**BUSINESS OPERATIONS**

**Internal Controls Policy 4132**

The ESU will develop and maintain internal control procedures as required by law and in accordance with sound fiscal monitoring practices that will ensure appropriate oversight of state and federal funds. The following internal control procedures will be utilized for all federal grants:

Management requirements: The ESU will manage equipment (including replacement equipment), whether acquired in whole or in part under a federal award, until the ESU disposes of such equipment. The ESU will, as a minimum, meet the following requirements:

1. Maintain records of the equipment (including equipment description, serial number or other identification number, source of funding, acquisition date, and the like);
2. Maintain a physical inventory, with an update occurring at a minimum of every three years;
3. Implement a Control System procedure;
4. Continue to develop and implement maintenance procedures for the equipment;
5. Continue to develop and implement sales procedures for the equipment; and
6. Continue to develop and implement disposition procedure for the equipment.

Legal Reference: 2 C.F.R. §§ 200.313 & 200.33.

Procurement: The ESU will use its own documented procurement procedures which reflect applicable State, local, and tribal laws and regulations, provided that the procurements conform to applicable Federal law and the requirement standards imposed by law, including:

1) A procedure for micro-purchases (Under $10,000);

2) A procedure for small purchases (between $10,000 to $250,000);

3) A procedure for sealed bids; competitive proposals; and noncompetitive bids.

Legal Reference: 2 C.F.R. §§ 200.317 through 200.326.

Cross-Reference: Policies 3130 & 3131.

Record Retention: Financial records, supporting documents, statistical records, and all other related records pertinent to a federal award will be retained for a period of not less than three years from the date of submission of the final expenditure report. For all other records, the ESU will retain such records for the length of time as required by law.

Legal Reference: 2 C.F.R. § 200.333.

Suspension and Debarment: The ESU will not contract with any entity or individual who has been debarred, suspended, or otherwise excluded from or ineligible for participation in federal assistance programs or activities. Before entering into a contract regarding a federal award, the ESU will verify that a vendor has not been debarred, suspended or otherwise excluded, and the ESU will maintain a copy of said verification.

Legal Reference: 2 C.F.R. § 200.213.

Financial Management: The ESU will maintain financial management systems to account for the federal funds, including records documenting compliance with federal statutes, regulations, and the terms and conditions of the federal award. These records will be sufficient to permit the ESU to prepare required reports; and the tracing of funds to a level of expenditures adequate to establish that such funds have been used according to the Federal statutes, regulations, and the terms and conditions of the Federal award. The financial management system will provide for the following:

1) Identifying all of the federal awards received and expended and the federal programs under which they were received;

2) Ensuring that accurate, current, and complete disclosure of the financial results of each federal award or program are maintained in accordance with reporting requirements;

3) Identifying the source and application of funds for federally-funded activities;

4) Ensuring controls over and accountability for all funds, property, and other assets;

5) Comparing actual expenditures with budget amounts for each federal award;

6) Ensuring payments of federal funds are made in accordance with applicable law, including 2 CFR § 200.305; and

7) Determining the allowability of costs in accordance with applicable law and the conditions of the federal award.

Legal Reference: 2 C.F.R. § 200.302.

Program Income: The ESU will consult with the federal awarding agency and refer to the applicable law and federal program terms and conditions to determine how to account for, deduct and otherwise handle income from federal programs.

Legal Reference: 2 C.F.R. § 200.307.

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 ESU's cost sharing or matching, when such contributions meet all of the following criteria:

1. Are verifiable from the ESU'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 the applicable Cost Principles requirements;
5. Are not paid by the Federal Government under another award, except where statute authorizes a program to match or cost share with other Federal programs;
6. Are provided for in the approved budget when required by the federal awarding agency;
7. Conform to other provisions of the law or terms and conditions of the federal award, as applicable.

Legal Reference: 2 C.F.R. § 200.306.

Compensation: Compensation for personal services includes all remuneration for services of employees rendered during the period of performance under the federal award, including, but not limited to wages, salaries, and fringe benefits. Costs of compensation may be allowable under federal law and the federal grant to the extent that they satisfy the following requirements:

1. Is reasonable for the services rendered; and
2. Conforms to the established written expectations of the ESU, as applied consistently to both Federal and non-Federal activities.

If the ESU intends to charge compensation to federal awards, such charges will be based on records that accurately reflect the work performed, and will:

1. Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;
2. Be incorporated into the official records of the ESU;
3. Reasonably reflect the total activity for which the employee is compensated;
4. Encompass both federally-assisted and all other activities compensated by the ESU on an integrated basis, but may include the use of subsidiary records as defined in the ESU’s written procedures;
5. Comply with the established accounting policies and practices of the ESU; and
6. Differentiate and account for the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity.

Budget estimates will generally not be used to support charges to Federal awards but may be used for interim accounting purposes.

Legal Reference: 2 C.F.R. §§ 200.430 & 200.431.

Unexpected or Extraordinary Circumstances: For all federal awards, if the ESU does not currently have in place a sufficient policy that addresses extraordinary circumstances, such as those caused by COVID-19, the ESU may amend or create a policy at a later date in order to put emergency contingencies in place for federal and non-federal similarly situated employees. If the conditions exist for charges to be made to the federal grant, then charges may also be made to any non-federal sources that are used by the ESU in order to meet a matching requirement. The ESU will take other steps to comply with federal award requirements in the event of unexpected or extraordinary circumstances.

Legal Reference: 2 C.F.R. §§ 200, et seq.

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