' reimbursement from state or federal grants is limited to the following and the requests must be approved by management:

- The actual or per diem cost of meals, not to exceed the maximum allowable federal per diem rate;
- The actual cost of lodging, not to exceed the current federal rate in the locale to which the employee is traveling;
- The actual cost of coach airfare;
- Actual mileage in a personal vehicle;
- The cost of a rental car and gasoline;
- Other necessary travel costs (such as cabs, tips, business related baggage fees, tolls, and parking).

Allowable expenses airfare: Calculate based on actual expenses, not to exceed the standard commercial rate. A domestic airline must be used if the expense is to be reimbursed with federal funds (unless one is not available). Rates above standard commercial rate (such as for first class) are only allowable based on the OMB concepts on page 2 (for example, for medical reasons) and must be approved by management.

Hotel and lodging: Lodging costs are reimbursed based on the actual cost. Any costs above what would be considered a "reasonable" amount can be approved by management based on identifiable extenuating circumstances and factors, such as:

1. No lower cost lodging available;
2. Benefits of staying at a conference center or hotel where activities are taking place versus staying offsite;
3. To avoid excessively long travel to and from work locations.

Meals and incidentals: Meals are reimbursed based on the actual cost or on a per diem basis. Incidentals are reimbursed based on the actual cost

Tips and other costs: Employees will only be reimbursed for reasonable costs, meaning those that meet the "prudent person test." Employees are encouraged to tip at a rate of 15 percent, and no more than 20 percent in tips will be reimbursed.

Unallowable expenses:

1. Costs not related to the business portion of the trip (the extra cost of staying more days cannot be billed to your organization or to a grant);
2. Travel costs for family members or dependents; or
3. Excessive costs and those that do not conform to OMB, grant agreements, or your organization's policies.