

**FINANCIAL MANAGEMENT SYSTEM**

- I. Overview. The district maintains a proper financial management system to receive both direct and state-administered grants and to expend funds associated with a grant award. Appropriate fiscal controls and procedures are necessary to ensure that all financial management system requirements are met. Failure to meet a requirement may result in revocation of funds or termination of the award.
  
- II. Implementation.
  - A. Financial management standards. The standards for financial management systems are found at 2 C.F.R. § 200.302. The required standards include:
    - 1. Identification.
      - a. The district must identify in its accounts, all federal awards received and expended and the federal programs under which they were received.
      - b. Federal program and award identification must include, as applicable, the CFDA title and number, federal award identification number and year, name of the federal agency, and if applicable, name of the pass-through entity.
    - 2. Financial reporting.
      - a. Accurate, current, and complete disclosure of the financial results of each federal award or programs must be made in accordance with the financial reporting requirements set forth in the Education Department General Administrative Regulations (EDGAR).
    - 3. Accounting records.
      - a. The district must maintain 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.

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4. Internal controls.

a. Effective control and accountability must be maintained for all funds, real and personal property, and other assets. The district must adequately safeguard all such property and must assure that it is used solely for authorized purposes.

b. “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:

(1) Effectiveness and efficiency of operations.

(2) Adequate safeguarding of property.

(3) Assurance property and money is spent in accordance with grant program and to further the selected objectives.

(4) Compliance with applicable laws and regulations.

5. Budget control. Actual expenditures or outlays must be compared with budgeted amounts for each federal award.

6. Cash management. The district must maintain written procedures to implement the cash management requirements found in EDGAR (Administrative Regulation 3232).

7. Allowable costs. The district must maintain written procedures for determining allowability of costs in accordance with EDGAR (Administrative Regulation 3231).

B. Overview of the financial management/accounting system.

1. The district uses the Oracle/PeopleSoft Financial and Human Capital Management System as its business management tool. The following PeopleSoft modules interface with the financial and human capital management systems:

a. E-Procurement

b. Asset Management

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- c. Payroll and Benefits
  - d. Budget
  - e. Accounts Receivable
  - f. Accounts Payable
2. Standardized Account Code Structure (SACS). The district complies with the State requirement to use the SACS chart of accounts to record financial transactions.
- a. School districts are required by the State of California to use a chart of accounts that corresponds to the Standardized Account Code Structure (SACS). SACS is an account string containing seven numerically coded fields. The fields are used in combination to classify revenues, expenditures, and balance sheet accounts to determine and report the district's financial position and results of operations. For each a defined set of accounts is necessary to group transactions according to the classification designated for that field. The seven fields stay constant, but the accounts in the fields are updated as needed to reflect changes in laws, regulations, types of transactions, or accounting principles or practices.
  - b. Through this accounting structure, the district produces financial reports by fund, resource, goal, function, or object (type of revenue or expenditure) or any combination of these fields.
  - c. Exhibit 3480 includes a list of the Federal Resource Codes used in PeopleSoft Financials.
3. In general, the Finance Division is responsible for maintaining the district's financial records, developing and monitoring district budgets, preparation of financial reports required by State, federal and local agencies.
4. Specific PeopleSoft modules are available for departments to perform their functions:
- a. Accounts Payable: Accounts Payable Department
  - b. Accounts Receivable: Financial Accounting

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- c. Asset Management: Distribution Services, Financial Accounting, Strategic Sourcing and Contracts
- d. Budget: Budget Development, Financial Planning, Monitoring and Accountability, Financial Accounting
- e. eProcurement: Strategic Sourcing and Contracts
- f. Payroll and Benefits: Payroll and Employee Benefits Department

**C. Budgeting.****1. The planning phase - meetings and discussions.****a. Before receiving the Grant Award Notice (GAN):**

- (1) The Financial Planning, Monitoring and Accountability (FPMA) Department is responsible for reviewing all budgets for federal grants; the Board of Education gives final approval. Below is the district's budget adoption timeline:

<b>Month</b>	<b>Budget Development Processes</b>
January	Load school allocations in Site Based Budgeting (SBB) Release SBB to schools
February	Schools finalize SBB, submit for approval of Area Superintendents, FPM and HR Departments
March	Principals begin to complete the Single Plan for Student Achievement (SPSA) phase of SBB Preliminary Budget Data (SBB)
April	Upload SBB data to PeopleSoft Budget Development System
May	Final Local Control Accountability Plan (LCAP) budget SPSA phase complete in SBB SBB "finished" status; all sites complete including SPSA
Early June	District English Learning Committee (DELAC) LCAP review District Advisory Council (DAC) LCAP review LCAP Board Workshop
Mid-June	Budget First Reading by Board of Education LCAP First Reading by Board of Education
By End of June	Second Reading and Final Budget and LCAP Adoption

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- (2) The district uses a consolidated application for ESSA Titles I, II, II and IV. The FPMA Department develops the budget for the consolidated application, and the program offices initially develop and coordinate budgets for federal grants outside of the consolidated application.
- (3) All grant budgets are based on prior year spending, projected allocations, identified needs, and are aligned with the Local Control and Accountability Plan (LCAP). In addition, the FPMA Department and program offices work with stakeholders throughout the budgeting process to incorporate their input.
- (4) The FPMA Department oversees the budgeting process for Title I funding at school sites.
  - (a) Every school works with its School Site Council (SSC) in planning for Title I funding.
  - (b) Schools receive projected Title I allocations based on rank by January of the prior year.
  - (c) School sites conduct needs assessments and review academic progress throughout the year to determine whether modifications are needed to the Single Plan for Student Achievement (SPSA) and budget.
  - (d) School sites meet with their advisory groups, including the SSC.
  - (e) Principals submit an initial budget in Site Based Budgeting (SSB) tool by mid-February.
  - (f) The FPMA Department, Human Resources, and Area Superintendents review all school budgets in the SSB.
  - (g) School side budgets generally are finalized by March.
  - (h) The FPMA Department reviews revised goals and the Single Plan for Student Achievement (SPSA) from school sites between March and early June.

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- (i) School site budgets and SPSAs are included with the district's budgets for Board of Education approval in June.
- b. Budget amendment.
  - (1) After the budget is adopted by the end of June, it may be amended during the year to adjust revenue and expenditures.
  - (2) Budget amendments may be submitted monthly to the Board of Education for approval in the form of an "Accept, Budget and Spend" item in case of budget increases and budget rescissions if the budget is decreased.
  - (3) Budget amendment documents are retained in the PeopleSoft Financial System, in official Board minutes and in hard copies.
- c. Budget control.
  - (1) The district monitors its financial performance by comparing and analyzing actual results with budgeted results.
  - (2) The budget reports from the PeopleSoft Financial system compare budgeted revenues and expenditures to actual revenues and expenditure. These reports are reviewed periodically during the year by the Financial Accountants for revenues and the Financial Analysts for expenditures.
  - (3) The PeopleSoft Financial system provides the capability to reject expenditures that exceed budget tolerances built in the system. When exceptions such as this occur, the Financial Analyst in the Financial Planning, Monitoring and Accountability Department reviews the exception and assists the school or department manager to resolve the situation.
- d. Accounting records.
  - (1) District accounting records are maintained in the PeopleSoft database.

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- (2) The district uses the State of California Standardized Account Code Structures for all account types, assets, liabilities, fund balance, revenues and expenditures.
- (3) All official reports such as the financial reports, adopted and amended budgets are retained in hard copies, subject to record retention requirements as described in Administrative Regulation 3580.

**D. Grant fund expenditures.**

1. Grant funds are spent based on the approved budget for the grant.
2. The Financial Planning, Monitoring and Accountability (FPMA) Department reviews grant expenditures, allowability of expenditures, and the difference between direct costs and indirect costs.
3. Expenditures are not allowed to exceed budgeted amounts for each type of cost such as salaries, materials and supplies.

**E. Direct and indirect costs.**

1. Determining whether a cost is direct or indirect.
  - a. 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. 2 C.F.R. § 200.413(a).
  - b. Indirect costs are those that have been incurred for a common or joint purpose benefitting more than one cost objective, and not readily assignable to the cost objectives specifically benefitted, without effort disproportionate to the results achieved. 2 C.F.R. § 200.56.
  - c. Costs incurred for the same purpose in like circumstances must be treated consistently as either direct or indirect costs. 2 C.F.R. § 200.413(a).

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- d. 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.
- e. 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. 2 C.F.R. § 200.413(b).
- f. The salaries of administrative and clerical staff should normally be treated as indirect costs. Direct charging of these costs may be appropriate only if all of the following conditions are met:
  - (1) Administrative or clerical services are integral to a project or activity.
  - (2) Individuals involved can be specifically identified with the project or activity.
  - (3) Such costs are explicitly included in the budget or have the prior written approval of the federal awarding agency.
  - (4) The costs are not also recovered as indirect costs. 2 C.F.R. § 200.413(c).
- g. Indirect cost rate.
  - (1) The State of California annually assigns all school districts an indirect cost rate based on the indirect costs reflected in the unaudited actual data submission. The ratio of indirect costs incurred in the current year serves as an estimate of the ratio of indirect costs that the LEA will incur in the future year during which the approved rate will be used.
  - (2) The district completes and submits to the State the Indirect Cost Rate (ICR) form with the Unaudited Actuals SACS report. This form is used to calculate the district's indirect cost rate for the second subsequent fiscal year. The district's indirect cost rate is subject to review and approval by the CDE.

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- (3) Upon CDE approval the district use the rate to recover indirect costs in the second subsequent fiscal year. For example, the following is a time line of how 2016-17 data produced rates for use with programs:
  - (a) The district submitted 2016–17 unaudited actual data to the CDE by October 15, 2017.
  - (b) The CDE reviewed the data and released the approved rates in early 2018.
  - (c) The rates were used to budget and recover indirect costs in 2018–19.
  
- h. Applying the indirect cost rate.
  - (1) Upon district receipt of 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. 34 C.F.R § 75.564; 34 C.F.R. § 76.569.
  - (2) Upon application of 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.
  - (3) For direct grants, reimbursement of indirect costs is subject to the availability of funds and statutory or administrative restrictions. 34 C.F.R. § 75.564.
  - (4) When 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.

**III. References.**

- A. 2 C.F.R. § 200.56 <http://www.ecfr.gov>
- B. 2 C.F.R. § 200.302

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- C. 2 C.F.R. § 200.413(a)
- D. 2 C.F.R. § 200.413(b)
- E. 2 C.F.R. § 200.413(c)
- F. 34 C.F.R § 75.564
- G. 34 C.F.R. § 76.569
- H. Administrative Regulation (AR) 3231, Allowability of Federal Education Grant Program Costs
- I. Administrative Regulation (AR) 3232, Federal Cash Management Procedures
- J. Administrative Regulation (AR) 3580, District Records
- K. Exhibit (E) 3480, Federal Resource Codes

Regulation  
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SAN DIEGO UNIFIED SCHOOL DISTRICT  
San Diego, California