

## Rolling Hills Public Charter School

### FINANCIAL MANAGEMENT

7218

#### Federal Grant Financial Management System

The Charter School maintains a proper financial management system in order to receive both direct and state-administered grants and to expend funds associated with a grant award. Certain fiscal controls and procedures must be in place to ensure that all financial management system requirements are met.

#### Idaho Financial Reporting Management System (IFARMS)

IFARMS provides the basis for complete financial and cost accounting, for the development of program budgets, and for the preparation of periodic financial reports. The uniformity of the system enables the Charter School to fulfill state requirements and provides the flexibility to obtain program and account detail to meet management needs.

#### Financial Management Standards

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

- 1. Identification:** The Charter School shall identify, in its accounts, all federal awards received and expended and the federal programs under which they were received. Federal program and award identification shall include the information described below under “Overview of the Financial Management/Accounting System.”
- 2. Financial Reporting:** Accurate, current, and complete disclosure of the financial results of each federal award or program will be made in accordance with the financial reporting requirements set forth in the Education Department General Administrative Regulations (EDGAR).
- 3. Accounting Records:** The Charter School shall maintain records that adequately identify the source and application of funds provided for federally-assisted activities. These records will contain information pertaining to grant or subgrant awards, authorizations, obligations, unobligated balances, assets, expenditures, income and interest, and be supported by source documentation.
- 4. Internal Controls:** Effective control and accountability shall be maintained for all funds, real and personal property, and other assets. The Charter School shall adequately safeguard all such property and shall assure that it is used solely for authorized purposes.

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

- A. Effectiveness and efficiency of operations;
  - B. Adequate safeguarding of property;
  - C. Assurance property and money is spent in accordance with grant program and to further the selected objectives; and
  - D. Compliance with applicable laws and regulations.
- 5. Budget Control:** Actual expenditures or outlays shall be compared with budgeted amounts for each federal award.
- 6. Cash Management:** The Charter School shall maintain written procedures to implement the cash management requirements found in EDGAR. See Policy 7450.
- 7. Allowable Costs:** The Charter School shall maintain written procedures for determining allowability of costs in accordance with EDGAR. See Policy 7320 and Procedure 7320P.

#### Overview of the Financial Management/Accounting System

The Charter School accounting system is established to present, with full disclosure, the financial position and results of the financial operations of the Charter School in conformity with generally accepted accounting principles. The accounting system currently used is **2M**. The system is in compliance with IFARMS, as required by Idaho statute. IFARMS shall be used as the basis for developing program budgets and the preparation of periodic financial reports. The Charter School Business Manager shall be responsible for managing budgets and accounts payable. As required by 34 CFR 200.302, the Charter School shall maintain on file award letters that include Catalog of Federal Domestic Assistance (CFDA) titles and numbers, federal award identification numbers and years, names of the federal awarding agencies, and the name of the State Department of Education (the pass-through entity), for each federal award. The funds are given unique identification numbers in the IFARMS system.

The Business Manager shall be responsible for preparing financial reports, as required for local, state, and federal agencies, for review and approval by the Board of Directors. The financial reports shall reflect the financial activity and status of the Charter School. These reports shall include monthly and cumulative expenditures, program budgets, and balances remaining.

#### Budgeting

**The Planning Phase: Meetings and Discussions: Before Receiving the Grant Award Notice (GAN):** The Executive Director, assisted by the Business Manager, shall be responsible for initial federal grant budget development. Initial budget development shall be based upon estimates of federal program award amounts as provided by the State Department of Education, as well as input from program and administrative staff with respect to individual program staff needs,

number and assignments of paraprofessionals relative to program allocations, and need for instructional supplies and equipment. The primary considerations of initial budget development shall be the educational needs of students and the availability of existing Charter School resources for meeting these needs.

Budgets shall be prepared and presented in a format that clearly identifies revenue sources and amounts and budgeted expenditures, in accordance with IFARMS accounting codes, and shall be open for public inspection.

The Executive Director shall present the proposed budget to the Board for final approval of the budget and the policies reflected therein, such as proposed changes or additions to instructional programs and proposed salary schedules. Consideration of the proposed budget shall take place in an open meeting with opportunity for public comment. The approved budget shall be included in the minutes of the Board as documentation of its acceptance and approval.

**After Receiving the GAN:** If the Executive Director determines that final program allocations necessitate revisions to program budgets, he or she, assisted by the Business Manager with input from federal programs staff, shall discuss, review, and propose budget revisions. If proposed revisions require amendment proposals, the Executive Director will follow protocols of the amendment process.

**Amending the Budget:** The Executive Director shall review and approve any necessary budget amendments and shall submit those amendments to the Board at least seven days in advance of the meeting at which the amendment will be considered. The Board shall have final approval of the amended budget and consideration of the proposed budget shall take place in an open meeting with opportunity for public comment. The approved amended budget shall be included in the minutes of the Board of Directors as documentation of its acceptance and approval.

**Budget Control:** The Business Manager shall prepare monthly financial reports that monitor budget performance by comparing actual to budgeted revenues and expenditures. Monthly financial reports indicate budgeted amounts, monthly expenditures, year-to-date-expenditures and percentage of budget spent. The Executive Director shall review these reports for the preceding month prior to presentation to the Board.

#### Accounting Records

The Business Manager shall be responsible for the maintenance of accounting records. Electronic accounting records are maintained in the 2M and paper records are maintained on file in the Charter School office. All accounting records shall be reviewed by the Charter School Executive Director and, where appropriate and required, the Board. The Charter School chart of accounts and financial reports shall be established and maintained in accordance with Generally Accepted Accounting Principles (GAAP) and IFARMS, as required by Idaho Code. Accounting records shall be available for public inspection at any time.

#### Spending Grant Funds

In determining what items will be included in individual program budgets, the Business Manager and the Executive Director will follow the federal cost principles and individual program statutes and regulations, as the basis for determining whether individual expenditures are allowable.

While developing and reviewing the grant budget, the Charter School will keep in mind the difference between direct costs and indirect costs.

### **Direct and Indirect Costs:**

1. **Determining Whether a Cost is Direct or Indirect:** Direct costs are those costs that can be identified specifically with a particular final cost objective, such as a federal award, or other internally or externally funded activity, or that can be directly assigned to such activities relatively easily with a high degree of accuracy.

Indirect costs are those that have been incurred for a common or joint purpose benefiting more than one cost objective, and not readily assignable to the cost objectives specifically benefitted, without effort disproportionate to the results achieved.

Costs incurred for the same purpose in like circumstances shall be treated consistently as either direct or indirect costs.

Identification with the federal award rather than the nature of the goods and services involved is the determining factor in distinguishing direct from indirect costs of Federal awards. Typical costs charged directly to a Federal award are the compensation of employees who work on that award, their related fringe benefit costs, the costs of materials, and other items of expense incurred for the Federal award.

The salaries of administrative and clerical staff shall normally be treated as indirect costs. Direct charging of these costs may be appropriate only if all of the following conditions are met:

- A. Administrative or clerical services are integral to a project or activity;
  - B. Individuals involved can be specifically identified with the project or activity;
  - C. Such costs are explicitly included in the budget or have the prior written approval of the federal awarding agency; and
  - D. The costs are not also recovered as indirect costs.
2. **Indirect Cost Rate:** It is at the discretion of Rolling Hills Public Charter School to use the indirect cost rate. It is the normal policy of the Charter School not to take indirect costs on federal awards. If the Charter School elects to take indirect costs, it shall follow the procedures for calculating the indirect cost rate prescribed by the State Department of Education and apply the policies and procedures outlined in the federal regulations as described below.

3. **Applying the Indirect Cost Rate:** Once the Charter School has an approved indirect cost rate, the percentage is multiplied against the actual direct costs (excluding distorting items such as equipment, contracts in excess of \$25,000, pass-through funds, etc.) incurred under a particular grant to produce the dollar amount of indirect costs allowable to that award.

Once the Charter School applies the approved rate, the funds that may be claimed for indirect costs have no federal accountability and may be used as if they were non-federal funds. For direct grants, reimbursement of indirect costs is subject to the availability of funds and statutory or administrative restrictions.

Where a federal program has a specific cap on the percentage of administrative costs that may be charged to a grant, that cap must include all direct administrative charges as well as any recovered indirect charges.

Cross Reference: 7230      Financial Reporting and Audits

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| Legal Reference: | 2 C.F.R. § 200.56  | Indirect (Facilities & Administrative (F&A)) Costs |
|                  | 2 C.F.R. § 200.413 | Direct Costs                                       |
|                  | 34 C.F.R. § 75.564 | Reimbursement of Indirect Costs                    |
|                  | 34 C.F.R. § 76.569 | Using the Restricted Indirect Cost Rate            |

Policy History:

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