3004.1
Fiscal Management for Purchasing and Procurement Using Federal Funds

I. Applicability of Policy

This policy applies only to non-construction related purchases undertaken with federal funds which are subject to the federal Uniform Grant Guidance (UGG) and other applicable federal law, including but not limited to the Education Department and General Administration Regulations (EDGAR) and the United States Department of Agriculture (USDA) regulations governing school food service programs. In the event this policy conflicts or is otherwise inconsistent with mandatory provisions of the UGG, EDGAR or other applicable federal law, the mandatory provisions of the laws shall control.

All other non-construction purchases will be governed by the Board's general purchasing policy, which can be found earlier in this subsection. In the event of a conflict between state and federal law, the more stringent requirement shall apply.

This procurement policy shall govern all purchasing activities that relate to any aspect of the National School Lunch and Breakfast Programs. Teachwell's goal is to fully implement all required procurement rules, regulations and policies set forth in 2 CFR 200, 7 CFR parts 210 and 220 USDA implementing regulations at 2 CFR Parts 400 and 415, and by the South Dakota Department of Education.

II. Procurement System

Teachwell maintains the following purchasing procedures.

A. Responsibility for Purchasing

The authority to make purchases shall be governed by Teachwell's purchasing policy, which can be found elsewhere in this section. Except as otherwise provided in Teachwell's purchasing policy, the acquisition of services, equipment, and supplies shall be centralized in the administration office under the supervision of the Director, who shall be responsible for developing and administering the purchasing program of Teachwell. Purchases or commitments of Teachwell funds that are not authorized by this policy will be the responsibility of the person making the commitment.

B. Methods of Purchasing

The type of purchase procedures required depends on the cost of the item(s) being purchased.

1. Purchases up to $15,000 (Micro-Purchases)

Micro-purchase means an individual procurement transaction for supplies or services using simplified acquisition procedures, the annual aggregate amount of which does not exceed $15,000. Micro-purchases may be made or awarded without soliciting competitive quotations, to the extent Teachwell staff determine that the cost of the purchase is reasonable. For purposes of this policy "reasonable" means the purchase is comparable to market prices for the geographic area.

To the extent practicable, Teachwell distributes micro-purchases equitably among qualified suppliers. Teachwell will follow its standard policy on purchasing, which can be found earlier in this subsection.

2. Purchases over $15,000 and $350,000 (Simplified Acquisition)

Simplified acquisitions are purchases that, in the aggregate amount, is more than $15,000 and less than $350,000 annually. For simplified acquisitions, price or rate quotes shall be obtained in advance from a reasonable number of qualified sources as detailed in Teachwell's standard policies on purchasing and on bid letting and contracts, which can be found earlier in this subsection.

3. Purchases Over $350,000

a) Sealed Bids (Formal Advertising)

For purchases over $350,000, Teachwell will generally follow the bidding process outlined in the board's policy on Bidding for Construction, Remodeling, Repair or Site Improvement.

b) Contract/Price Analysis

Teachwell performs a cost or price analysis in connection with every procurement action in excess of $350,000, including contract modifications. Teachwell will make an independent estimate of costs prior to receiving bids or proposals.

4. Noncompetitive Proposals (Sole Sourcing)

a) Procurement by noncompetitive proposals is procurement through solicitation of a proposal from only one source and may be used only when one or more of the following circumstances apply:

1) The procurement transaction can only be fulfilled by a single source;

2) The public exigency or emergency for the requirement will not permit a delay resulting from providing public notice of a competitive solicitation;

3) The federal awarding agency or pass-through entity expressly authorizes written approval of noncompetitive proposals in response to a written request from Teachwell; or

4) After solicitation of a number of sources, competition is determined inadequate.

b) Noncompetitive proposals may only be solicited with the approval of the Director or the board. Sufficient and appropriate documentation that justifies the sole sourcing decision must be maintained by the Director or designee.

c) A cost or price analysis will be performed for noncompetitive proposals when the price exceeds $350,000.

5. Competitive Proposals

a) The technique of 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. It is generally used when conditions are not appropriate for the use of sealed bids. If this method is used, the following requirements apply:

b) Teachwell may use competitive proposal procedures for qualifications-based procurement of architectural/engineering (A/E) professional services whereby competitors' qualifications are evaluated and the most qualified competitor is selected, subject to negotiation of fair and reasonable compensation. The method, where price is not used as a selection factor, can only be used to procure A/E professional services. The method may not be used to purchase other services provided by A/E firms are a potential source to perform the proposed effort.

c) Teachwell may select a proposal that offers the best value and that is based upon the proposer's responsiveness to the proposal, experience, reputation, staff qualifications, ability and capacity to carry on the work, price, honesty, integrity, skills, business judgment, financial stability, past performance, and other relevant factors. The evaluation may be conducted by the school board, a designated committee, or another designee of the school board.

C. Use of Purchase (Debit & Credit) Cards

Teachwell use of purchase cards is subject to the policy on purchase cards which can be found elsewhere in this subsection.

D. Federal Procurement System Standards

Teachwell's procurement transactions will be conducted in a manner providing full and open competition consistent with 2 C.F.R §200.319.

Teachwell will maintain and follow general procurement standards consistent with 2 C.F.R. §200.318.

E. Debarment and Suspension

Teachwell awards contracts only to responsible contractors possessing the ability to perform successfully under the terms and conditions of a proposed procurement. Consideration will be given to such matters as contractor integrity, public policy, compliance, proper classification of employees (see the Fair Labor Standards Act, 29 U.S.C. 201, chapter 8), record of past

performance, and financial and technical resources when conducting a procurement transaction.

Teachwell may not subcontract with or award subgrants to any person or company who is debarred or suspended. For all contracts over $25,000 Teachwell verifies that the vendor with whom Teachwell intends to do business with is not excluded or disqualified. 2 C.F.R. Part 200, Appendix II(1) and 2 C.F.R. §§ 180.220 and 180.300.

Teachwell will verify debarment or suspension by reviewing the excluded parties list on SAM.gov, collecting a certification through the bidding process, and/or by including a debarment and suspension provision in the bid and contract documents. The Director or his/her designee shall be responsible for such verification.

F. Settlements of Issues Arising Out of Procurements

Teachwell alone is responsible, in accordance with good administrative practice and sound business judgment, for the settlement of all contractual and administrative issues arising out of procurements. These issues include, but are not limited to, source evaluation, protests, disputes, and claims. These standards do not relieve Teachwell of any contractual responsibilities under its contracts. Violations of law will be referred to the local, state, or federal authority having proper jurisdiction.

III. Conflict of Interest and Code of Conduct

A. Board and staff member conflicts of interest are governed by Teachwell's conflict of interest policies.

B. Purchases covered by this policy are subject to the following additional provisions.

1. Employees, officers, and agents engaged in the selection, award, and/or administration of Teachwell contracts which are prohibited from engaging in such actions if a real or apparent conflict of interest is present.

2. Such a conflict of interest would arise when the employee, officer, or agent, any member of his or her immediate family, his or her partner, or an organization which employs or is about to employ any of the parties indicated herein, has a financial or other interest in or a tangible personal benefit from a firm considered for a contract.

3. The board may determine at its discretion that a financial interest is not substantial enough to give rise to a conflict of interest.

C. Favors and Gifts

An employee, officer, agent, and board member of Teachwell may neither solicit nor accept gratuities, favors, or anything of monetary value from contractors or parties to subcontracts, except that this provision does not prohibit the receipt of unsolicited items of nominal value. For purposes of this policy, "nominal value" means a fair market value of $25 or less.

D. Enforcement

Disciplinary Actions including, but not limited to, counseling, oral reprimand, written reprimand, suspensions without pay, or termination of employment, will be applied for violations of such standards by officers, employees, or agents of Teachwell.

IV. Property Management Systems

A. Property Classifications

1. 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 Teachwell for financial statement purposes, or $10,000.

2. Supplies means all tangible personal property other than those described in §200.1 Equipment. A computing device is a supply if the acquisition cost is less than the lesser of the capitalization level established by Teachwell for financial statement purposes or $10,000, regardless of the length of its useful life. 2 C.F.R. §200.1.

3. Computing Devices means machines used to acquire, store, analyze, process, and publish data and other information electronically, including accessories (or "peripherals") for printing, transmitting and receiving, or storing electronic information. 2 C.F.R. §200.1.

4. Capital Assets means tangible or intangible assets used in operations having a useful life of more than one year which are capitalized in accordance with GAAP. Capital assets include:

    a) Land, buildings (facilities), equipment, and intellectual property (including software) whether acquired by purchase, construction, manufacture, lease-purchase, exchange, or through capital leases; and

    b) Additions, improvements, modifications, replacements, rearrangements, reinstallations, renovations or alterations to capital assets that materially increase their value or useful life (not ordinary repairs and maintenance). 2 C.F.R. §200.1.

B. Inventory Procedure

Newly purchased property shall be received and inspected by the staff member who ordered it to ensure that it matches the purchase order, invoice, or contract and that it is in acceptable condition.

Equipment, Computing Devices, and Capital Assets must be tagged with an identification number, manufacturer, model, name of individual who tagged the item, and date tagged).

C. Inventory Records

For equipment, computing devices, and capital assets purchased with federal funds, the following information is maintained in the property management system:

1. Serial number;
2. Teachwell identification number;
3. Manufacturer;
4. Model;
5. Date tagged and individual who tagged it;
6. Source of funding for the property;
7. Who holds title;
8. Acquisition date and cost of the property;
9. Percentage of federal participation in the project costs for the federal award under which the property was acquired;
10. Location, use and condition of the property; and
11. Any ultimate disposition data including the date of disposal and sale price of the property.

The inventory list shall be adjusted by the Director or his/her designee for property that is sold, lost, stolen, cannot be repaired, or that cannot be located.

D. Physical Inventory

1. A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years.

2. The Director or his/her designee will ensure that the physical inventory is performed. The physical inventory will generally occur during the months of June or July, but may be conducted during other time periods with the approval of the Director.

E. Maintenance

In accordance with 2 C.F.R. 313(d)(4), Teachwell maintains adequate maintenance procedures to ensure that property is kept in good condition.

F. Lost or Stolen Items

Teachwell maintains a control system that ensures adequate safeguards are in place to prevent loss, damage, or theft of the property. Teachwell will notify the Federal agency or pass-through entity of any loss, damage, or theft of equipment that will have an impact on the program. Any loss, damage, or theft of equipment will be investigated by Teachwell.

G. Use of Equipment

Equipment must be used 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 the federal award, and Teachwell will not encumber the property for any non-federal program use without prior approval of the federal awarding agency and the pass-through entity.

H. Disposal of Equipment

When it is determined that equipment acquired under a federal award is no longer needed for the original project or program or for other activities currently or previously supported by a federal awarding agency, the Director or his/her designee will contact the awarding agency (or pass-through for a state-administered grant) for disposition instructions.

If the item has a current fair market value of $10,000 or less, it may be retained, sold, or otherwise disposed of with no further obligation to the federal awarding agency or pass-through entity.

I. Equipment Retention

When included in the terms and conditions of the Federal award, the Federal agency may permit the recipient to retain equipment, or authorize a pass-through entity to permit the recipient to retain equipment, with no further obligation to the Federal Government unless prohibited by Federal statute or regulation.

J. Equipment and Capital Expenditures

All equipment and capital expenditures shall comply with the rules and requirements of 2 CFR 200.439.

K. Depreciation

All depreciation shall comply with the rules and requirements of 2 CFR 200.436.

V. Financial Management

A. Identification

Teachwell will identify, in its accounts, all federal awards received and expended and the federal programs under which they were received. Federal program and award identification include, as applicable, the Assistance Listing and number, federal award identification number and year, name of the federal agency, and, if applicable, name of the pass-through entity.

B. Financial Reporting

Teachwell will make an accurate, current, and complete disclosure of the financial results of each federal award or program in accordance with the financial reporting requirements set forth in the Education Department General Administrative Regulations (EDGAR).

C. Accounting Records

Teachwell maintains records which adequately identify the source and application of funds provided for federally-assisted activities. These records must contain information pertaining to grant or subgrant awards,

authorizations, obligations, unobligated balances, assets, expenditures, income and interest and be supported by source documentation.

D. Internal Controls

The Director or his/her designee must maintain effective control and accountability for all funds, real and personal property, and other assets through board review and approval of claims, an annual audit of Teachwell's finances pursuant to the applicable South Dakota Department of Education and federal rules and regulations, and comparison of expenditures and outlays to budgeted amounts. Teachwell adequately safeguards all such property and assures that it is used solely for authorized purposes.

E. Budget Control

Actual expenditures or outlays will be compared with budgeted amounts for each federal award at least annually and more often as required by law or deemed prudent by the board or administrative staff.

F. Payment Methods

Teachwell will comply with applicable methods and procedures for payment that minimize the time elapsing between the transfer of funds and disbursement by Teachwell, in accordance with the Cash Management Improvement Act at 31 CFR Part 205. Generally, Teachwell receives payment from the South Dakota Department of Education on a reimbursement basis. 2 CFR § 200.305. However, if Teachwell receives an advance in federal grant funds, Teachwell will remit interest earned on the advanced payment quarterly to the federal agency. Teachwell may retain interest amounts up to $500 per year for administrative expenses. 2 CFR § 200.305(b)(12).

Consistent with state and federal requirements, Teachwell will maintain source documentation supporting the federal expenditures (invoices, time sheets, payroll stubs, etc.) and will make such documentation available for the South Dakota Department of Education to review upon request.

G. Allowability of Costs

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

When determining how Teachwell will spend its grant funds, the Director or his/her designee will review the proposed cost to determine whether it is an

allowable use of federal grant funds before obligating and spending those funds on the proposed good or service. All costs supported by federal education funds must meet the standards outlined in EDGAR, 2 CFR Part 3474 and 2 CFR Part 200, Subpart E. The Director or his/her designee must consider these factors when making an allowability determination.

The Director or his/her designee will consider Part 200's cost guidelines when federal grant funds are expended. The Director or his/her designee will also consider whether all state - and Teachwell requirements and policies regarding expenditures have been followed.

H. Use of Program Income – Deduction, Addition, or Cost Sharing or Matching

The default method for the use of program income for Teachwell is the deduction method. 2 C.F.R. § 200.307(b). Under the deduction method, program income is deducted from total allowable costs to determine the net allowable costs. Program income will only be used for current costs unless Teachwell is otherwise directed by the federal awarding agency or pass-through entity. 2 C.F.R. § 200.307(be)(1). Teachwell may also request prior approval from the federal awarding agency to use the addition method. Under the addition method, program income may be added to the Federal award by the Federal agency and the non-Federal entity. The program income must then be used for the purposes and under the conditions of the Federal award. 2 C.F.R. § 200.307(e)(2). Teachwell may also request prior approval from the federal awarding agency to use the cost sharing or matching method.

While the deduction method is the default method, Teachwell always refers to the grant award notice prior to determining the appropriate use of program income.

I. Cost Sharing or Matching

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

(1) Are verifiable from the non-Federal entity's records;
(2) Are not included as contributions for any other Federal award;
(3) Are necessary and reasonable for accomplishment of project or program objectives;
(4) Are allowable under subpart E (Cost Principles) of this part;

(5) Are not paid by the Federal Government under another Federal award, except where the Federal statute authorizing a program specifically provides that Federal funds made available for such program can be applied to matching or cost sharing requirements of other Federal programs;
(6) Are provided for in the approved budget when required by the Federal awarding agency; and
(7) Conform to other provisions of this part, as applicable.

J. Documentation of Personnel Expenses

Records that reflect charges to federal awards for salaries and wages will comply with the rules and requirements of 2 CFR 200.430.

K. Travel Costs

All travel expenses paid with federal grant funds shall meet the federal requirements such as:

(1) All travel costs must be reasonable and necessary;
(2) All travel costs must be consistent with Teachwell policy; and
(3) All travel costs must be directly related to the grant award.

In addition, all travel expenses funded with federal grant funds must be preapproved by Teachwell's Business Manager. The state per diem rates for lodging shall be used to determine that maximum amount charged to a federal grant. For reimbursement of meals, the per diem rate and rules set by the State of South Dakota through administrative rule 5:01:02:14 will apply. There will be no reimbursement for breakfast if the staff member's lodging provides continental breakfast at no cost. For reimbursement for mileage or fuel, the State of South Dakota mileage rate will apply. If a Teachwell-owned vehicle is available for travel, Teachwell-owned vehicle must be utilized unless preapproved by the Business Manager. All expenditures claimed by staff must include receipts and a completed voucher.

VI. Written Compensation Policies

A. Time and Effort Standards

All employees who are paid in full or in part with federal funds must keep specific documents to demonstrate the amount of time they spent on grant activities. This includes an employee whose salary is paid with state or local funds but is used to meet a required "match" in a federal program. These documents, known as time and effort records, are maintained in order to

charge the costs of personnel compensation to federal grants. Charges to federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must:

- Be supported by a system of internal controls which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;
- Be incorporated into official records;
- Reasonably reflect total activity for which the employee is compensated, not exceeding 100% of compensated activities;
- Encompass both federally assisted and all other activities compensated by Teachwell on an integrated basis;
- Comply with the established accounting policies and practices of Teachwell and
- Support the distribution of the employee's salary or wages among specific activities or costs objectives.

B. Time and Effort Procedures

Time and effort procedures will follow and comply with 2 CFR 200.430(i).

C. Fringe Benefits

Except as provided otherwise by federal law, the costs of fringe benefits will be allowable provided that the benefits are reasonable and required by law, a Teachwell-employee agreement, or another policy of Teachwell.

D. Leave

The cost of fringe benefits in the form of regular compensation paid to employees during periods of authorized absences from the job, such as for annual leave, family-related leave, sick leave, holidays, court leave, military leave, administrative leave, and other similar benefits, are allowable if they are provided under established written Teachwell leave policies.

E. Unexpected or Extraordinary Circumstances

In the event of a pandemic or other unexpected or extraordinary circumstance, Teachwell may close school or individual buildings. In such case, Teachwell may compensate federally funded or other employees during such closure to ensure the return of staff to employment after the closure as allowed by state or federal law.

F. Documentation for Personnel Expenses

Records that reflect charges to federal awards for salaries and wages will comply with the rules and requirements of 2 CFR 200.430.

VII. Other Contract Matters

A. Required Terms

The non-Federal entity's contracts must contain the applicable provisions required by section 200.327 and described in Appendix II to Part 200—Contract Provisions for non-Federal Entity Contracts Under Federal Awards.

B. Contracting with Certain Vendors and Buy American

Pursuant to the standards contained in 2 C.F.R. § 200.321, Teachwell will take all necessary affirmative steps to assure that minority businesses, women's business enterprises, veteran-owned businesses, and labor surplus area firms are used when possible consistent with state law.

Buy American. Teachwell participates in the National School Lunch Program and School Breakfast Program and is required to use the nonprofit food service funds, to the maximum extent practicable, to buy domestic commodities or products for Program meals. A "domestic commodity or product" is defined as one that is either produced in the U.S. or is processed in the U.S. substantially using agricultural commodities that are produced in the U.S. as provided in 7 CFR 210.21(d).
Teachwell may deviate from this general requirement only if:

- The product is not produced or manufactured in the U.S. in sufficient and reasonably available quantities of a satisfactory quality; or
- Competitive bids reveal the costs of a U.S. product are significantly higher than the non-domestic product. 7 CFR 210.21(d)(5)(i).

C. Record Keeping

1. Record Retention

a) Teachwell maintains all records that fully show (1) the amount of funds under the grant or subgrant; (2) how the subgrantee uses those funds; (3) the total cost of each project; (4) the share of the total cost of each project provided from other sources; (5) other records to facilitate an effective audit; and (6) other records to show compliance with federal program requirements. 34 C.F.R.

§§ 76.730-.731 and §§ 75.730-.731. Teachwell also maintains records of significant project experiences and results. 34 C.F.R. § 75.732(a). These records and accounts must be retained and made available for programmatic or financial audit.

b) The U.S. Department of Education is authorized to recover any federal funds misspent within 5 years before the receipt of a program determination letter. 34 C.F.R. § 81.31(c). The South Dakota Local Schools Records Retention and Destruction Schedule as approved by the South Dakota Bureau of Administration requires Teachwell to maintain records regarding federal awards for a minimum of six (6) years. Consequently, Teachwell shall retain records for a minimum of six (6) years from the date on which the final Financial Status Report is submitted, unless otherwise notified in writing to extend the retention period by the awarding agency, cognizant agency for audit, oversight agency for audit, or cognizant agency for indirect costs. However, if any litigation, claim, or audit is started before the expiration of the record retention period, the records will be retained until all litigation, claims, or audit findings involving the records have been resolved and final action taken. 2 C.F.R. § 200.334.

2. Maintenance of Procurement Records

a) Teachwell must maintain records sufficient to detail the history of all procurements. 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, the basis for the contract price (including a cost or price analysis), and verification that the contractor is not suspended or debarred.

b) Retention of procurement records shall be in accordance with applicable law and Board policy.

D. Privacy

Teachwell has protections in place to ensure that the personal information of both students and employees is protected. These include the use of passwords that are changed on a regular basis; staff training on the requirements of the Family Educational Rights and Privacy Act (FERPA) and State confidentiality requirements; and training on identifying whether an individual requesting access to records has the right to the documentation.

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