

# **FREQUENTLY ASKED QUESTIONS**

**McKinney-Vento Education for Homeless Children and Youth**

**TEXAS**

**A Companion to the**

**[Compliance Handbook for McKinney-Vento Education for  
Homeless Children and Youth Subgrantees - Texas](#)**

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**TEXAS**

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# FREQUENTLY ASKED QUESTIONS

## McKinney-Vento Education for Homeless Children and Youth

### TEXAS

For the purposes of this FAQ:

“Grantee” also means “subgrantee.”

“Grantee organization” means school district, regional education service center (ESC), or open-enrollment charter school.

“Local educational agency” (LEA) means school district, ESC, or open-enrollment charter school.

## **A. Allowable/Unallowable Costs**

### **A.1 General**

#### **A.1.1. How do I determine whether a cost is allowable to be charged to the McKinney-Vento Homeless Education grant?**

For a cost to be allowable to be charged to the McKinney-Vento Homeless Education grant, it must meet *all* of the following conditions. The cost must

- ❑ be *reasonable* in cost (comparable to current fair market value)
- ❑ be *necessary* to accomplish the objectives of the grant program
- ❑ be authorized or not prohibited under state or local laws or regulations
- ❑ be consistent with policies, regulations, and procedures that apply to all activities, including other grants and state and local activities
- ❑ be treated consistently as either a *direct* cost or as an *indirect* cost among federal programs
- ❑ be determined in accordance with Generally Accepted Accounting Principles (GAAP)
- ❑ not be used to meet cost sharing or matching requirements of another grant (unless specifically permitted in the other program statute or regulations)
- ❑ be consistent with the terms and conditions of the grant award
- ❑ be adequately documented with appropriate supporting original source documentation, such as an invoice, receipt, contract, purchase order, travel voucher, etc.
- ❑ be allowable under the federal cost principles
- ❑ be the net of any applicable credits such as rebates or discounts
- ❑ be appropriate under the *McKinney-Vento Education for Homeless Children and Youth* authorizing program statute

- ❑ benefit one or more homeless students and be *allocable (i.e., chargeable or assignable)* to the grant based on the relative benefits received by homeless students
- ❑ be supplemental to the core foundation program of the school and to other activities normally conducted by the school (i.e., a type of supplement, not supplant). McKinney-Vento funds must be used to *expand or improve* services provided as part of the school's regular academic program.
- ❑ If the school is a Title I schoolwide program and McKinney-Vento program funds have been consolidated with Title I or other funds, McKinney-Vento must be included in the schoolwide plan, the school must have conducted a comprehensive needs assessment, and the plan must contain the required components specified in statute for schoolwide plans (see Title I, Part A, §1114[b]).

Refer to *Part II Fiscal Requirements, Expending Grant Funds, Allowable Costs*, in the [Compliance Handbook for McKinney-Vento Education for Homeless Children and Youth Subgrantees - Texas](#) for more detailed information related to allowable costs.

**A.1.2. Are there federal regulations/guiding principles or sample procedures that would address direct billed costs, i.e., expenditures that are not done by PO but through Walmart cards or Sam's Club cards, for example, where the employee purchases (with authorization, although not necessarily a purchase order) the goods, and then a central consolidated bill is sent to the school district's Business Office for payment?**

This scenario is similar to an individual using a district-issued charge card or account (commonly referred to as a "corporate" card or account) to make a purchase. ***All purchases, regardless of the method used to make the purchase, must be supported with an itemized invoice or receipt, and not just the credit card receipt.*** An itemized invoice or receipt lists every item purchased. This is the only way to (1) ensure the specific items purchased benefitted the McKinney-Vento grant program and were reasonable in cost, (2) ensure the Business Office properly classifies and codes each item of expenditure, and (3) avoid an audit exception.

**The itemized invoice or receipt should be provided to the Business Office and is the only original source documentation that is acceptable by an auditor to prove the items were reasonable and necessary.** Your Business Office may also require that some type of authorization form be completed and approved **prior to purchasing any items** through a corporate charge card or account, so be sure to check with your Business Office prior to making a purchase of this nature. It is strongly recommended that this type of procedure be included in your organization's purchasing policies.

The Business Office would then code each individual item or group of similar items by fund code to the appropriate class/object code according to the mandatory [Financial Accounting and Reporting \(FAR\)](#) code structure for recording expenditures. A single receipt may have several items on it that might need to be

classified in several different class/object codes. (FAR is Module 1 of TEA's [Financial Accountability System Resource Guide](#) [FASRG], which is adopted as State Board of Education ([SBOE] rule.)

In this particular scenario, the Business Office would also make a note by each entry in the general ledger that it was purchased through the Walmart corporate account or charge account. Then when the consolidated bill comes in and is ready to pay, all of the individual transactions/items would add up to the entire consolidated bill.

To protect the organization, it is recommended that the organization develop a policy that each employee having access to such a card sign an agreement that they understand they are liable for the charges and must reimburse the organization if they cannot produce the *itemized* invoice or receipt. In most instances, even if the employee loses the receipt, they can usually obtain a duplicate receipt from large stores that have computerized systems. Failure to obtain an itemized invoice or receipt could result in an audit exception and the repayment of funds.

To summarize, TEA's [Budgeting Costs and Guidance Handbook](#) (under *Allowable Cost and Budgeting Guidance*) states that costs charged to a grant using corporate credit cards or accounts will be reimbursed only when each individual charge on the credit card or corporate account statement is reflected in the general ledger according to the following:

- The grant funding source/code
- The date of the actual charge (as opposed to the billing statement or the date the credit card bill or corporate account was paid)
- The individual vendor name (not just the credit card company name)
- The expense category for each item purchased (i.e., supplies, instructional materials, equipment, travel, etc.)

See also question A.6.7. in this FAQ for information pertaining to the purchase of *gift cards*.

**A.1.3. Can we consolidate McKinney-Vento Homeless Education *administrative* funds with NCLB consolidated *administrative* funds?**

No. The *No Child Left Behind Act* (NCLB) amends the *Elementary and Secondary Education Act (ESEA) of 1965*. The McKinney-Vento Homeless Education program is authorized under *Subtitle B of Title VII of the McKinney-Vento Homeless Assistance Act*, which is also amended by the NCLB Act. While McKinney-Vento may be amended by the NCLB Act, it is not an ESEA *program*. Therefore, McKinney-Vento administrative funds cannot be consolidated with ESEA administrative funds (commonly referred to as "NCLB administrative funds"). There is no statutory provision permitting consolidation of McKinney-Vento administrative funds with other federal administrative funds.

**A.1.4. Can we consolidate McKinney-Vento *program* funds on a Title I schoolwide program?**

In general, *McKinney-Vento program funds* may be consolidated with other federal, state, and local funds on a Title I schoolwide program provided that *each* of the following conditions is met:

- McKinney-Vento is included in the Title I schoolwide plan (incorporated into the campus improvement plan) for that particular campus, and the schoolwide plan is developed in accordance with the statutory and regulatory requirements and the USDE non-regulatory guidance on [Designing Schoolwide Programs](#).
- The LEA and campus meet all of the McKinney-Vento statutory requirements, including designating a homeless education liaison (The requirements of McKinney-Vento do not affect the operation of a schoolwide program; all LEAs must meet the statutory requirements of McKinney-Vento, whether or not they receive McKinney-Vento grant funds or any other federal funding.)
- The LEA and campus meet all of the requirements for a schoolwide program and plan as specified in Title I, Part A, § 1114.
- LEAs that consolidate McKinney-Vento funds on a schoolwide program must still reserve Title I, Part A funds specifically for homeless children who do not attend Title I schools, as well as other Title I statutory set-asides, and may *then* allocate the remaining funds to one or more schoolwide programs.
- The LEA discloses in its McKinney-Vento application that it will operate a schoolwide program and describes its activities accordingly. The LEA must carry out all of the activities described in its McKinney-Vento grant application. Refer to TEA's [webpage for comprehensive information on schoolwide programs](#).

**A.1.5. How do we determine which federal cost principles apply to our organization?**

For grants awarded *on or after December 26, 2014*, a single set of federal cost principles applies to every type of organization receiving federal funds. Those federal cost principles are found in [2 CFR Part 200, Subpart E](#).

For grants awarded *prior to December 26, 2014*, there were three different sets of federal cost principles. A different set of cost principles applied to different entities depending on the type of entity. The following table summarizes the cost principles that were applicable to grants *awarded prior to December 26, 2014*.

**Federal Cost Principles Applicable To Grants Awarded  
Prior to December 26, 2014  
(Texas)**

Type of Entity	Applicable Cost Principles
<ul style="list-style-type: none"> <li>● Public school districts</li> <li>● ESCs</li> <li>● Open-enrollment charter schools (regardless of sponsoring entity)</li> <li>● Local governments (e.g., cities, counties, municipalities, councils of government)</li> <li>● State agencies</li> </ul>	<p><a href="#">OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments</a> (codified at <a href="#">2 CFR Part 225</a>)</p>
<ul style="list-style-type: none"> <li>● Nonprofit organizations, including community-based organizations and faith-based organizations</li> </ul>	<p><a href="#">OMB Circular A-122, Cost Principles for Non-Profit Organizations</a> (codified at <a href="#">2 CFR Part 230</a>)</p>
<ul style="list-style-type: none"> <li>● IHEs (institutions of higher education, i.e., colleges and universities)</li> </ul>	<p><a href="#">OMB Circular A-21, Cost Principles for Educational Institutions</a> (codified at <a href="#">2 CFR Part 220</a>)</p>

Bear in mind, however, that for the school years **prior to and through the end of the 2012-2013 school year**, the open-enrollment charter schools sponsored by a nonprofit organization were required to comply with the provisions in [OMB Circular A-122, Cost Principles for Non-Profit Organizations](#). And open-enrollment charter schools operated by an IHE were required to comply with the provisions in [OMB Circular A-21, Cost Principles for Educational Institutions](#).

It is also important to note that, while a cost may be specified in the cost principles as allowable, it may not be appropriate or allowable under a particular grant program or under state law. All costs must be *reasonable*, *necessary* to accomplish the objectives of the specific grant program in question, and *allocable* to the program based on the relative benefits received.

**A.1.6. I frequently read in guidelines that all costs charged to a grant must be *reasonable* and *necessary*. What does this mean?**

A cost that is *reasonable* is one which is comparable to the current fair market for the goods or services.

A cost that is *necessary* means that the cost is *vital* or *required* in order to meet the objectives of the grant or for the grant to be successful.

Refer to *Part II Fiscal Requirements, Expending Grant Funds, Allowable Costs* in the [Compliance Handbook](#) for more information related to *reasonable and necessary costs*.

## A.2 Payroll Expenses

### A.2.1. Is it allowable to use *McKinney-Vento* funds to pay for all or a portion of the homeless education liaison's salary and benefits?

Yes, LEAs receiving McKinney-Vento grant funds may use McKinney-Vento funds to pay for all or a portion of the salary and benefits of the local homeless education liaison. The position must be budgeted in the approved McKinney-Vento grant application (class/object code *6100 Payroll Costs*).

In addition, if the liaison is 100% funded from McKinney-Vento, the liaison should have a job description that describes 100% McKinney-Vento duties. The liaison should also complete the semi-annual certification (or similar documentation) once every six months (or similar time frame) certifying that he or she worked on the McKinney-Vento program 100% of the time. See question A.3.2 for more information on the semi-annual certification.

If McKinney-Vento funds are insufficient to pay for all of the salary and benefits of a liaison who is working 100% of the time on McKinney-Vento, and additional state or local resources are also used to help pay the salary and benefits, the liaison is still working 100% of the time on the *single cost objective* of the McKinney-Vento program. Therefore, the semi-annual certification (or similar document) should still be completed once every six months (or similar time frame) and the job description should still reflect that the liaison spends 100% of his or time on the McKinney-Vento program. The job description should also specify the funding sources (including state or local, as applicable) from which the liaison's salary and benefits are paid.

If the liaison only **works part of the time on McKinney-Vento**, and part of the time on another federal program (other than Title I, Part A) or a state or local program, the liaison should maintain time-and-effort records (i.e., personnel activity reports or similar documentation) that document the time spent on all activities for 100% of the time. See the questions in A.3. for more information pertaining to time-and-effort records. The liaison's job description should describe activities related to all of the programs on which he or she is working and the corresponding funding sources.

Failure to maintain a current job description and the semi-annual certification or time-and-effort records (or similar documentation) could result in an audit finding and the repayment of McKinney-Vento funds.

**A.2.2. When the salary for the local liaison is budgeted in the application, and if the *actual salary* paid the liaison turns out to be less than, or more than, the salary listed in the application, or if the *actual FTE* turns out to be more or less than budgeted, are we required to submit an amendment to change the salary amount or the FTE?**

No. As long as the position remains funded in whole or in part from the grant and the position retains the same title and duties, an amendment does not need to be submitted to change the salary amount or the FTE. Both the salary and FTE are estimated amounts only that are subject to change.

An amendment is only required to be submitted for any of the reasons listed in the current instructions for when to submit an amendment. Refer to the TEXSHEP amendment instructions to determine when an amendment is required. Also refer to *Section G. Amendments* of this FAQ for additional questions related to amending an application.

**A.2.3. A position budgeted in our application was reclassified to have a different title, and, as a result of the reclassification, the person in the position received a substantial increase in salary. Is an amendment required to change the title of the position or the salary amount?**

Yes. For the amendment, you will want to leave the *former position title* as a line item on *6100 Payroll Costs* and adjust the estimated salary for the time period *before* the salary increase took effect. Indicate with a statement in parentheses on the line item, or a note at the bottom of the *Payroll Costs* schedule, that this position was reclassified to a different title, and provide the name of the new title and the date of reclassification in the note. Then add a *second* line item with the title of the new position and the corresponding estimated salary for the remainder of the grant period.

The objective is to provide the start of an “audit trail” for the change in position title. Completing the amendment in this manner will help resolve any issues an auditor or monitor may have. The former and new position titles must also be reflected in the *Payroll Ledger* for the corresponding time periods.

Bear in mind that you may also need to make other adjustments to your approved budget to accommodate the significant increase in salary, which may or may not require an amendment for other reasons. Refer to *Section G. Amendments* of this FAQ for additional questions related to amending an application.

**A.2.4. Can we use grant funds to pay for *merit raises* for grant-funded personnel? If so, do *merit raises* need to be listed as a separate line item on the *Payroll Costs* schedule?**

Merit raises for grant-funded personnel are allowable to be paid from the grant provided that the merit raise is given to the employee in accordance with the district’s policy for merit salary increases.

Any such merit increases will *not* be listed as a separate line item on the *Payroll Costs* schedule in the grant application. The costs should be included in the amount budgeted for each position listed on the *Payroll Costs* schedule if your organization anticipates awarding salary increases for those positions. In addition, if this information is not known at the time the original application is submitted, an amendment is *not* required to be submitted to include the merit raises unless an amendment is necessary due to one of the reasons for when an amendment is required. Refer to your SAS instructions to determine when an amendment is required.

Note: The full amount of the merit raise is allowable to be charged to the grant only if the full salary is paid from the grant. If a portion of the salary is paid from other funding sources, the district must pay for the merit increase in the same proportion from each funding source as the salary is paid.

**A.2.5. Is it allowable to use *Title I, Part A* funds to pay for all or a portion of the homeless education liaison's salary and benefits?**

Yes. Since the **beginning of the 2014-2015 school year**, LEAs have been permitted to use Title I, Part A to pay for the homeless education liaison's salary and benefits in whole or in part. The liaison is not required to perform any other Title I, Part A duties. The liaison's salary and benefits may be funded from the Title I, Part A *set-aside* for homeless students attending non-Title I schools. However, using Title I *set-aside* funds to support a homeless education liaison's salary does not satisfy an LEA's obligation to provide comparable Title I services to homeless children who attend non-Title I schools.

**Up through the end of the 2013-2014 school year**, however, the liaison could be funded from Title I, Part A **only** if the liaison was *also* performing Title I duties *other than just coordinating and arranging for Title I services to homeless students*. Otherwise, there was a supplant issue for Title I, since the liaison is *required under McKinney-Vento*, not Title I. If the liaison had no Title I duties other than just coordinating and arranging for services to homeless students, the LEA was required to pay the liaison's salary from McKinney-Vento or from state or local funds.

The position would need to be budgeted in the approved NCLB Consolidated Application under Title I, Part A (*6100 Payroll Costs*), and the person should maintain a current job description that describes McKinney-Vento duties. The job description should also specify that the salary and benefits are paid 100% from Title I, Part A.

In addition, if the liaison's salary is paid 100% from Title I, Part A, because Title I, Part A, is an Ed-Flex program, no 6-month certification (or similar documentation) is necessary. If the liaison's salary is paid from a combination of Title I, Part A and McKinney-Vento, and the liaison spends 100% of his or her time on McKinney-Vento, the liaison should complete the 6-month certification (or similar documentation) because McKinney-Vento is *not* an Ed-Flex program. Also in this case, the liaison's job description should specify that the salary and benefits are paid from a combination of Title I, Part A and McKinney-Vento.

**A.2.6. Is it allowable to pay for a portion of the *superintendent's* salary from grant funds?**

No. Salaries for superintendents are not allowable to be paid from grant funds under any circumstances. The federal cost principles (2 CFR § 200.444) state that *general costs of government*, including the salaries and expenses of the *chief executive of a local government*, are not allowable. School districts and ESCs are *local governments*.

In addition, the superintendent's position would exist whether or not the district receives any federal funds, and his or her entire salary must be paid from state or local funds. It would constitute a supplant violation to pay all or part of the superintendent's salary with state or federal grant funds.

Since open-enrollment charter schools are public schools in Texas, the same regulations regarding superintendents' salaries and expenses are also applicable to open-enrollment charter schools.

**A.2.7. Our principal oversees activities for homeless students on the campus. Is it allowable to pay a portion of the *principal's* salary from grant funds?**

No. The principal's position would exist whether or not the district receives any federal funds, and his or her entire salary must be paid from state or local funds. It would constitute a *supplant* violation to pay all or part of the position from state or federal grant funds.

**A.2.8. We have an *assistant principal* who works on the McKinney-Vento grant and documents her time with time and effort. Can we use McKinney-Vento funds to pay the part of her salary that is documented as working on McKinney-Vento?**

An *assistant principal* will most likely be assigned to the school whether or not the school is benefitting from any federal funds. Therefore, paying part of her salary with grant funds would in most cases constitute a supplant violation for the district. Therefore, her regular contracted salary must be paid from state or local funds. The regular working hours for the *assistant principal* should be specified in her contract.

However, if the *assistant principal* is performing duties related to the McKinney-Vento grant that are **not related to her assistant principal duties during non-contracted hours**, it may be appropriate to budget and pay "extra duty pay" (class/object code 6100) for the *assistant principal* for the work performed during **non-contracted hours**. Such payment must be consistent with district policy to pay assistant principals extra duty pay for performing duties not related to her duties as assistant principal and must be for work performed during **non-contracted hours**.

Refer to question A.2.15. for a description of the available methods for paying for extra duty pay.

**A.2.9. An assistant principal position was added on a campus specifically to coordinate or manage the McKinney-Vento grant. Can that person's salary be paid with grant funds?**

Most likely not. The title "*assistant principal*" implies the individual will be performing duties that an assistant principal might typically perform. If the position was indeed added to specifically coordinate or manage a grant program, then, to avoid an audit exception or misperception, it is recommended that the title of the person more appropriately reflect the duties of the position, such as "*grant coordinator*."

To be able to pay the salary from the grant, the position must be properly budgeted and approved in the grant application (class/object code 6100), and the title and duties must coincide with that of a *grant coordinator*, and not of an *assistant principal*. If the position was added to perform the duties of an *assistant principal* as well as grant duties, see the previous question and answer.

**A.2.10. Is the salary for a bus driver who transports homeless students allowable to be paid from McKinney-Vento funds?**

McKinney-Vento funds may be used to defray the *excess cost* of transporting homeless students to and from their *school of origin* when such transportation is not otherwise provided through federal, state, or local funds. "Excess costs" are any costs an LEA incurs in transporting a homeless student to/from the *school of origin* when that transportation falls *outside the official routine bus route* and the [state transportation allotment](#) for that student is not sufficient to cover the entire cost of transporting the student.

Refer to *Section A.10* of this FAQ for more information on allowable *excess costs* for student transportation and how it relates to the *state transportation allotment*. LEAs are eligible to receive funding under the *state transportation allotment* for *eligible* students. If the district already receives adequate funding for certain homeless students under the *state transportation allotment*, the district may not use McKinney-Vento or any other funding source to transport those homeless students.

Accordingly, the appropriate *proportion* of the salary and benefits for a bus driver who takes an *irregular, non-routine route* not already paid with state or local funds to transport homeless students **to and from the school of origin** is allowable to be paid from the McKinney-Vento grant as long as certain conditions as described below are met.

The bus driver must be able to isolate the actual total number of miles for driving on the *irregular route*, from the actual total number of miles for driving the *regular routine bus route*. That portion of the bus driver's salary for deviating from the regular route to pick up and drop off homeless students can be charged to the McKinney-Grant as long as all other previously mentioned conditions are met.

In other words, in order to demonstrate the "*excess cost*" of transporting the student, the driver must deviate from the *regular, routine route* in order to pick up or return the homeless students, and the *excess mileage* must be tracked and

recorded. Tracking and recording the *excess mileage* for deviating from the regular route may not be practical in many cases.

If the *non-routine* route can be documented as described in the previous paragraphs, in order to be charged to the grant, the bus driver must be budgeted in the approved grant application (class/object code 6100) and should maintain time-and-effort records or similar documentation. A substitute system for time and effort based on actual mileage may be appropriate in lieu of traditional time-and-effort records. Refer to the regulations in 2 CFR § 200.430(i)(5), Compensation - Personal Services, for more information on allowable substitute systems for documenting personnel expenses.

**A.2.11. Are *fringe benefits* allowable under Payroll Costs?**

Yes. *Reasonable* fringe benefits are allowable to be charged to the grant for personnel paid from the grant in the same proportion as the percentage of the salary paid from the grant. Fringe benefits may include the costs of leave (such as vacation, sick leave, etc.), health and dental insurance, life insurance, contributions to teacher retirement, mandatory pension plan costs, unemployment insurance, social security payments made on behalf of the employee, etc., provided such benefits are provided under *established written policy*. Fringe benefits may also be paid from state or local sources, but may not be paid from *other federal* sources.

The McKinney-Vento application lists *Fringe Benefits* (or *Employee Benefits*) as a separate pre-printed line item in *6100 Payroll Costs*; therefore, the appropriate cost of fringe benefits for all personnel paid from the grant should be budgeted in *6100 Payroll Costs* in the "Fringe Benefits" (or "Employee Benefits") line. For other grant applications, if there is no separate pre-printed line for *Fringe Benefits* (or *Employee Benefits*), they should be included in the salary amount for each position budgeted.

Fringe benefits are not an allowable cost for personnel *not* paid from the grant.

**A.2.12. Is it allowable to pay an unemployment claim or workers' compensation claim for an employee paid from the grant?**

Pursuant to the provisions in 2 CFR § 200.431(e)(3), it is allowable to pay an actual unemployment *claim* or workers' compensation *claim*. The cost is allowable in the year the *claim* was actually paid if it follows a policy consistently applied among all employees (including former employees) and if the cost is *allocated to indirect costs* and not program funds.

It is also allowable to pay the proportionate share of the *premiums* for unemployment or workers' compensation insurance as part of employee fringe benefits.

**A.2.13. Where should we budget *health insurance* costs for employees?**

Health (and dental) insurance costs for employees are part of fringe benefits and are allowable as specified in the previous question.

If *Fringe Benefits* (or *Employee Benefits*) are listed as a separate pre-printed line item on *6100 Payroll Costs*, then the appropriate cost of fringe benefits for all personnel paid from the grant should be budgeted in *6100 Payroll Costs* in the "Fringe Benefits" (or "Employee Benefits") line. If there is no separate pre-printed line for *Fringe Benefits* (or *Employee Benefits*), they should be included in the salary amount for each position budgeted.

Health insurance costs are allowable only for employees paid from the grant in the same proportion as the percentage of the salary paid from the grant.

**A.2.14. Is it allowable for an employer to make *matching* contributions to an employee's voluntary retirement plan, such as a 401(k), 403(b), or IRA, and pay that contribution from the grant?**

No, *employer* matching contributions to a *voluntary* retirement plan are not allowable. It is allowable, however, to use grant funds to make *required* contributions to an employee's retirement or pension plan when contributing to the retirement or pension plan is *mandatory* (i.e., not optional) for all employees and when specified in organization policy that all employees are required to participate in the plan and the employer will contribute a specified percentage. The policy must be applied consistently for all employees regardless of funding source, and their *mandatory* retirement plan contributions must be paid from the same funding sources from which their salaries are paid or from state or local funds.

**A.2.15. When can we charge *extra duty pay* (previously referred to as "*employee stipends*") to the grant?**

A school may pay employees *extra duty pay* (previously referred to as "*employee stipends*") to attend grant-related meetings, conferences, or workshops, or to participate in or to perform grant activities, that occur during **non**-contracted hours (after-hours, holidays, weekends, and summer). *Extra duty pay* (sometimes referred to as *employee stipends*) may not be paid for work performed during the regular working hours specified in the employee's contract.

If extra-duty pay is based on actual *hours* worked during non-contracted hours, the pay must be based on a reasonable hourly rate for the type of work performed, and the actual number of hours worked must be documented with a time card or similar documentation.

Alternatively, where provided in district policy, if an additional assignment, such as managing a grant, is given to an employee, where the employee will manage the grant during **non**-contracted hours, the district may supplement the pay of the employee on a semester or annual basis, as appropriate, depending upon the

length of the project. But remember, this work cannot be performed during regular contracted hours, or it will cause a supplant issue for the district.

**Examples:** Teachers might receive \$100 each to attend an all-day Saturday workshop pertaining to the education of homeless students. Attendance at the workshop must be documented with a sign-in sheet or equivalent, and a copy of the sign-in sheet must be submitted to the district Accounting Office. Only those teachers who attended the workshop as documented on the sign-in sheet would receive the extra duty pay.

Or, teachers who stay after regular contracted hours to tutor homeless students may receive reasonable hourly pay. The actual number of hours worked by each teacher must be documented (using a time card or something comparable) and submitted to the Accounting Office.

Stipends for *non-employees*, such as parents, are addressed in question A.13.8.

**A.2.16. Does the amount of fringe benefits increase with extra duty pay?**

Extra duty pay, in effect, increases the salary amount. Some benefits, such as health and dental insurance, remain the same amount per month for an employee regardless of whether the employee is receiving extra duty pay.

The costs for some other fringe benefits will increase with extra duty pay, particularly those benefits for which the costs are based on a *percentage* of the salary. For example, the amount contributed to teacher retirement or social security payments is based on a specified percentage of the salary. Therefore, extra duty pay would likely increase the amount of those particular fringe benefit costs. Check with your local Business Office to determine which benefits are affected by an increase in salary as a result of extra duty pay.

Fringe benefits, including any that result in an increase from extra duty pay, may be paid from the grant from which the employee's salary is paid (in proportion to the percentage of salary paid from the grant) and may also be paid from state or local sources, but may not be paid from *other* federal grant sources. See question number A.2.11. for more information on fringe benefits.

**A.3 Documenting Personnel Expenses (i.e., Time-and-Effort Reporting)**

**A.3.1. Most of the NCLB programs are *Ed-Flex* programs. What is *Ed-Flex*, and is *McKinney-Vento Homeless Education* an *Ed-Flex* program?**

Ed-Flex is a provision that allows the U.S. Secretary of Education to delegate to states the authority to waive certain federal education requirements that may impede local efforts to reform and improve education. Texas is an *Ed-Flex state* based on an application submitted by TEA to the USDE.

The Ed-Flex waivers approved for Texas provide relief to grantees from certain administrative requirements, as well as from certain program requirements. For example, it is not necessary for personnel who work 100% of their time on an *Ed-Flex* program to complete the semi-annual certification (or similar

documentation) documenting they spent 100% of their time working on the grant. See *Part II Fiscal Requirements, Flexibility in the Use of Funds, Ed-Flex and the Impact on McKinney-Vento* of the [Compliance Handbook](#) for a list of Ed-Flex programs in Texas.

**McKinney-Vento**, however, is NOT an Ed-Flex program. Therefore, employees of a school district, open-enrollment charter school, or ESC who work 100% of their time on **McKinney-Vento** should complete the semi-annual certification (or similar documentation). (See the next question about “semi-annual certification.”)

Refer to the *Appendices, Sample Semi-Annual Certification* in the [Compliance Handbook](#) for a sample of a semi-annual certification.

### **A.3.2. What is the “semi-annual certification” and when is it recommended?**

2 CFR § 200.430(i) requires that charges to federal grants for salaries and wages be based on records that accurately reflect the work performed and are supported by a *system of internal control* which provides reasonable assurance that the charges are accurate, allowable, and properly allocated.

A semi-annual certification is a statement completed once every six months (or similar time frame) by an employee certifying that he or she worked on a single federal program *and single cost objective* 100% of the time. Therefore, the semi-annual certification (or similar document) is recommended for those employees who fit this model in order to document personnel expenses.

Note: In Texas, because of the Ed-Flex authority, the semi-annual certification (or similar document) is waived for Ed-Flex programs. See the previous question and answer for more information about Ed-Flex.

McKinney-Vento is NOT an Ed-Flex program. Therefore, the semi-annual certification (or similar document) is recommended for employees who work 100% of their time on McKinney-Vento.

The semi-annual certification should

- be executed *after* the work has been completed, and *not before*
- state that the employee worked solely (i.e., 100% of the time) on activities related to a particular grant program and single cost objective
- identify the grant program or cost objective
- specify the 6-month (or similar time frame) reporting period (i.e., beginning and ending date)
- be signed and dated by the employee or a supervisor with first-hand knowledge of the work performed

Refer to *Part II, Fiscal Requirements, Expending Grant Funds, Payroll Costs and Documentation for Grant-Funded Personnel* in the [Compliance Handbook](#) for additional guidance about the semi-annual certification.

In addition, TEA issued guidance pertaining to a [Substitute System of Federal Time-and-Effort Reporting for Employees Supported by Multiple Cost Objectives](#). Pursuant to this guidance, employees who work on *multiple* cost objectives (i.e., more than one federal grant award) and *who meet certain conditions* may complete a *schedule* at the beginning of the reporting period and a *certificate* (similar to the semi-annual certification) at the end of the reporting period in lieu of traditional time-and-effort records.

To qualify for this substitute system in lieu of traditional time-and-effort reports, the employee must work on *multiple activities or cost objectives (i.e., more than one federal grant award)* based on a *predetermined, set schedule*, which is most likely applicable to classroom teachers or instructional aides. The employee must also have been required to complete traditional monthly time-and-effort reports. In order for any employees to use this system, the LEA must also submit a [Management Certification](#) form to TEA by the specified deadline date each year.

### **A.3.3. When are time-and-effort records recommended?**

2 CFR § 200.430(i) requires that charges to federal grants for salaries and wages be based on records that accurately reflect the work performed and are supported by a *system of internal control* which provides reasonable assurance that the charges are accurate, allowable, and properly allocated.

Therefore, it is recommended that employees who do **not** work on a single grant program or single cost objective maintain *time-and-effort records (or similar documentation)* or account for their time spent on various grant programs and cost objectives through a *substitute system*. Therefore, time-and-effort records (or similar documentation) are traditionally recommended for employees who work on more than one federal program or who work on multiple cost objectives, including a federal program and a non-federal program. See *Part II Fiscal Requirements, Expending Grant Funds, Cost Objectives* in the [Compliance Handbook](#) for an explanation of "cost objectives."

However, TEA issued guidance pertaining to a [Substitute System of Federal Time-and-Effort Reporting for Employees Supported by Multiple Cost Objectives](#). Pursuant to this guidance, employees who work on *multiple* cost objectives and *who meet certain conditions* may complete a *schedule* at the beginning of the reporting period and a *certificate* at the end of the reporting period in lieu of traditional time-and-effort records. To qualify for this substitute system, the employee must work on *multiple activities or cost objectives* based on a *predetermined schedule*, which is most likely applicable to classroom teachers or instructional aides. In order for any employees to use this system, the LEA must also submit a [Management Certification](#) form to TEA by the specified deadline date each year.

Also refer to *Part II Fiscal Requirements, Expending Grant Funds, Payroll Costs and Documentation for Grant-Funded Personnel* in the [Compliance Handbook](#) for more information related to charges to payroll and documentation. Also, in the *Appendices* to the [Compliance Handbook](#) is an appendix entitled *Employee Scenarios – Recommended Documentation for Personnel Expenses*. This document provides a comprehensive set of scenarios based on the number and

type of federal programs or cost objectives an employee works on. You can identify the scenario that matches a particular employee's situation and determine the proper documentation that should be maintained for that employee.

**A.3.4. What does a proper "time-and-effort record" look like?**

Time-and-effort records (or similar documentation) should be maintained *contemporaneously* (as the work occurs – recommended daily) and should contain the following three elements at a minimum:

- The activity (a brief description of what the employee did)
- Time frame (how long it took the employee to do it – no less than 15-minute increments recommended)
- Funding source/program or other cost objective it will be charged to

In addition, time-and-effort records should

- be completed *after* the work is performed, and *not before*
- account for the *total* activities of the employee (100% of their time) (required)
- specify the reporting period
- be signed and dated by the employee

The daily totals are then summarized in a monthly report which is submitted to the Payroll Office. Charges to payroll must be based on the actual time-and-effort reports (or similar documentation).

Refer to the *Appendices, Sample Daily Time-and-Effort Report* in the [Compliance Handbook](#) for a sample of a time and effort report. Refer to *Part II Fiscal Requirements, Expending Grant Funds, Payroll Costs and Documentation for Grant-Funded Personnel* in the [Compliance Handbook](#) for more detailed information about charges to payroll and associated documentation.

**A.3.5. The homeless education liaison works 100% of her time on McKinney-Vento activities and is paid 100% from McKinney-Vento. What are the time-and-effort requirements?**

The liaison should complete a semi-annual certification (or similar document) (once every 6 months or similar time frame) documenting that she spent 100% of her time on McKinney-Vento activities. In addition, the liaison should maintain a job description that describes only allowable McKinney-Vento activities.

Refer to *Part II, Fiscal Requirements, Expending Grant Funds, Payroll Costs and Documentation for Grant-Funded Personnel* in the [Compliance Handbook](#) for additional guidance about the semi-annual certification.

**A.3.6. A coordinator works part of the time on the McKinney-Vento program, and part of the time on other programs and activities. What are the time and effort requirements?**

An employee who works on more than one federal program or on other activities is considered to be working on “multiple cost objectives.” Therefore, the coordinator should most likely maintain traditional time-and-effort records (or similar documentation) for 100% of the time.

However, under certain circumstances, certain employees are eligible to complete a work *schedule* at the beginning of the reporting period and a *certification* at the end of the reporting period and submit it to the LEA’s Business Office. TEA issued guidance pertaining to a [Substitute System of Federal Time-and-Effort Reporting for Employees Supported by Multiple Cost Objectives](#). In order for employees to complete the work *schedule* and *certification* in lieu of traditional time and effort, they must meet *all* of the following conditions:

- The employee must currently work on a schedule that includes *multiple activities or cost objectives* that would (ordinarily) be supported by monthly time-and-effort reports or a substitute system.
- The employee must work on specific activities or cost objectives based on a *predetermined schedule* (this most commonly applies to classroom teachers and instructional aides, but may apply to other positions as well that work on multiple cost objectives and that follow a set schedule during the day or week).
- The employee may not work on multiple activities or cost objectives at the exact same time on his or her schedule.

The LEA must also submit a *Management Certification* form to TEA by the deadline for each school year.

In essence, the employee should do one of three things:

- Maintain traditional time-and-effort records;
- If eligible, complete the work *schedule* and *certification* if the LEA participates in the substitute system; or
- Participate in a substitute system developed by the LEA and approved by TEA

The employee should also maintain a current job description that describes all of the duties performed for all programs and funding sources from which the employee is paid.

**Please note that this substitute system will most likely *not* be suitable for a coordinator or similar position discussed in this particular question because the coordinator or similar position would most likely *not* follow a set, predetermined schedule.**

**A.3.7. Our liaison works 100% of the time on McKinney-Vento activities and is partly funded from McKinney-Vento and partly from state and local funds due to insufficient McKinney-Vento funds to pay her entire salary. What are the time-and-effort requirements?**

An employee who works 100% of the time on a single federal program funded from multiple allowable funding sources is considered to be working on a "single cost objective."

The liaison should complete a semi-annual certification (or similar document) (once every 6 months or similar time frame) documenting that she spent 100% of her time on McKinney-Vento activities. In addition, the liaison should maintain a job description that describes only allowable McKinney-Vento activities and the funding sources from which her salary is paid.

**A.3.8. Our campus is a Title I schoolwide program. What are the time-and-effort requirements for staff paid from McKinney-Vento who work on this campus 100% of the time?**

The purpose of a schoolwide program is to upgrade the "educational program" of the school for all students as reflected in a comprehensive schoolwide program plan based on data from a comprehensive needs assessment. A Title I, Part A schoolwide program is considered a "*single cost objective*." This has different implications depending on the *types of funding* consolidated on the schoolwide program.

**Consolidating McKinney-Vento Funds with Other Federal, State, and Local Funds**

If McKinney-Vento funds are consolidated with other **federal, state, and local funds** on the schoolwide campus, no further documentation is needed for time and effort purposes. Neither the semi-annual certification nor time-and-effort records are necessary. There is no distinction between staff paid with federal funds and staff paid with state or local funds.

Be advised, however, that while this type of consolidation is permissible, very few school districts and open-enrollment charter schools in **Texas** actually consolidate **federal, state, and local funds** on a schoolwide campus. This has caused some key misunderstandings among school personnel and has resulted in numerous audit findings and the repayment of federal funds.

**For example:**

Most schoolwide programs in Texas only actually use **Title I, Part A** funds on a schoolwide basis. Therefore, all students on campus are eligible to be served with Title I, Part A, and not just the students identified as educationally disadvantaged under Title I, Part A.

In this case, however, Title I, Part A funds must be used to address the specific educational needs identified by the needs assessment and specified in the plan. All children in the school may participate in activities funded with Title I, Part A (consistent with the activities described in the plan), and the school does not need to demonstrate that those activities are supplemental to ones that would otherwise be provided by the school.

But because Title I, Part A funds are **not** consolidated with **other federal, state, and local funds in this example**, the school and LEA must still account for and track the Title I, Part A funds separately, identifying the activities that the Title I, Part A funds support ([USDE Non-Regulatory Guidance, Title I Fiscal Issues, February 2008](#)). In addition, the use of Title I, Part A funds in this situation is governed by the federal cost principles in *2 CFR Part 200, Subpart E*.

LEAs that misunderstand this concept have been required to repay Title I, Part A funds that were not

- used to address specific *educational* needs identified by the needs assessment and stated in the schoolwide plan
- separately tracked and accounted for
- used in accordance with the federal cost principles

#### Consolidating McKinney-Vento Funds with Other **Federal Funds**

If McKinney-Vento funds are consolidated **only with other federal funds** (and not with state and local funds), the rules are different depending on if one or more of the programs consolidated is NOT an Ed-Flex program.

##### If All of the Programs in the Consolidated Pool are Ed-Flex Programs

**If all of the programs in the consolidated pool are *Ed-Flex* programs**, then the semi-annual certification is not necessary for any employee paid from the consolidated pool. The semi-annual certification is waived for *Ed-Flex* programs.

##### If One or More of the Programs in the Consolidated Pool Is **Not** an Ed-Flex Program

**If one or more of the programs in the consolidated pool is NOT an Ed-Flex** program, then *all* employees paid from the schoolwide consolidated pool should complete the semi-annual certification (or similar document) stating that 100% of their time was spent on the single cost objective of schoolwide program. This is recommended to cover the programs that are not Ed-Flex, because once non-Ed-Flex programs are consolidated with Ed-Flex programs, you cannot distinguish between someone paid with Ed-Flex program funds vs. someone paid with non-Ed-Flex program funds.

Remember, McKinney-Vento is NOT an Ed-Flex program. Therefore, if McKinney-Vento or any other non-Ed-Flex programs are included in the schoolwide consolidated pool, *all* employees paid from the consolidated pool should complete the semi-annual certification (or similar documentation) to cover the programs that are NOT Ed-Flex.

**If Only Title I, Part A, Funds Are Used on a Schoolwide Basis**

If **only Title I, Part A funds** are used on a schoolwide basis to serve all of the children on campus, normally the semi-annual certification (or similar documentation) would be recommended for employees *paid from Title I, Part A*. However, because Title I, Part A is an Ed-Flex program in Texas, the semi-annual certification for employees who work 100% of their time on the schoolwide program is automatically waived *for employees paid with Title I, Part A*.

An employee who works 100% of his or her time on a schoolwide program but whose salary is *not paid from Title I, Part A*, should complete the semi-annual certification (or similar documentation) if his or her salary is paid from a program that is *not Ed-Flex*. If his or her salary is paid from a program that *is Ed-Flex*, then the semi-annual certification is waived for Texas.

**If an employee works part of the time on a schoolwide program, and part of the time on another federal program or other cost objective**, because the employee is working on multiple cost objectives, the employee should *either* maintain traditional time-and-effort reports (or similar documentation) or participate in a substitute system developed by the LEA and approved by TEA. See *Part II Fiscal Requirements, Expending Grant Funds, Cost Objectives* in the [Compliance Handbook](#) for a description of "cost objectives."

The following matrix may help determine appropriate documentation for personnel expenses when consolidating funds on a Title I schoolwide program.

**Recommended Documentation for Personnel Expenses When  
Consolidating Funds on a Title I Schoolwide Program**

	<b>Using only Title I, Part A to Serve All Students on Campus</b>	<b>Consolidating Title I, Part A and One or More Other <u>Federal</u> Programs</b>	<b>Consolidating Title I, Part A, Other Federal Programs, and State and Local Funds</b>
<b>Semi-Annual Certification (or similar documentation)</b>	<p>Not necessary for personnel <i>paid from Title I, Part A</i> who work 100% of their time on schoolwide program due to Ed-Flex waiver for Title I, Part A.</p> <p>Recommended for personnel paid from a federal program that is <i>not</i> Ed-Flex.</p>	<p>Not necessary for personnel paid from consolidated pool if all federal programs in consolidated pool are Ed-Flex programs. If 1 or more programs in consolidated pool are NOT Ed-Flex, semi-annual certification is recommended for <i>all</i> personnel paid from consolidated pool.</p> <p>Note: McKinney-Vento is <i>not</i> an Ed-Flex program.</p>	<p>No further documentation for the purposes of time and effort is necessary for personnel who work 100% of their time on the schoolwide program.</p>
<b>Time and Effort (or similar documentation) or Substitute System</b>	<p>Recommended for personnel paid from federal funds who work only a portion of their time on the schoolwide program and remainder of their time on other programs/activities.</p>	<p>Recommended for personnel paid partly from consolidated pool who work part of time on schoolwide program and remainder of time on other programs/activities.</p> <p>Also recommended for personnel who work part of their time on an Ed-Flex program and part of their time on a non-Ed-Flex program.</p>	<p>Recommended for personnel who only work a portion of their time on a schoolwide program and the remainder of their time on other programs/activities.</p>

**A.3.9. We have a secretary budgeted for the grant. We take her to lunch on Secretary's Day to show our appreciation for her work. How does she allocate that time on her time and effort?**

The normal lunch hour is not normally recorded on a person's time and effort because a person is not paid for the lunch hour. However, if the luncheon lasts longer than the usual time specified for the lunch period, then the additional time spent at lunch can be recorded as an *administrative activity* that encompasses non-specific activities in the same manner as other non-specific activities might be recorded. For example, when assemblies or district staff meetings or other non-specific activities are held, the time would be recorded as an administrative activity. In other words, it is not a *program* activity; rather, it is an administrative activity.

If the secretary works on more than one grant program, and therefore her time is split-funded among two or more funding sources, then the time would be pro-rated among the respective funding sources according to the same percentage as the work actually performed.

If the secretary works solely on McKinney-Vento and is charged 100% to the McKinney-Vento grant, the secretary should be completing the 6-month certification in lieu of time-and-effort records.

## **A.4 Consultants and Contracted Services**

### Audit Fees

**A.4.1. Is it allowable to use grant funds to pay the independent auditor to conduct the annual audit?**

Some costs to conduct certain audits are allowable to be paid from grant funds, while others are not.

#### Annual Independent Audit

School districts, ESCs, and open-enrollment charter schools in Texas are required under Section 44.008 of the *Texas Education Code* (TEC) to have an *annual independent audit* of all revenues and expenditures. The costs associated with this mandatory *annual audit* are *not* allowable to be paid from any state or federal grant. The cost to conduct the *annual independent audit* must be paid from state or local funds.

#### Single Audit

School districts, ESCs, and open-enrollment charter schools *that expend \$750,000 or more total in federal awards* (i.e., all of the expenditures added together for all of the federal grants) during the fiscal year are also required to have a *Single Audit* conducted *in addition to and in conjunction with* the annual independent audit. The *Single Audit* must be made by an independent auditor in conjunction with generally accepted government auditing standards (GAGAS) and

it must be conducted in accordance with the requirements in [2 CFR Part 200, Subpart F – Audit Requirements](#).

The costs of conducting the *Single Audit* are allowable to be pro-rated among the federal programs being audited in proportion to the award amount expended in each federal program. Refer to *Part II Fiscal Requirements, Audits, Single Audit*, in the [Compliance Handbook](#) for more information.

#### Legal Fees

##### **A.4.2. Can we pay any legal fees or legal expenses from the grant?**

Legal fees/expenses are *allowable only as necessary for the administration of the grant program*. For example, the district might pay an attorney to review the conditions of the grant award, or to develop or review a contract that will be paid from grant funds.

*Retainer fees* are not allowable costs from the grant. Texas Constitution prohibits the prepayment of services (i.e., payment for services not yet rendered). Any retainer fee would need to be paid from state or local funds, and then if and when actual legal services are provided for the benefit of the grant, the legal fees can be charged to the grant.

##### **A.4.3. Is it allowable to pay legal fees on behalf of a homeless student?**

Legal fees on behalf of a homeless student are allowable under limited circumstances. For example, a student might need legal assistance in paying a fine or in meeting some other legal obligation that limits the ability of the student to attend school on a regular basis. If this type of legal assistance is required, the organization must contract directly with the attorney to provide services on behalf of the student. Under no circumstances should funds be provided to the student or family of the student in order to obtain and receive legal assistance.

Any such legal assistance must also be *necessary* due to the fact that failure to pay the fine would limit the ability of the student to attend school on a regular basis; in other words, it directly impacts the academic progress or success of the student. In addition, the legal fee must be *reasonable* in cost and must be paid only in the event the attorney or other organization does not donate the legal services on behalf of the homeless student. Legal fees are budgeted in 6200 *Professional and Contracted Services*.

#### Consultant Fees

##### **A.4.4. Can we pay a "consultant fee" to one of our own employees to conduct training or to develop a manual outside his or her regular contracted hours?**

No. Professional and consultant fees are allowable only *for services performed by persons who are not officers or employees of the organization*. For income tax purposes, a person must be classified as either an employee or as a contractor, and not both.

The district may, however, compensate the employee with reasonable *extra duty pay* for services performed outside normal contracted hours. See A.2.15 for a description of allowable *extra duty pay*.

**A.4.5. Under what circumstances is it allowable to hire a *consultant* to be paid from the grant?**

Grantees may hire a consultant if the services are necessary to accomplish the objectives of the grant, the services are reasonable in cost (i.e., comparable to the current market value), the grantee cannot meet the need by using an employee, and the *purpose* and *cost* of the consultant (not the name) is budgeted in the grant application (*6200 Contracted and Professional Services*). Each consultant/contractor must be listed separately in the application.

In addition, certain factors must be considered in determining the allowability of a consultant. Refer to *Part II, Fiscal Requirements, Consultants*, in the [Compliance Handbook](#) for a list of those factors.

**A.4.6. Some of the consultants we want to hire require a deposit in order to “reserve” their services. Is this allowable, and if so, under what circumstances?**

There are several factors that come into play with regard to this particular scenario. In any case, the deposit must be fully refundable in the event the services to be provided by the consultant are cancelled for any reason.

The following information is provided. However, be advised that it cannot be guaranteed that an independent auditor, TEA auditor, or other oversight agency would not impose an audit finding and the repayment of funds under the circumstances outlined below.

It may be acceptable to sign a contract with a consultant during the current grant period and pay a deposit to retain the consultant’s services; however, the deposit must be fully refundable in the event the services to be provided by the consultant are cancelled for any reason. Allowing any contractor to retain the deposit when the services are cancelled is “paying for services not rendered,” which is an unallowable cost.

Be advised, however, that the deposit may be viewed by auditors as *pre-payment for services*, which is prohibited under the *Texas Constitution*, and may result in an audit finding. See question A.4.7. below with regard to prepayment of services.

Under no circumstances can a *contract* be signed (i.e., executed) with the consultant in the *current* year for services to be performed in the *next* grant year. This would result in an audit exception based on obligating funds before the period of performance (i.e., prior to the start date of the grant as stated on the NOGA). Per guidance from TEA, however, grantees may issue a letter of intent to contract with a third party prior to the issuance of a NOGA. The letter of intent should contain a provision that the future contract is contingent upon receipt of the specific NOGA. The contract can then be signed/executed after the NOGA is received by the LEA.

See *Section D. Obligations/Encumbrances* of this FAQ for more information about obligating funds. Refer to question D.6. in particular for information pertaining to extending a consultant contract past the ending date of the current grant. Also see question D.7. for information pertaining to signing a consultant contract or paying for services before the start date of the grant.

**A.4.7. Is it allowable to pay a consultant/contractor in advance of performing services?**

No. For both state and federally-funded contracts, grantees may pay contractors only *after* services are performed, and *not before*, according to state and federal law. Making payment *before* services are performed is payment in advance and is considered "lending credit" to the contractor, which is prohibited under the *Texas Constitution, Article 3, §§ 50 and 52*.

For ongoing services, payment can be made at the end of every month for services performed during the month, or some other similar arrangement for payment after services are performed.

Additionally, contractors should have the financial resources to sustain the project while the initial work is being completed and during each service period until he or she submits invoices for payment as the work is completed.

**A.4.8. Can we purchase equipment for a consultant or contractor?**

Typically, no. Federal standards for procurement require that contracts be awarded only to responsible consultants and contractors who possess the ability to perform successfully under the terms of the contract. This means that, under most circumstances, contractors should have the proper equipment or the capability to subcontract for the proper equipment necessary to complete the contracted work.

There may be instances where the grantee needs to contract with a company to provide technology services, for example, data storage services. It may be appropriate for the contract to include the cost of purchasing and maintaining servers to store the data. However, any equipment purchased as part of a contract such as this remains the property of the grantee organization, and does not become the property of the contractor. If the contract is terminated, the equipment is either transferred to a different contractor to provide similar services, or the equipment, or funds from the sale of the equipment, are returned to the grantee organization. Additionally, the contractor must be monitored on a regular basis to ensure the equipment purchased with federal funds is being used solely for the authorized purposes specified in the contract.

#### A.4.9. What should a consultant contract look like?

A contract serves as the legally binding agreement between the contracting entity (i.e., the awarding agency) and the contractor. The contract serves as the guide to the scope of work to be performed by the contractor; the time frame during which the work will be conducted and completed; the cost; and any and all requirements, conditions, provisions, or assurances that must be adhered to by the contractor.

The contract, whether well-written or poorly written, serves as the primary written instrument in the event of a legal dispute. Contracts that are poorly or insufficiently written can only lead to misinterpretation, breach, unsatisfactory performance, and waste.

A contract with a consultant or other service provider should contain the following at a minimum:

- The full legal name and address of the contracting entity and the contractor, including the tax ID of the contractor
- The effective dates of the contract (the date on which the contractor may commence performance of services, and the date on which the contractor must complete all work, including any adjustments. The effective dates (beginning and ending dates) must be within the current grant period.)
- An accurate, sufficiently detailed description of the scope and nature of the work to be performed by the contractor
- A timeline outlining the completion and delivery of major activities, tasks, or events
- *One of the following:*
  - A budget by cost category (required for *non-competitive* cost-reimbursement contracts where costs will be incurred for expenses other than personnel; may also be used for *competitive* contracts)
  - The hourly or daily fee X the estimated number of hours or days, as appropriate (required for *non-competitive* cost-reimbursement contracts where costs are based on an hourly or daily fee; may also be used with *competitive* contracts)
  - A *price per unit* and the minimum and maximum number of units to be provided by the contractor, for example, administer 100 tests at \$100.00 per test
  - A lump-sum fixed price (can only be used with *competitive* contracts, and *never with non-competitive contracts*)
  - If a *professional services* contract (limited specifically to a CPA, architect, land surveyor, physician, optometrist, professional engineer, real estate appraiser, or registered nurse), a description of the qualifications of the professional service provider and the compensation (usually per hour, per day, or fixed price, depending on the circumstances). The provider must be selected based on demonstrated competence and qualifications and *then* negotiate fair and reasonable compensation.
- The total cost of the contract
- The method and frequency of payment to the contractor

- Any requirements, conditions, provisions and assurances, including but not limited to the following:
  - For federal contracts  $\geq$  \$25,000, the Debarment and Suspension Certification
  - For federal contracts  $>$  \$100,000, the Lobbying Certification and, if applicable, the Disclosure of Lobbying Activities form
  - For federal contracts  $>$  \$10,000, a clause containing termination for cause and convenience by the awarding agency
  - A clause containing remedies for violation or breaching the contract for contracts  $\geq$  \$150,000
  - A clause that requires the contractor to retain all records pertaining to the contract for three years after the awarding agency makes final payment to the contractor and all other pending matters are closed
  - A clause that allows the awarding agency access to all records
  - Copyright protection. Copyright must be retained for TEA if state or federal grant funds are provided by or through TEA to fund the contract. Also if the contract is paid with federal funds, the federal awarding agency, such as the USDE, reserves a royalty-free, nonexclusive and irrevocable right to reproduce, publish, or otherwise use the work for federal purposes, and to authorize others to do so. 2 CFR  $\S$  200.315(b)
  - Additional clauses that may be required are identified in [Appendix II to Part 200 – Contract Provisions for Non-Federal Entity Contracts Under Federal Awards](#) .

The independent auditor, TEA auditor, or other oversight agency may review a sample of contracts and contracts procedures to ensure contracts are sufficiently detailed, protect the awarding entity, and contain the required federal provisions.

**A.4.10. What kind of documentation do we need to in order to pay a consultant or contractor for work performed?**

Consultants and contractors should not be paid without having a properly signed and dated contract or other written agreement in place which clearly defines the scope of work to be performed, the beginning and ending date of the contract, and the agreed-upon price. The contract should also include a description of the payment procedures.

Upon performance of services (monthly or upon completion of services), the contractor should be required to submit an invoice to the grantee that contains at a minimum the following:

- a clear identification of the contractor/consultant, including name and mailing address
- the dates (beginning and ending date) during which the services were performed (i.e., billing period)
- a description of the services/activities completed during the billing period
- the total amount due to the contractor for the billing period

By submitting a properly-prepared invoice, the contractor is certifying that it is true and correct.

**A.4.11. What constitutes a potential "*conflict of interest*" in the selection of consultants and contractors?**

Federal regulations require that consultants, contractors, and vendors be selected while avoiding conflicts of interest. Employees, officers, or agents of the grantee are prohibited from participating in the selection, award, or administration of a contract supported by federal funds if a *conflict of interest, real or apparent*, would be involved.

A conflict could arise when an employee, officer, or agent of the grantee organization, any member of his/her immediate family, his or her partner, or an organization which employs or is about to employ any of the above individuals, has a *financial or other interest or a tangible personal benefit from a firm/contractor considered for a contract*.

It is important to note here that a *conflict of interest* could also potentially arise if an employee, officer, or agent accepts anything of value from a potential or existing consultant, contractor, or vendor. Anything that can be construed to have been given to influence the purchasing decision is strictly prohibited. Giving and receiving gifts in the public sector may constitute a violation of state and federal law, depending on the dollar value of the gift. See *Part II Fiscal Requirements, Procurement, Procurement Through Full and Open Competition* and the *Appendices, Federal Standards for Procurement* in the [Compliance Handbook](#) for a discussion of criteria for selecting contractors and vendors and avoiding conflicts of interest, including a written code of conduct.

Miscellaneous Contracted Services

**A.4.12. Is it allowable to pay a deposit to a hotel to reserve meeting room space for a conference or meeting we are planning?**

It is allowable to pay a deposit to a hotel to reserve meeting room space for a conference or meeting *if*

- the contract with the hotel is signed *during the current grant period* and
- the contract explicitly states that the deposit is fully refundable in the event the contract is cancelled for any reason. Allowing any contractor to retain the deposit when the event is cancelled is "paying for services not rendered," which is unallowable.

Signing an actual contract with the hotel prior to the current grant period is obligating funds prior to the period of performance (prior to the start date of the grant as stated on the NOGA) and could result in an audit finding. See *Section D. Obligations/Encumbrances* for more information on obligating funds.

**A.4.13. Can we use McKinney-Vento funds to purchase a cell phone for the homeless education liaison?**

Yes, the cost of purchasing a cell phone and the monthly cell phone plan fees for the local liaison are allowable as a direct cost to the grant, provided they are

- budgeted in the approved grant application (*6200 Professional and Contracted Services*)
- reasonable in cost (comparable to current fair market value)
- necessary to carry out the responsibilities of the liaison
- not used for personal use
- issued in the name of the organization, and *not* in the name of the employee (per TEA's [Budgeting Costs Guidance Handbook](#), under *Allowable Cost and Budgeting Guidance*). In other words, the *organization* must purchase the cell phone and "loan" it to the liaison solely for business use.
- not already included in the indirect cost plan or in a direct cost allocation plan. Confer with your Business Office to determine if cell phones and/or monthly plan fees are included in the indirect cost plan or in a direct cost allocation plan before budgeting in the application.

TEA's [Budgeting Costs Guidance Handbook](#) also states that *cell phone stipends* are not an allowable cost. In addition, these guidelines state that grantees must have a *written* policy in place to inform employees that organization-issued cell phones must not be used for personal purposes.

The purchase of the cell phone itself can only be charged to the grant in the year in which the phone was purchased. The monthly cell phone plan fees (along with the purchase of the cell phone, if applicable) are budgeted in *6200 Professional and Contracted Services*. The monthly cell phone plan fees cannot be paid in advance but must be charged to the grant each month as the monthly fees are incurred.

## **A.5 Rent or Lease of Building Space**

**A.5.1. Is it allowable to use grant funds to pay for *leasing* building space in a building that is *owned* by the school district, charter school, or ESC?**

No. A school district (or ESC) cannot pay for *leasing* space in buildings it owns. Nor can a charter school pay to lease space in a building owned by the charter holder where the charter *school* and the charter *holder* share the same vendor ID number (i.e., the charter school and sponsoring charter organization are one in the same). A legitimate *lease* is held only with a third party via a proper arms-length *agreement*.

However, the school district, charter holder, or ESC may receive compensation for the *use* of the building for grant activities by computing *depreciation* in accordance with the federal cost principles for the actual square footage used for grant activities, as long as the building has not outlived its depreciable life.

Depreciation is the method for allocating the cost of fixed assets to periods benefitting from asset use. (2 CFR § 200.436)

Additionally, to be allowable to be charged to the grant, it must be the regular practice of the district/charter school/ESC to equitably charge every federal or state-funded grant program for the use of building space through depreciation so that one program is not treated differently than another program. Charges for *depreciation* must be budgeted and approved in the grant application and must be supported by adequate property and accounting records.

Refer to *Part III Program Requirements, Local Homeless Education Liaison Duties, Allowable Uses of McKinney-Vento Funds*, in the [Compliance Handbook](#) for more detailed information about use of space owned by the LEA.

**A.5.2. The district does not have sufficient office space to house the homeless education liaison. Can we use grant funds to rent or lease building space for the liaison's office?**

Yes. Grantees may use grant funds to rent or lease building space (in buildings NOT owned by the grantee organization) provided

- the costs are budgeted in the approved grant application (*6200 Professional and Contracted Services*)
- the cost per square foot is comparable to the current fair market value for office space in the area
- the costs are not already included in the indirect cost plan or a direct cost allocation plan

If the local liaison does not spend 100% of his or her time on McKinney-Vento activities, then the cost of renting or leasing space from a third party must be prorated (i.e., split-funded) among the applicable funding sources.

Refer to *Part III Program Requirements, Local Homeless Education Liaison Duties, Allowable Uses of McKinney-Vento Funds* in the [Compliance Handbook](#) for more information pertaining to the rent or lease of office space.

**A.5.3. We do not have room in our district to store supplies and materials that we either purchased for our homeless students with McKinney-Vento funds or that were donated to us. Is it allowable to rent or lease storage space to store these items?**

Yes, it is allowable to rent or lease space for storage of materials, provided the following conditions are met:

- The cost of the lease or rental space is reasonable in that it is comparable to the current fair market value for rental or lease space.
- The rental or lease space is budgeted and approved in the grant application in *6200 Professional and Contracted Services*.
- If the rental or lease space also houses supplies and materials purchased with funds *other than* McKinney-Vento, then the cost of the rental or lease space must be split-funded among the other programs in accordance with the percentage of supplies and materials housed in the space. The district

must maintain auditable documentation that documents the appropriate fair share is being charged to McKinney-Vento.

**A.5.4. Large amounts of clothing and backpacks were donated to us for distribution to homeless students and low income students. Is it allowable to rent or lease space in a building, strip mall, or other location to house and distribute the clothing and backpacks?**

Yes, it is allowable to rent or lease space for storage of clothing and backpacks that were donated for distribution to homeless students and low income students. The following conditions must be met:

- The cost of the lease or rental space must be reasonable in that it is comparable to the current fair market value for rental or lease space in the area.
- The rental or lease space is budgeted and approved in the grant application in *6200 Professional and Contracted Services*.
- If the rental or lease space houses clothing and backpacks that are to be distributed to homeless students and other low income students that are *not homeless*, then the cost of the rental or lease space must be split-funded among the other appropriate funding sources in accordance with the percentage of clothing and backpacks distributed to homeless students vs. non-homeless students.

**For example**, if 50% of the clothing and backpacks are distributed to *homeless students*, and 50% of the clothing and backpacks are distributed to *non-homeless* low income students, then the cost of the rental or lease space must be prorated 50% to McKinney-Vento and 50% to another appropriate funding source such as state or local funds. The district must maintain auditable documentation that documents the appropriate fair share is being charged to McKinney-Vento.

## **A.6 Supplies**

**A.6.1. We are anticipating that we will have unused funds near the end of this grant period. Can we use this year's funds to buy supplies that would not be used by the students until the next grant period?**

Unfortunately, no. According to the federal cost principles, costs must be *reasonable and necessary* to carry out the objectives of the grant and must be *allocable* to the grant. In order to be *necessary* to carry out the objectives of the grant and to be *allocable*, the cost must "not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost." The cost must be recognized as ordinary and necessary for the performance of the award during the current grant period.

A cost is "allocable" to a federal award if the goods and services involved are chargeable or assignable *in accordance with relative benefits received during the current grant period*. For the McKinney-Vento Homeless Education grant,

this means that *homeless children and youth* must receive benefit **during the current grant period.**

The U.S. Department of Education's (USDE) Office of Inspector General (OIG) and TEA auditors have interpreted the "*reasonable and necessary*" clause and the "*allocability of costs*" to mean that *participants must benefit from expenditures in the current year of the grant.* Both OIG and TEA auditors have questioned significant costs for goods that were not used during the current grant period due to this interpretation. Those school districts were required to repay those questioned costs.

**Thus, purchasing goods that will not be used until a subsequent performance period (i.e., grant period) is not considered to be reasonable and necessary or allocable to the grant because those goods would not benefit the current grant period.**

In general, in order to benefit the current grant period, it is recommended that goods be delivered no later than 30 days *prior* to the ending date of the grant, and they *must* be put to use before the ending date of the grant. Most Requests for Applications (RFAs) and eGrants that TEA has published in recent years have included the following or similar language:

Definitions of *Reasonable and Necessary*: *Reasonable costs* are defined as those costs that are consistent with prudent business practice and comparable to current market value. *Necessary costs* are those costs that are essential to accomplish the objectives of the grant project. All items requested must be allowable expenditures under the authorizing program statutes, regulations, and rules.

In general, goods or services delivered near the end of the grant period may be viewed by TEA as not necessary to accomplish the objectives of the current grant program, but TEA will evaluate such expenditures on a case-by-case basis. A TEA monitor or an auditor may disallow those expenditures if the grantee is unable to (1) document the need for the expenditures, (2) demonstrate that program beneficiaries receive benefit (during the grant period) from the late expenditures, or (3) negate the appearance of "stockpiling" supplies or equipment.

See question A.6.3. below for one exception to this policy.

**A.6.2. Our McKinney-Vento grant is a shared services arrangement (SSA). If we have a surplus of grant funds near the end of the grant year, can we purchase supplies and give them to districts that are *not* members of the SSA and are not receiving the McKinney-Vento grant, as long as they use the supplies to benefit homeless students?**

While this may be laudable to share your supplies with districts that do not receive McKinney-Vento funds, it is not an allowable practice. The SSA is a fiscal arrangement among the participating member districts and the fiscal agent. Grant funds may only benefit the member districts, campuses, and student population identified in the grant application. If the fiscal agent has a surplus of

McKinney-Vento funds, it should either find a viable use for the funds that benefits the member districts of the SSA, or return the funds to Region 10 ESC.

**A.6.3. School starts in August, but the TEXSHEP grant starting date is not until September 1. We do not have sufficient supplies for the homeless students to start the new school year in August. We know that it is unallowable to purchase large stocks of supplies and materials near the end of the grant period that will not be used until the next grant period. But is it allowable to purchase supplies and materials near the end of the grant period under these circumstances, as long as the supplies and materials are delivered and distributed to the students at the start of school in August?**

Yes, it would be allowable to purchase a sufficient amount of supplies and materials near the end of the grant period so that students can start school in August prepared, provided that

- the costs are reasonable (comparable to current fair market value)
- the costs are necessary in order for the students to start school prepared
- the costs are budgeted and approved in the grant application
- Written documentation is maintained for audit and monitoring purposes that evidences that the supply on hand at the end of the grant year was insufficient for the students to start school prepared.

**For example**, the written documentation might include a list of the supplies and materials and the number of each on hand *prior* to the purchase; the number of each that is needed for homeless students to start school prepared; and the number purchased to meet those needs.

Failure to maintain such appropriate written documentation could result in an audit or monitoring finding due to purchasing supplies and materials so late in the grant period. You must be able to prove that such expenditures near the end of the grant period were reasonable and necessary, meaning they were actually distributed and used by the students before the end of the grant period.

Supplies and materials are budgeted in *6300 Supplies and Materials*.

**A.6.4. Our school provides some programs in which we distribute supplies and materials to *all* students participating in the programs, *including homeless* students. Is it allowable to use McKinney-Vento funds to pay for the supplies and materials that are distributed to the homeless students?**

It depends. If the programs are part of the *regular academic program* operated by the school, then McKinney-Vento funds *cannot* be used to pay for supplies and materials just for the homeless students. The district would need to purchase the supplies and materials for *all* students, *including homeless students*, from state or local sources to avoid a supplant violation.

However, if the programs are before school, after school, weekend, or summer programs that are *not part of the regular academic program* operated by the school, and these programs are funded from a variety of federal and/or state *grant sources*, then the costs could be prorated among the various *grant* programs according to the percent of students being served in each grant program. McKinney-Vento could then be used to pay for the supplies and materials for homeless students, while other federal and/or state grant sources would be used to pay for the supplies and materials for the populations being served under those respective grants.

Under no circumstances is it permissible to purchase gift cards with grant funds to be used to purchase supplies and materials for the students. Refer to question A.6.7. for more information pertaining to the use of gift cards.

**A.6.5. We'd like to purchase some emergency clothing (including shoes and winter jackets and coats) for homeless students who do not have adequate clothing to attend school or to participate in gym class. Is this allowable, and where do we budget clothing?**

Yes, these expenditures are allowable *as a last resort* provided that

- the costs are reasonable (comparable to current fair market value). A couple of sets of clothing; a sturdy, versatile pair of shoes; a set of clothing and shoes for gym class; and a reasonably-priced jacket or coat appropriate for the geographic area for a student would most likely be deemed as reasonable by an auditor.
- the costs are necessary in order for the students to attend school or to participate in gym class
- appropriate clothing and shoes cannot be donated by another organization or retail store
- the costs are budgeted and approved in the grant application

Clothing and shoes are budgeted in *6300 Supplies and Materials*. Also, see question A.6.8. pertaining to the purchase of athletic gear or band uniforms.

Under no circumstances should the funds be given to the family/student to make their own purchases. Additionally, it is not permissible to purchase gift cards with grant funds to be used to purchase emergency clothing and shoes for the students. Refer to question A.6.7. for more information pertaining to the use of *gift cards*.

**A.6.6. We have a homeless shelter in our geographic area that serves families and children from several surrounding school districts. Is it allowable or are we required to use our McKinney-Vento funds to purchase educational supplies and materials for all of the homeless students in the shelter, even though some of them do not attend school in our district?**

The McKinney-Vento statute requires that all homeless children and youth have an opportunity to meet the same challenging State student academic achievement standards to which all students are held. The statute also requires

that all homeless children and youth have full and equal opportunity to succeed in school.

Many homeless shelters provide some type of study area for students so they can do their homework and concentrate on their studies in a quiet area away from distractions. Shelters may also provide additional tutoring and other kinds of educational support for the school-age children to supplement that provided by the school. Such shelters may depend on their local school districts as well as other charitable organizations to provide financial support or donations to help pay for supplies and materials that the students may need.

Because the McKinney-Vento statute requires that homeless children have a full and equal opportunity to succeed in school, it seems logical, then, to conclude that the school of origin is responsible for contributing its fair share of financial support or donations to enable their children to succeed in the supplemental educational activities provided by the shelter. The first choice, then, appears to be soliciting the needed support from the various schools of origin that are located in a school district other than your own.

In the event that the schools of origin located in other districts are unable or unwilling to provide support, then it seems that it would be appropriate in the spirit of the law to purchase a sufficient amount of supplies and materials so that all homeless students at the shelter could receive the same level of support and thus increase their opportunities for academic success. However, it must be recognized that the schools of origin that are unable or unwilling to provide support to their students in the shelter may not be complying with the requirements of the McKinney-Vento statute and could be found to be discriminating against homeless students should a legal dispute arise over the matter.

**A.6.7. It simplifies bookkeeping for the LEA to purchase gift cards or bank cards for use by the homeless education liaison or other staff to use for purchasing supplies, clothing, etc., for their use or for the students' use. Is it allowable to purchase gift cards or bank cards with grant funds, as long as the gift/bank cards are used to make legitimate purchases?**

While it may simplify bookkeeping for the LEA to purchase *gift cards or bank cards*, it is not allowable under the federal cost principles to purchase "gifts or anything that appears to be a gift," including *gift cards and bank cards*.

This applies even if the recipient provides a receipt documenting the item(s) actually purchased with the gift/bank card. **For example**, a receipt may show that clothing or shoes were purchased with the gift/bank card. But a receipt would rarely be sufficiently detailed enough to show that the clothing or shoes were appropriate for the age of the student you were purchasing the clothes or shoes for. In most cases, it would be difficult to determine from the receipt whether the clothing and shoes were for children, teenagers, or adults.

Also, the Business Office would be required to record the expenditure in the accounting ledger as a "gift card" or "bank card." Neither of these expenditures would be allowable costs under any grant.

In addition, establishing a clear audit trail would be almost impossible. Every *cent* of the gift/bank card would need to be accounted for. Tracking receipts and remaining balances on gift/bank cards can present significant challenges for the Business Office and would most likely ultimately result in incomplete or insufficient documentation to pass an audit. The LEA risks the disallowance of any amount that cannot be properly accounted for and documented.

Therefore, in most instances, the cost for the purchase of the gift/bank card would automatically be disallowed by an auditor or monitor.

**A.6.8. Some of our homeless students would like to participate in school-sponsored athletic activities or band activities, but they do not have the resources to purchase the appropriate athletic gear or band uniform that's required to participate. Is it allowable to use McKinney-Vento funds to purchase such athletic gear or a band uniform? If so, where would these items be budgeted?**

Research suggests that participation in extracurricular activities such as music, academic clubs, and sports may increase students' engagement in and attachment to school and may ultimately lead to their success in school (NCES, *Extracurricular Participation and Student Engagement*, June 1995). Section 723(d)(7) of the *McKinney-Vento* statute authorizes the expenditure of grant funds for *the provision of services and assistance to attract, engage, and retain homeless children and youth in public school programs provided to non-homeless children and youth.*

Therefore, it would be allowable to purchase athletic gear or band uniforms provided that the primary purpose of the expenditure is to allow the student to participate in athletic and band activities in the same manner as non-homeless students. However, before expending McKinney-Vento funds for this type of expenditure, other factors must be considered.

Most school districts have a local athletic booster club that may provide athletic gear free of charge to low income students. The same is most likely true for band uniforms. Most school districts have a local band booster club that may provide band uniforms, including band shoes, free of charge to low income students. In many cases, the band uniforms are owned by the school district and are "loaned" to the student for use during the year. In any case, the student may be expected to dry clean the band uniform as needed, or to launder the athletic uniform as needed.

If the local booster clubs or other organizations do not donate the gear or uniform, or if there are other costs involved for use of the gear or uniform, such as rental fees, dry cleaning, or laundering, these costs are allowable to be paid from the grant *as a last resort* provided that

- the costs are reasonable (comparable to current fair market value)
- the costs are necessary in order for the students to participate in school-sponsored athletic or band activities, which can lead to retention and success in school

- the costs are budgeted and approved in the grant application
- there are no other viable resources to donate the items

These items would be budgeted in *6300 Supplies and Materials*.

Under no circumstances should the funds be given to the family/student to make their own purchases.

**A.6.9. One or more of our homeless students would like to be in the band, but they do not have the resources to purchase a band instrument. Is it allowable to rent, lease, or purchase band instruments for use by homeless students? Where would we budget the band instruments?**

Research illustrates a strong correlation between individuals who participate in school music experiences and higher academic success (Steven N. Kelly, *Communicating the Value of School Music Experiences*). Section 723(d)(7) of the statute authorizes the expenditure of grant funds for *the provision of services and assistance to attract, engage, and retain homeless children and youth in public school programs provided to non-homeless children and youth*. Therefore, it would seem reasonable to rent, lease, or purchase band instruments for use by homeless students provided that the primary purpose of the expenditure is to allow the student to participate in band activities in the same manner as non-homeless students. However, before expending McKinney-Vento funds for this type of expenditure, other factors must be considered.

Many school districts have a local band booster club that may purchase instruments for the school and then provide those instruments free of charge to low-income students for use during the school year. Also, in some cases, the more expensive instruments, such as tubas, drums, and bassoons, are owned by the school district and are “loaned” to students for use during the year. The district may even own smaller instruments that can be “loaned” to students for use during the year. Or a local musical instrument store may rent, lease, or sell an instrument to the school at a discounted price to benefit low-income students who cannot otherwise afford the instruments.

However, if the local booster club or other organizations or businesses do not donate the instruments, these costs are allowable to be paid from the grant *as a last resort* provided that

- the costs are reasonable (comparable to current fair market value)
- the costs are necessary in order for the students to participate in the band, which can lead to retention and success in school
- the costs are budgeted and approved in the grant application
- there are no other viable resources to donate the instruments; coordination with the district’s band director is required

In any case, the district must use the most cost-effective method in acquiring the instrument – whether it is to rent, lease, or purchase the instrument. An auditor or monitor will most likely want to know that the district did its due diligence and acquired the instrument using the most cost-effective method. Additionally, a “lease-purchase” agreement where the district “leases-to-own” the instrument is

not an allowable cost to be paid from discretionary grants such as McKinney-Vento.

Band instruments would be budgeted in either *6300 Supplies and Materials* or *6600 Capital Outlay* depending on the cost of a particular instrument and the capitalization policy of the grantee. Check with your Business Office to determine the appropriate schedule for budgeting band instruments.

The instrument is “loaned” to the student and becomes the property of the school district and not of any individual student or family. The district would also need to put into place procedures that ensure that any instruments rented, leased, or purchased with McKinney-Vento funds can only be used by homeless students identified by the homeless education liaison.

Under no circumstances should the funds be given to the family/student to rent, lease, or purchase their own instrument.

**A.6.10. One or more of our homeless students would like to participate in cheerleading or pep squad activities, but they do not have the financial resources to purchase the cheerleading or pep squad uniforms or shoes that are required in order to participate. Is it allowable to purchase uniforms and shoes for cheerleading or pep squad activities so the homeless students can participate? Where are these items budgeted?**

The answer to this question is similar to the previous question about athletic gear and band uniforms in that participation in extracurricular activities may allow the students to become more engaged in school and thus more successful in school. Therefore, it would seem reasonable to purchase cheerleading or pep squad uniforms or shoes for homeless students provided that the primary purpose of the expenditure is to allow the student to participate in those activities in the same manner as non-homeless students (under Section 723(d)(7) of the *McKinney-Vento* statute, which authorizes the expenditure of grant funds for *the provision of services and assistance to attract, engage, and retain homeless children and youth in public school programs provided to non-homeless children and youth*).

If the local booster clubs or other organizations do not donate the uniforms or shoes, or if there are other costs involved for use of the uniforms such as rental fees, dry cleaning, or laundering, these costs are allowable *as a last resort*, provided that

- the costs are reasonable (comparable to current fair market value)
- the costs are necessary in order for the students to participate in school-sponsored cheerleading or pep squad activities, which can lead to retention and success in school
- the costs are budgeted and approved in the grant application
- there are no other viable resources to donate the items

These items would be budgeted in *6300 Supplies and Materials*.

Under no circumstances should the funds be given to the family/student to make their own purchases.

**A.6.11. Our school requires that the students wear uniforms (or a standardized dress). Most of our homeless students cannot afford the uniforms or standardized clothing. Is it allowable to purchase uniforms or standardized clothing for them from McKinney-Vento funds? Where should we budget these items?**

Uniforms

*Texas Education Code (TEC), § 11.162*, permits a local board of trustees to adopt rules that require students to wear uniforms if the board determines that the requirement would improve the learning environment at the school. The TEC further states that the rules must designate a source of funding that shall be used in providing uniforms for students at the school who are educationally disadvantaged. In addition, many local policies include a provision that allows the parent or guardian to request an exemption for the requirement that their children wear uniforms.

Because the TEC states that schools must designate a source of funding to be used in providing *uniforms* for students who are educationally disadvantaged, uniforms must be provided from an appropriate state or local source, and not from any federal source of funding. Therefore, *uniforms cannot* be purchased with McKinney-Vento funds.

Standardized Dress

The TEC does not address *standardized dress codes*. *Standardized dress codes*, in general, provide for more flexibility in that they usually permit students to wear various solid colors of pants, skirts, and tops. For example, a *standardized dress code* might permit solid pants and skirts, and white tops and shirts, as well as other colors chosen by the school.

Because there is typically more flexibility in complying with *standardized dress codes*, students should, in most cases, be able to find suitable clothing that complies with the dress code through various charitable organizations. However, if the student is unable to acquire suitable clothing that complies with the *standardized dress code* through various charitable organizations, then it may be appropriate to use McKinney-Vento funds *as a last resort* to purchase such clothing, provided that

- the costs are reasonable (comparable to current fair market value)
- the costs are necessary in order for the students to comply with the standardized dress code and to attend school
- the costs are budgeted and approved in the grant application
- there are no other viable resources to donate clothing that complies with the standardized dress code

These items would be budgeted in *6300 Supplies and Materials*.

Under no circumstances should the funds be given to the family/student to make their own purchases.

**A.6.12. We have summer camps specifically for our homeless students where we occasionally take them on an educational field trip or excursion. Is it allowable to purchase a custom-imprinted T-shirt or other matching shirt for the students so that we can identify them and keep them together as part of the group?**

Yes, it would be allowable to purchase a custom-imprinted T-shirt or other matching shirt for the students so that you can quickly identify them and keep them together as part of the group. This cost would be allowable provided that

- the costs are reasonable (comparable to current fair market value)
- the costs are necessary for security purposes in order for the students to be identified and kept together as a group
- the costs are budgeted and approved in the grant application
- there are no other viable resources to donate the shirts

Please note that if other students, such as *non-homeless* low income students, also attend the summer camps and participate in the same activities as the homeless students, then the costs of the shirts must be prorated among appropriate funding sources based on the percent of students from each group (homeless vs. non-homeless).

These items would be budgeted in *6300 Supplies and Materials*. A custom-imprinted T-shirt for any other purpose would most likely *not* be allowable.

**A.6.13. Some of our homeless students do not have adequate living facilities and therefore do not have heaters or blankets when it is cold. Is it allowable to purchase space heaters or blankets under these circumstances, and where should these items be budgeted?**

It is reasonable to conclude that it would be difficult for students to concentrate on their homework or to study or to even get a good night's sleep when they are cold. Therefore, it would be allowable to purchase a space heater and/or blanket for homeless students, provided that

- the costs are reasonable (comparable to current fair market value)
- the costs are necessary in order for the students to do their homework, study, or get a good night's sleep so the student is better prepared mentally and physically to attend school and be successful in school
- space heaters and/or blankets cannot be donated by another organization or retail store

These items would be budgeted in *6300 Supplies and Materials*.

Under no circumstances should the funds be given to the family/student to make their own purchases.

**A.6.14. We would like to provide some *incentives* for students to participate in program activities as well as some *awards for recognition*. What is allowable to be purchased with grant funds?**

TEA's [Budgeting Costs Guidance Handbook](#) (under *Allowable Cost and Budgeting Guidance*) states that minimal cost certificates, plaques, ribbons, small trophies, or instructionally-related items to be used in the classroom, such as pens/pencils, are acceptable awards for recognition or incentives for participation in program activities.

The following items are *not* allowable to be purchased with grant funds but may be donated by a third party or may be purchased with state or local funds if allowable under district policy:

- gifts or items that appear to be gifts (includes gift cards or bank cards)
- souvenirs, memorabilia, or promotional items, such as T-shirts, caps, tote bags, etc.
- "door prizes," movie tickets, gift certificates, passes to amusement parks, etc.
- food, snacks, beverages, refreshments, meals, etc.

**A.6.15. We want to do something nice to thank our volunteers. Can we use grant funds to purchase some small gifts or flowers for them?**

While it is a thoughtful gesture, it would not be allowable to purchase such items with grant funds. Gifts and anything that appears to be a gift (including gift cards) are not allowable under the federal cost principles under any circumstances. Additionally, auditors and monitors would not consider these types of expenditures to be necessary to accomplish the objectives of the grant program. A "thank-you" note or "certificate of appreciation" would be an acceptable way to thank your volunteers and would be an appropriate expenditure.

However, gifts and items that appear to be gifts may be paid from *state or local funds if allowable under district policy*. Check with your local Business Office prior to making a purchase of this nature.

**A.6.16. We are sponsoring a conference and would like to use grant funds to purchase some "give-a-ways." Is this allowable?**

While it may be common practice among certain industries to provide "give-a-ways" at conferences, these would not be allowable costs from grant funds. "Give-a-ways" are defined as *gifts, promotional items, souvenirs, or memorabilia* and are strictly prohibited under the federal cost principles to be purchased with grant funds.

If you would like to provide an item of this type, it is recommended you solicit them as a donation from a third party that might also have an interest in the conference. Such items may also be paid from *state or local funds if allowable under district policy*. Check with your local Business Office prior to making a purchase of this nature.

**A.6.17. We are sponsoring a conference and would like to use grant funds to provide a bag imprinted with the conference theme to the attendees so they can keep all of their materials together. Is this allowable with grant funds?**

While this may be common practice in some environments, it is *not* allowable to use grant funds to provide *custom-imprinted* materials to participants. However, it may be acceptable to purchase *plain* bags that are *not* imprinted and distribute them to attendees as long as the bags are considered necessary to accomplish the objectives of the conference and are reasonable in cost. They would be budgeted as “supplies” for the conference.

The additional cost of a custom “imprinted” bag would most likely not be seen by auditors as necessary to accomplish the objectives of the conference. This is because attendees can carry their materials in an *unprinted* bag as well as in an *imprinted* bag.

If you want to purchase and distribute custom imprinted bags, you may pay for the bags in one of three ways: (1) pay for the bags from the registration fee charged for persons to attend the conference; (2) pay for the plain bag from the grant and pay for the custom imprinting from state or local funds if allowable under district policy; (3) have a third party pay for the imprinted bags or the custom imprinting of the bags.

**A.6.18. We are sponsoring a conference for homeless education liaisons and other homeless education staff and would like to use grant funds to provide a pen imprinted with the requirements of the McKinney-Vento statute as a tool and constant reminder of the statutory requirements. Is this allowable with grant funds?**

The answer to this question is related to the answer to the previous question. In order to be allowable from the grant, it must be viewed by auditors as necessary to accomplish the objectives of the grant. One auditor may view it as an unnecessary expenditure, in that the liaison or other homeless education staff can always resort to a copy of the statute or post a one-page flyer or small poster on their wall to remind them of the requirements of the statute. Another auditor may view it as a necessary expenditure in that it may be viewed as a supply item.

You can certainly avoid an audit exception if you pay for the imprinted pens in one of three ways: (1) pay for the pens from the registration fee charged for persons to attend the conference; (2) pay for the plain pen from the grant (as a necessary supply item) and pay for the custom imprinting from state or local funds if allowable under district policy; (3) have a third party pay for the imprinted pens or the custom imprinting of the pens.

**A.6.19. We have found that our parents are more likely to attend parent meetings and parent involvement activities when we provide some sort of “door prizes.” Is this allowable from grant funds?**

No, this type of expenditure is not allowable from grant funds. “Door prizes” (including gift cards) are considered *gifts* and are not allowable under the federal cost principles. But you can accept the door prizes (and gift cards) as donations from local vendors, individuals, or nonprofit organizations.

See question A.6.7. for more information about purchasing *gift cards*.

**A.6.20. To encourage our parents of homeless students to attend parent meetings and trainings, we find they might be more likely to attend if we gave away a bag of groceries (or gift card to a grocery store) as a door prize. Would this be allowable from grant funds?**

No. Similar to the answer in the previous question, door prizes of any kind, including a bag of groceries or gift card for homeless families, while a thoughtful gesture, would not be allowable from grant funds. But it would be acceptable to accept the bag of groceries or gift card as a donation from a local grocery store, individual, or nonprofit organization, and then award it as a door prize.

See question A.6.7. for more information about purchasing gift cards.

**A.6.21. How do we code/classify the purchase of technology supplies and equipment?**

It depends on if the items are classified as “supplies” or if they are classified as “equipment.” Note: “Personal” as used below does not mean property that is for “personal use.” Rather, it means tangible property that is movable or not fixed to a permanent location.

Supplies

Supplies are all tangible personal (i.e., movable) property other than equipment. Supplies are coded to *6300 Supplies and Materials* and generally include consumable items that have a relatively short shelf life, as well as items that may be durable but do not meet the district’s criteria for capitalization as a capital asset.

Examples of technology supplies include supplies necessary to operate computers and other technology, such as flash drives, CDs, DVDs, disks, diskettes, software purchased separately, ink cartridges for printers, cables, etc.

Supplies *may* also include mobile devices such as smartphones, tablets, netbooks, laptops, or even desktop computers, depending on the district’s criteria for capitalization as a capital asset. Check with your district’s Business Office to determine if these items would be capitalized. If so, they would be coded to *6600 Capital Outlay* and must be approved in your application.

Equipment

Equipment is defined as tangible, nonexpendable, personal property that has a useful life of more than one year and the cost per unit equals or exceeds \$5,000,

or the capitalization level established by the grantee, *whichever is less*. Therefore, if your organization's local capitalization level is \$1,000, for example, then equipment that has a useful life of more than one year and costs \$1,000 or more must be capitalized and recorded as a fixed asset.

Check with your district's Business Office to determine the capitalization level for equipment. Also refer to question A.8.7. in this FAQ for more detailed information related to coding supplies and equipment.

It should be noted that, although some technology items such as smartphones, tablets, and laptops might not technically be classified as capital outlay, LEAs should keep track of and inventory these items because they are relatively expensive compared to other types of supplies. **TEA strongly recommends that these items be labeled, inventoried, tracked, and monitored as part of the asset control system, as they are highly mobile and susceptible to loss. Check with your district's Business Office to determine the procedure for tracking and inventorying these items.**

Examples:

1. A large McKinney-Vento project wants to purchase 55 tablets for homeless students at \$100.00 per tablet, for a total of \$5,500. If the district's capitalization policy specifies that these items must be capitalized, even though each tablet costs only \$100, then the tablets must be capitalized and inventoried (budgeted and expended as *6600 Capital Outlay*). If the district's capitalization policy specifies that these items are considered supplies, then the tablets would be budgeted and expended as *Supplies and Materials* (6300).
2. A McKinney-Vento grantee wants to set up a tutoring lab in a local homeless shelter. As part of the lab, the district wants to purchase a *package* that includes 10 laptop computers, monitors, a small server, and a printer, for the total cost of \$6,000, including set-up. Because this is a *package* totaling \$6,000, the purchase must be capitalized as a single package and must be budgeted and expended as *6600 Capital Outlay*.

If, on the other hand, the district purchased the laptop computers separately, the monitors separately, the server separately, and the printer separately, then the items may or may not be capitalized depending on the district's capitalization policy as described above.

#### Policy Pertaining to Personal Use of Technology

TEA also strongly encourages grantees to develop and approve a policy pertaining to the *personal* use of technology items purchased with grant funds. The policy should include the following elements:

- A statement detailing that software and/or applications that are solely for personal use should not be loaded/saved onto technology items purchased with grant funds
- Mechanisms/procedures for ensuring compliance with the policy
- Consequences for noncompliance with the policy

## A.7 Food Costs

### A.7.1. **Our district is conducting an all-day training for staff where it will not be practical for participants to leave for lunch (sometimes referred to as “cloistered”). Can grant funds be used to pay for lunches under these circumstances?**

Payment for lunches for staff training and meetings is allowable only under certain limited circumstances and must be approved in advance by ESC Region 10 in the McKinney-Vento application. For grants administered by TEA, approval must be obtained in advance from TEA using TEA’s process.

*All day* is defined by TEA as at least 6 hours per day. If the all-day training is held in a location such that it is impractical for staff to obtain lunch on their own (for example, because the training is held in an isolated location or is not held in a location near eateries – sometimes referred to as the participants are “cloistered”), and their attendance at the training is essential to accomplishing the objectives of the grant, a *light lunch* may be considered reasonable. TEA will not reimburse a lunch that exceeds \$20 per person, including tax. *Voluntary* gratuities and tips are *not* allowable to be charged to the grant. *Mandatory* service fees and delivery fees (fees that are not voluntary) are allowable to be charged to the grant.

You must maintain an agenda that clearly identifies the topics discussed during the day and the time allotted to each topic, including the lunch period. In the case of a “cloistered” lunch, it is not required that the lunch be a “working lunch” as described in question A.7.3. below. In a “cloistered” lunch, it is permissible to stop working for a brief lunch period.

Documentation that demonstrates the necessity of such meals must be maintained for audit and monitoring purposes. See TEA’s [Budgeting Costs Guidance Handbook](#) (under *Allowable Cost and Budgeting Guidance*) for more information related to allowable and unallowable food costs. In all cases, the burden of proof is upon the grantee to demonstrate that paying for food with federal funds is necessary to meet the goals and objectives of the grant. TEA advises that, when planning a meeting, grantees may want to consider a location in which participants have easy access to food and beverages.

Food costs for staff training would most likely be budgeted in *6400 Other Operating Costs* (6499 specifically) unless the food is being provided by a contracted vendor, in which case the contracted vendor would be budgeted in *6200 Professional and Contracted Services*. In any case, check with your Business Office for proper coding to ensure any such food costs are coded consistently in your district’s accounting system.

**A.7.2. Is it allowable to pay for refreshments (e.g., during morning and afternoon breaks) for staff training or staff meetings with grant funds?**

While it is a nice gesture, refreshments (e.g., during morning and afternoon breaks) for *staff training* or *staff meetings* are not allowable under any circumstances to be paid from grant funds. *Refreshments* are not considered by auditors to be necessary to carry out the objectives of the staff training or meetings.

You would need to pay for the refreshments from state or local funds to avoid an audit or monitoring exception. Refreshments cannot be provided from grant funds even if you did not spend the maximum allowable \$20 per person on lunch as described in the previous question or the next question.

**A.7.3. We are conducting an all-day training session or meeting for staff and would like to provide for a “working lunch.” Is this allowable with grant funds?**

As stated in A.7.1., payment for lunches is allowable only under limited circumstances. Refer to TEA's [Budgeting Costs Guidance Handbook](#) (under *Allowable Cost and Budgeting Guidance*) for more information related to allowable and unallowable food costs. Food costs must be approved in advance by ESC Region 10 in the McKinney-Vento application. For grants administered by TEA, approval must be obtained in advance from TEA using TEA's process

TEA defines a “working meal” as an activity in which staff or participants are engaged in legitimate exercises or activities during the normal meal time. To be allowable to be paid from grant funds, grantees must maintain an agenda that shows no other opportunity for a meal was provided and that clearly identifies the exercise or activity the participants were engaged in during the meal period. Grantees must also retain a representative sample of the work product, if any, that was generated as a result of the working session.

The same maximum limit of \$20 per person, including tax, applies to a working lunch. Voluntary gratuities and tips are not allowable to be charged to the grant. Food costs for staff training would most likely be budgeted in *6400 Other Operating Costs* (6499 specifically) unless the food is being provided by a contracted vendor, in which case the contracted vendor would be budgeted in *6200 Professional and Contracted Services*. In any case, check with your Business Office for proper coding to ensure any such food costs are coded consistently in your district's accounting system.

**A.7.4. Our district sponsors a summer program specifically for homeless children. The school is normally closed in the summer. Can we pay for breakfast and/or lunch for the children from McKinney-Vento funds?**

Yes, as long as the meals coincide with the times of the summer program and as long as the meals are reasonably priced. For example, if the summer program begins each day early in the morning, a reasonably-priced breakfast would be suitable. If the summer program spans over the noon hour, a reasonably priced lunch would be suitable.

**Note:** The district may be eligible to receive reimbursement for breakfast and lunch through the federal *Child Nutrition* (School Breakfast and Lunch) program. Check with your district school breakfast and lunch coordinator before expending McKinney-Vento funds for summer breakfast and lunch.

**A.7.5. Our homeless students attend a summer camp designed specifically for homeless students. The camp provider (a vendor other than the district) wants districts to pay for breakfast and lunch on behalf of the homeless students. Is this allowable from McKinney-Vento?**

Yes, as long as the meals coincide with the times of the summer camp and as long as the meals are reasonably priced. For example, if the summer camp begins each day early in the morning, a reasonably-priced breakfast would be suitable. If the summer camp spans over the noon hour, a reasonably priced lunch would be suitable.

**A.7.6. We sponsor educational field trips specifically for homeless students. Can we use McKinney-Vento grant funds to pay for meals for the students while on the field trips?**

Yes, as long as the same field trip is not provided to all other students and as long as the meal is reasonably priced. The same field trip provided to all other students would constitute a violation of the supplement, not supplant provision.

In addition, all field trips must have a programmatic purpose and must be authorized in the applicable program guidelines. Field trips must also comply with the guidelines for field trips in TEA's [Budgeting Costs Guidance Handbook](#) (under *Allowable Cost and Budgeting Guidance*) and must be budgeted in the application. Also see question A.13.15. in this FAQ for more information related to allowable *field trips*. Field trips for *social, entertainment, or recreational purposes* are *not* allowable.

The meal provided must coincide with the times of the field trip. For example, a suitable breakfast for a field trip that starts early in the morning might be a reasonably-priced breakfast sandwich and juice. A suitable lunch for a field trip that spans over the noon hour might be a reasonably-priced box lunch that includes a sandwich, chips, cookie, and beverage.

## A.8 Equipment

### A.8.1. Can we use McKinney-Vento funds to purchase a computer and/or laptop for the homeless education liaison?

Yes. The cost of purchasing new equipment such as a desktop computer or laptop for the local liaison is allowable provided the equipment is reasonable in cost and is budgeted in the approved application. The equipment (plus any applicable shipping charges) will be charged to the grant in the year in which it was purchased. If the liaison does not spend 100% of his or her time on McKinney-Vento, the cost must be prorated (i.e., split-funded) among the applicable funding sources.

The purchase of a computer or laptop would be budgeted in *6300 – Supplies and Materials*, or in *6600 Capital Outlay*, depending on your district's capitalization policy for equipment. See question A.8.7. for more information on capitalizing equipment. Check with your Business Office to ensure the computers and laptops are budgeted in the proper category.

### A.8.2. We purchased a desktop computer with *state or local funds* in a *prior year*. Can we charge the use of the computer to McKinney-Vento to help recover the costs?

Yes. The school district, charter holder, or ESC may receive compensation for using the equipment for grant activities by computing *depreciation* in accordance with the federal cost principles for the actual percentage of time the equipment is used for grant activities, as long as the equipment has not outlived its depreciable life. *Depreciation* is the method for allocating the cost of fixed assets to periods benefitting from asset use. (2 CFR § 200.436)

Additionally, to be allowable to be charged to the grant, it must be the regular practice of the district/charter school/ESC to equitably charge every federal or state-funded grant program for the use of equipment through depreciation so that one program is not treated differently than another program. Charges for *depreciation* must be budgeted and approved in the grant application and must be supported by adequate property and accounting records.

Refer to *Part III Program Requirements, Statutory Program Requirements and Uses of Funds, Local Homeless Education Liaison Duties, Allowable Uses of McKinney-Vento Funds* in the [Compliance Handbook](#) for more information pertaining to using existing equipment purchased with state or local funds in a prior period. Also, check with your Business Office before budgeting *depreciation* charges in the application to be sure your district uses this method of recovering costs as standard procedure.

**A.8.3. Is it allowable to use McKinney-Vento funds to purchase laptops for homeless students to take to their place of residence?**

Yes. The grantee must document that the laptops are necessary to carry out the objectives of the grant, they are reasonable in price, and they are budgeted and approved in the grant application. Because students may have the ability to access the internet in locations that provide free wireless access, it is advisable to require students to sign a certification in accordance with some type of *Responsible Use Policy* that makes it clear that the laptop can be used only for legitimate educational purposes.

The purchase of laptops would be budgeted in *6300 – Supplies and Materials*, or in *6600 Capital Outlay*, depending on your district's capitalization policy for equipment. The laptop becomes the property of the school district, and not of the student. Refer to question A.8.7. for more information on capitalizing equipment. Check with your Business Office to ensure the laptops are budgeted in the proper category.

**A.8.4. Are we required to purchase insurance for equipment purchased with McKinney-Vento funds? Can McKinney-Vento funds be used to pay for insurance for equipment?**

Yes. Equipment purchased with federal funds must be insured, at a minimum, equivalent to property purchased with non-federal funds according to local policy. Grantees may use McKinney-Vento funds to pay for insurance *for equipment purchased with McKinney-Vento grant funds* if such insurance is not already included in the district's indirect cost plan or a direct cost allocation plan. Check with your Business Office to be sure before budgeting insurance in the application.

Insurance for equipment is budgeted in *6400 Other Operating Costs*.

Refer to section A.9 of this FAQ for questions related to *travel insurance*.

**A.8.5. Can McKinney-Vento funds be used to pay for maintenance of equipment?**

Yes. Grantees may use McKinney-Vento funds to pay for maintenance of *equipment purchased with McKinney-Vento grant funds* if such maintenance is not already included in the district's indirect cost plan or a direct cost allocation plan. Check with your Business Office to be sure before budgeting maintenance of equipment in the application.

Maintenance fees for equipment are budgeted in *6200 Professional and Contracted Services*.

**A.8.6. Can grant funds be used to pay for the costs of a *lease-purchase agreement* for equipment?**

Under a *lease-purchase agreement*, the organization is paying out a purchase over a period of time that exceeds the current grant period, such as over a 2 to 3-year period. The grantee does not own the equipment until at the end of the term specified in the lease-purchase agreement. Payments for a lease-purchase agreement are generally not allowable for discretionary grants, including the McKinney-Vento Homeless Education grant. Rather, the grantee would need to make an outright purchase of the equipment during the current grant period.

For formula grants funded by TEA, a lease-purchase agreement (i.e., Debt Service) is usually available and would be provided in the applicable grant application if allowable.

**A.8.7. Should computer hardware or other equipment be listed under *Supplies and Materials (6300)*, or under *Capital Outlay (6600)*?**

It depends on the cost of the equipment and the *capitalization policy* of the grantee organization. To “capitalize” means the grantee must record the equipment or other property as a *fixed asset* in its *fixed asset inventory* (the equipment or other property is labeled/tagged, inventoried, and tracked). Grantees are *required* under federal regulations to *capitalize* equipment having a *useful life of more than one year and a unit cost of \$5,000 or more*. All capitalized equipment must be budgeted in *6600 - Capital Outlay*.

Some local policies will also provide that certain equipment that costs *less than \$5,000* per unit be capitalized. For equipment with a unit cost *less than \$5,000*, the grantee must comply with the *local capitalization policy*, which must be applied consistently among all funding sources. Thus, according to your organization’s capitalization policy, computer hardware or other equipment will be budgeted in either *6300 - Supplies and Materials*, or in *6600 Capital Outlay*. Check with your Business Office to ensure computer hardware and equipment is budgeted in the proper category.

Also be sure to refer to TEA’s [Budgeting Costs Guidance Handbook](#) (under *Allowable Cost and Budgeting Guidance*) for more information about technology purchases.

**A.8.8. We want to purchase a complete *computer package* that includes computers, instructional and operating software, and training for teachers in how to use the software. Is this allowable, and how is the package budgeted?**

To be allowable from any federal grant, including McKinney-Vento, the purchase of any computers, computer packages, or other equipment must first meet several conditions. They must be

- allowable under the specific grant program
- if using McKinney-Vento funds, specifically benefit one or more homeless students (or staff working on McKinney-Vento)

- reasonable in cost (comparable to current market value) and necessary to accomplish the objectives of the grant program (i.e., there are no other similar computers available for use by homeless students before school, after school, on the weekends, or during the summer)
- supplemental to the regular academic program and not provided to all students on campus
- budgeted and approved in the grant application

If the expenditures meet all of these conditions, a complete *computer package*, including the computers, software, and training, would be budgeted in *6200 Professional and Contracted Services* as a single cost for the entire package. There is no need to break up the costs further by class/object code. If non-homeless students will also benefit from the purchase, the cost must be prorated among the applicable funding sources based on the populations served.

**A.8.9. We would like to purchase a *software package* for some computers we already have. Is this allowable, and where is it budgeted?**

To be allowable from any grant, including McKinney-Vento, the purchase of a computer software package must first meet several conditions. The purchase must be

- allowable under the specific grant program
- if using McKinney-Vento funds, specifically benefit one or more homeless students (or staff working on McKinney-Vento)
- reasonable in cost (comparable to current market value) and necessary to accomplish the objectives of the grant program
- supplemental to the regular academic program and not provided to all students on campus
- budgeted and approved in the grant application

If the expenditure meets all of these conditions, a software package (that is not part of complete package including computers and/or training, such as described in the previous question) would be budgeted according to type and cost as follows:

Software upgrades that are part of a contracted maintenance agreement	<i>6200 Professional and Contracted Services</i>
Software site licenses that are less than \$5,000 per unit or that are below the local capitalization policy threshold	<i>6300 Supplies and Materials</i>
Single use software that is less than \$5,000 per unit or that is below the local capitalization policy threshold	<i>6300 Supplies and Materials</i>
Software site licenses that equal or exceed \$5,000 per unit or that exceed the local capitalization policy threshold	<i>6600 Capital Outlay</i>
Single use software that equals or exceeds \$5,000 per unit or that exceeds the local capitalization policy threshold	<i>6600 Capital Outlay</i>

**A.8.10. What kind of records do we need to maintain for equipment purchased with federal grant funds?**

Federal regulations require that grantees maintain certain property records for capitalized equipment (i.e., equipment that is capitalized according to the local policy, including equipment that costs \$5,000 or more per unit). Property records must include

- a description of the equipment or other property
- a serial number or other identification number
- the funding source used to purchase the equipment
- who holds title to the equipment
- the acquisition date
- the original cost
- the percentage of federal participation in the cost
- the location of the equipment (e.g., campus number and room number)
- the use and condition of the equipment
- any ultimate disposition date, including date of disposal and sale price if applicable

**A.8.11. Are we required to take any kind of inventory of equipment purchased with federal grant funds?**

Yes. Federal regulations require that grantee organizations take a physical inventory of all capitalized equipment and property and reconcile the results at least once *every two years*. Recommended best practice is once per year.

**A.8.12. Are we required to do anything else with regard to equipment purchased with federal grant funds?**

Yes. Federal regulations require that grantee organizations do all of the following:

- Develop a control system to ensure adequate safeguards to prevent loss, damage, or theft of the equipment or property and to investigate any loss, damage, or theft.
- Develop adequate procedures for maintaining equipment to keep it in good condition and proper working order.
- If authorized by the awarding agency (Region 10 ESC, in the case of McKinney-Vento) to sell the equipment, establish proper sales procedures to ensure the highest possible return on the sale.

**A.8.13. What happens to equipment we purchased with McKinney-Vento funds if we do not continue to receive McKinney-Vento funding in a future year?**

The grantee should continue to use the equipment to benefit homeless students in the district. If the district no longer has any homeless students enrolled in the school, then the district may use the equipment in another federally funded project or program, such as Title I, Part A. If the equipment cannot be used in another federally funded project or program, then the district may dispose of the equipment in accordance with disposition procedures specified by the grantor

agency (Region 10 ESC in the case of McKinney-Vento). Refer to *Part II Fiscal Requirements, Equipment – Property Management* of the [Compliance Handbook](#) for more information related to disposition of equipment.

## A.9 Employee Travel

### A.9.1. Does our organization need a *travel policy*?

Yes. All organizations receiving federal funds are required to have a *written* travel policy that is applied consistently among all employees so they are reimbursed for travel at the same rates, whether traveling on a state or federal grant or for other purposes. At a minimum, the travel policy should specify the conditions under which employees will be reimbursed for travel and the rates for reimbursement for mileage, airfare, lodging, and meals for employees. The policy should state that the maximum amounts that can be charged to any federal or state grant received by or through TEA are restricted to the rates that are approved in the State of Texas Appropriations Bill in effect for the particular grant period. If the policy reimburses at a higher rate, any amount above those maximum amounts must be paid from state or local funds.

The policy should also outline or refer to the requirements and procedures for approval of travel prior to the travel occurring, including the procedure for travel advances, if applicable, and for reimbursement of travel expenses after the travel has occurred.

### A.9.2. What kind of documentation do employees need for overnight travel prior to traveling?

Your organization's travel policy should require that each traveler complete a *Request to Travel* or similar document *prior to the travel occurring*. The *Request to Travel* should detail

- the dates of the travel
- the destination and purpose of the travel, **including the justification for why it is necessary for the particular individual to participate in this particular travel event to accomplish the objectives of the grant program** (required under the new EDGAR)
- estimated travel expenses, including **documentation that costs are reasonable and consistent with the established travel policy**, (required under the new EDGAR), and
- the amount of any travel advance requested.

The *Request to Travel* or similar document should be approved by the employee's supervisor and by the Accounting Department *in advance of the travel*. This will ensure that sufficient funds are available for travel prior to the employee incurring expenditures. It should also serve as appropriate documentation that the travel is reasonable and necessary to carry out the objectives of the grant.

**A.9.3. What kind of documentation do employees need for overnight travel once they return from travel?**

All travel must be sufficiently documented in order to be reimbursed by the grantor agency. Upon return from travel, the travel policy should require each employee to complete a *Travel Voucher* or similar document and submit it to the local Accounting Office for reimbursement. All information provided on the *Travel Voucher/Request for Reimbursement* must be for one employee and not for multiple employees. Each employee must submit his or her own *Travel Voucher* and sign it.

The *Travel Voucher* or similar document should include the following at a minimum:

- Name of the individual claiming travel reimbursement
- Destination and purpose of the trip, including the **justification for why it was necessary for the particular individual to participate in this particular travel event to accomplish the objectives of the grant program** (required under the new EDGAR)
- Dates of travel
- Actual mileage (not to exceed reimbursement at the maximum allowable rate). Travelers are required to calculate mileage by one of the following two methods:
  - Actual odometer reading (point-to-point method)
  - Electronic mapping source (such as that on [www.Mapquest.com](http://www.Mapquest.com) or any other online mapping service). If this method is chosen, the traveler must print out the driving directions provided by the site and attach them to the travel voucher.

Travelers are required to select the shortest and most economical route but may justify the selection of another route if it was chosen for safety reasons and specific justification of the selection is given.
- Actual amount expended on lodging **per day**, with a receipt attached (may not exceed the federal rate for the locale, or local policy, whichever is less). The actual cost of lodging for **each day** must be **listed separately on the voucher**. The cost of the room cannot be averaged over the entire stay.

In addition, if two or more employees are sharing a room, the names of all employees must be on the lodging receipt. Each person must pay his or her equal share of the room upon checkout, and then each person must submit a Travel Voucher for his or her own portion of the room costs.

- *Actual amount* expended on meals **per day** (may not exceed the federal rate for the locale, or local policy, whichever is less; tips and gratuities are not reimbursable, nor are alcoholic beverages). The total cost of meals for **each day** meal costs were incurred must be **listed separately on the**

**Travel Voucher.** It is not permissible to combine the cost of meals, or to “lump” all of the meals together, for more than one day at a time.

Receipts for meals are not required by TEA but may be required per local organization policy. If receipts are required per local policy,

- The receipt must be for one person. This will require requesting separate receipts when ordering.
- The receipt must itemize food and beverages. A credit card receipt is not acceptable in lieu of an itemized receipt. Alcoholic beverages are not reimbursable.
- Actual amount of airfare (receipt must be attached; a printed copy of an online receipt is acceptable)
- Actual amount expended on public transportation, such as taxis and shuttles (receipt not required by TEA but may be required per local organization policy)
- Actual amount expended on a rental car, with receipt attached and justification for why a rental car was necessary and how it was more cost effective than alternate transportation; receipts for any gasoline purchased for the rental car must be attached (*mileage* is not reimbursed for a rental car – only the actual cost for gasoline is reimbursed)
- Actual cost of gasoline for a rental car (receipt must be attached)
- Actual cost of parking (receipt may be required at the local level, but is not required by TEA)
- Actual amount expended on incidentals, such as hotel taxes, copying of materials, and other costs associated with the travel, as well as a description of each incidental cost. Note: The actual amount expended on incidentals must be reported. There is no minimum or maximum tolerance or threshold amount as there is for the Internal Revenue Service (IRS).
- Total amount to be reimbursed to the employee (less any cash advance)
- Signature of the travelling employee certifying that expenditures are true and correct
- Signature of the employee’s supervisor (at a minimum)

Documentation must include **justification that travel costs are reasonable and are consistent with the LEA’s written travel policy**. Any travel costs that are not supported by proper documentation as described above are not allowable to be charged to the McKinney-Vento Homeless Education grant or to TEA grants and are subject to disallowance by state and federal auditors and monitors.

**A.9.4. Are we allowed to just charge the grant the maximum per diem for meals while on travel and forget trying to keep up with what we actually spent for meals?**

No. This is referred to as a "*travel allowance*," which is not allowable for TEA grantees. In an effort to keep travel costs reasonable, TEA restricts reimbursement for travel to rates that are approved in the *State of Texas Appropriations Bill* in effect for the particular grant period. The federal cost principles allow for reimbursement on a per diem basis, whether or not the employee actually spends the entire per diem.

TEA, however, in following the travel restrictions specified in the *Appropriations Bill*, reimburses **meals at actual costs, not to exceed the federal rate for the locale**. If local policy is less than the federal rate, then local policy prevails. Therefore, grantees must ensure that their travel policy and reimbursement practices reflect this requirement. Allowing an employee to keep the difference between the actual amount expended on meals, and the maximum allowable per diem, is considered a "gift of public funds" and is not allowable in Texas.

In order to report the *actual* costs of meals, you will need to either retain the receipts in order to prepare your *Travel Voucher* when you return from travel, or you will need to keep a running list of expenditures for meals. Remember, tips and alcoholic beverages are *not* reimbursable and must come from your own private funds.

**A.9.5. Are we required to turn in receipts for meals along with the *Travel Voucher*?**

This is determined by local policy. TEA does not require grantee employees who travel to submit receipts to their local Accounting Office along with the *Travel Voucher*. Check your local policy to determine if your organization requires receipts for meals.

**A.9.6. My district's travel policy reimburses employees for hotel lodging, meals, or gas mileage at a higher rate than allowed under TEA guidelines. Is it allowable to pay the higher rate from grant funds?**

No. Any amount reimbursed from state or federal grants for travel that is *above* the maximum amounts allowed by TEA must be reimbursed from state or local funds. The employee receiving the reimbursement payment will not realize that the reimbursement is being made from two or more different funding sources. But the general ledger must prove that the payment from the state or federal grant did not exceed the maximum allowed under TEA's [Budgeting Costs Guidance Handbook](#) (under *Allowable Cost and Budgeting Guidance*) and that the difference was paid from state or local funds.

**A.9.7. Is it allowable for reimbursement for travel to exceed the local travel policy, as long as it does not exceed the federal rates for reimbursement?**

No. If your organization's local travel policy reimburses at a lower amount than the federal rates, the local policy prevails and reimbursement must not exceed local policy rate.

**A.9.8. Often when our employees attend conferences or training, they share a room in order to keep the costs down. How do we handle this on our *Travel Voucher*?**

If two or more employees share a room while on travel, a single receipt can be provided by the hotel, but **each individual employee's name must be on the hotel receipt**. This is the only way to verify that each employee did not exceed the maximum allowable rate for lodging and that the employee actually stayed in the hotel. Each employee would then submit a copy of the hotel receipt along with his or her own *Travel Voucher* and request reimbursement for the appropriate amount.

**A.9.9. When sharing a room as described in the previous question, how much are we allowed to spend on the room per night?**

Two Employees Sharing a Room

The maximum allowable rates for lodging are the maximum amount allowed *per night* and apply to each individual employee travelling. The rates are *not* an average cost of the room over the entire stay. Therefore, if two employees travelling for the purposes of the grant share a room, then each person can be reimbursed for actual costs of lodging not to exceed the maximum allowable rate *per night* for lodging.

Example: Two employees are sharing the room. The maximum allowable rate for lodging for the particular locale is \$75 per night. The hotel costs \$150 per night. Each employee would complete her own travel voucher to be reimbursed for half the cost of the room, or \$75 per night, which does not exceed the maximum allowable rate per night for one person.

If, in this same example, however, the hotel costs \$175 per night (i.e., more than the maximum allowable rate for two employees travelling), one of two things would occur:

- 1) Each employee would be reimbursed at \$75 per night from the grant, and the difference would need to be paid from state or local funds. This would be permissible *only* if local policy reimburses at a higher rate than the maximum allowable federal rate.
- 2) Each employee would be reimbursed at \$75 per night from the grant. The difference would need to be paid from the employee's personal funds and is not reimbursable. This would be the case if local policy does not reimburse at a higher rate than the maximum allowable federal rate.

Under all circumstances, the cost of the room must be reasonable and necessary to meet the objectives of the grant program. A *standard* room is usually considered reasonable and necessary.

#### An Employee and a Non-Employee Sharing a Room

The maximum allowable rates for lodging apply to the *employee*. Therefore, if one employee travelling for the purposes of the grant shares a room with a non-employee, such as a spouse or other, it depends on the hotel policy with regard to additional persons staying in the room.

If the room rate is the same for a single or double (i.e., one person or two persons), then the entire cost of the room can be reimbursed to the employee, provided that it meets all of the other conditions for reimbursement. If the room rate is higher for a double than for a single, however, then the difference between the single rate and the double rate must be paid from either the employee's personal funds or the other person's personal funds.

**A.9.10. When several of us are traveling together, we find that it is more efficient for one person to pay for meals using either a personal credit card or "corporate credit card." Is this acceptable, and if so, what kind of documentation do we need?**

While it may be more efficient, this practice is *not recommended* and *could result in an audit or monitoring finding*. The only way to verify that each employee did not exceed the maximum allowable per diem is for each employee to pay for his or her own meals and submit reimbursement for the meals on his or her own *Travel Voucher*.

Ordinarily, TEA would state that this practice is not allowable and the grantee organization engages in this practice at its own risk. However, if your organization insists on one person paying for meals while on travel using a personal or *corporate* credit card, the only way to document that each employee did not exceed the maximum allowable per diem is for the person with the credit card to retain all restaurant receipts for meals and write the name of the traveler beside each item on the receipt.

Then one of two things must occur:

- 1) A copy of each restaurant receipt must then be provided to each individual traveler so he or she can complete his/her own *Travel Voucher*, indicating that the meals were charged on someone else's personal or corporate credit card and are not reimbursable to the individual, or
- 2) The local Accounting Office would need to verify that the total meals per person did not exceed the maximum per diem and would need to categorize those meal costs as travel costs. The individual traveler would not be reimbursed for meals under this scenario, either.

You will want to check with your Accounting Office to make sure they are willing to do this before you engage in this practice.

Again, this practice is not endorsed or recommended by TEA and could result in an audit or monitoring finding. Also see question A.1.2. of this FAQ for more information related to using corporate credit cards.

**A.9.11. When more than one of us travels to the same event, a person in our district instructs us to charge the airfare (and sometimes other travel expenses) to his personal (or corporate) credit card so that he can get the travel miles/points added to his card account. Is this acceptable?**

The answer to this question is similar to the answer in the previous question. Under no circumstances is this practice allowable using someone's *personal* credit card except as described above for meals while on travel. And then it should be for the convenience of the *other* travelers, and not so the card holder can accumulate the miles/points for his or her own personal use. This practice would be viewed as using grant funds for personal gain and could be deemed by an auditor, monitor, or oversight agency as fraud and abuse. The person could be held liable for such fraud or abuse.

If any airplane tickets, rental cars, hotel lodging, or other travel expenses are charged to a *corporate* credit card that accumulates miles/points, then the accumulated miles/points belong to the *organization*, and not to one individual. Therefore, the miles/points may be redeemed by the *organization* to benefit any employee for legitimate *business* travel, thus possibly saving the organization, and therefore, the grant, the purchase of an airplane ticket, rental car, etc. Miles/points accumulated on a *corporate* credit card cannot be redeemed for *personal* travel. Redeeming corporate credit card miles/points for *personal* travel could be deemed as fraud or abuse.

**A.9.12. Some of our employees want to attend a conference that occurs during next year's grant period. However, they can buy cheaper plane tickets if they purchase the tickets now under this year's grant. Is this allowable?**

Unfortunately, no. While it may be more cost effective to purchase the tickets earlier, the *purchase* of a plane ticket is an *obligation*. The *obligation* cannot occur until *on or after the beginning date of the grant* (i.e., the period of availability of funds). If you want to reimburse the staff members for the plane ticket, they must wait and purchase the tickets on or after the beginning date of next year's grant.

Nor is it acceptable to purchase the plane ticket on your *personal credit card* prior to the grant period in which you will travel. When you purchase a plane ticket with your personal credit card, you will receive an electronic or paper receipt, which must be submitted with your *Travel Voucher* to reimburse you for the travel once the travel has occurred. The electronic or paper receipt will have a date of purchase on it from the *prior* grant year, which would be unallowable to charge to this year's grant if the actual travel occurs in this year's grant. Such expenditure would also be disallowed by an auditor or monitor.

See question A.9.3. for more information about a properly prepared *Travel Voucher*. Also see *Section D. Obligations/Encumbrances* for more information on obligations.

**A.9.13. Some employees want to attend a conference that occurs during *next year's* grant period. The employees would like to reserve their hotel rooms so they can be sure to stay at the conference hotel or receive the special conference room rate. Is it allowable to pay for the hotel rooms in advance during *this year's* grant period so that they are guaranteed to have the rooms?**

No. The answer to this question is similar to the answer in the previous question. Actually *paying* for the hotel room (regardless of the method used for payment) constitutes an *obligation*, which can only be incurred between the beginning and ending dates of the grant during which the actual travel will occur.

In most cases, even though the hotel will require a credit card to "hold" the reservation, the hotel does not actually charge the credit card unless the traveler fails to cancel the reservation within the specified cancellation period. It is permissible to use a credit card (personal or corporate) to *reserve* the room as long as no actual charges are made to the credit card *prior* to the grant period.

If any actual charges are made to the credit card *prior* to the grant period in which the person is traveling, the consequences are similar to those described in the previous answer. The receipt from the charge would have a date on it from the *prior* grant year when it comes time to complete the *Travel Voucher*, which would deem the expenditure unallowable.

**A.9.14. Some employees want to attend a conference that occurs during *next year's* grant period. The registration fee to attend the conference is due during *this year's* grant period. What can we do?**

The following information applies to discretionary grants administered by or on behalf of TEA.

If the registration fee *cannot* be paid on or after the starting date of next year's grant, and the only way the staff members can attend the conference is if you pay the registration fee in this year's grant period, then an auditor or monitor *may* accept that as reasonable explanation. You must retain documentation that evidences that the registration fee could not be paid on or after the starting date of next year's grant as proof for an auditor or monitor.

However, if you *can* pay the conference registration fee on or after the starting date of next year's grant, even if it is higher in price, then you must wait until on or after the starting date of next year's grant period to pay the registration fee.

**A.9.15. Sometimes a conference registration fee includes an annual membership in the organization sponsoring the conference, or the registration fee is lower if you purchase a membership in the sponsoring organization. Is this allowable?**

The federal cost principles require that any membership paid from federal funds be in the name of the *organization* and not in the name of a particular individual. Therefore, the membership fee in this scenario would be allowable only if it met the following conditions:

- The conference registration, including the membership fee, is in the name of the grantee *organization*, and not in the name of an individual. Therefore, any individual designated by the organization can attend the conference and receive membership benefits.
- Both the attendance at the conference and the membership in the organization are necessary to meet the objectives of the grant program.
- The conference registration and membership fees are properly budgeted and approved in the grant application in *6400 Other Operating Costs*.

A conference registration fee that does *not include a membership fee* may be made in the name of an individual. It is not required to be in the name of the organization.

**A.9.16. We are attending a conference and want to stay at the conference hotel, but the pre-determined conference hotel rate is higher than the rate for the federal locale. Is there anything we can do that will allow us to stay at the conference hotel?**

TEA has not offered written guidance related to hotel rates for conferences that exceed the federal rate for the locale. However, the following *may* be acceptable and thus *may* be reimbursable if documented properly and if permissible under local policy. However, there is still no guarantee that a TEA or other auditor or monitor will accept the documentation for exceeding the federal locale rate.

The primary goal is to demonstrate that the employee is staying in the most cost-effective (while still being safe) hotel lodging. If the hotel conference rate *exceeds* the federal rate for the locale, check the rate of hotels in close proximity and **print or record the rates in writing**. If another hotel is in walking distance and is within the federal rate for the locale, it may be difficult to justify staying at the conference hotel at the higher rate.

But if no hotel with a lower rate is within walking distance and **would require the traveler to travel by bus, taxi, or even rental car to get to the hotel conference facilities each day**, it may be justifiable to stay at the conference hotel with the higher rate if the traveler can document that it would cost more to stay at another hotel and pay for the bus, taxi, or rental car (whichever is the most economical) back and forth, than to stay at the conference hotel. Complete and accurate documentation, such as a worksheet showing the difference, would need to be maintained in order for this scenario to be considered acceptable by an auditor or monitor. Also check with your Business Office to be sure this practice is acceptable in your district.

**A.9.17. A conference is being held in our city. Is it allowable for any of our employees to stay at the conference hotel, especially those employees who are integrally involved in the conference?**

No. "Travel" generally means an overnight stay in a destination *outside the city or town* in which the employee works. The employee may be reimbursed from state or local funds if that is the policy of the local district, but not from federal or state grant funds. Check with your local Business Office prior to expending funds for this purpose.

**A.9.18. Can the district reimburse the local liaison for mileage that is incurred locally to carry out his or her responsibilities?**

Yes. It is not only allowable, but is encouraged, to reimburse the local liaison for mileage associated with carrying out the duties of the local liaison in his or her own personal vehicle, including the identification and recruitment of homeless students and coordinating with social service and local housing agencies.

Mileage must be reimbursed at the current state rate for reimbursing mileage. If local policy is less than the current state rate, then reimbursement must be at the lower local policy rate. Liaisons who are not being reimbursed for mileage when using their own personal vehicle should consult their local organization travel policy with regard to reimbursement for this type of local travel.

**A.9.19. Can we use grant funds to purchase "travel insurance" when we purchase an airplane ticket?**

No. "Travel insurance" is a *voluntary* fee (not mandatory) that typically covers trip cancellation, lost/delayed baggage, out-of-network medical expenses, etc. This expense would not be considered "reasonable and necessary" to accomplish the objectives of the grant program.

An individual may certainly pay these fees from their own personal funds, and if it is within local district travel policy, the district may choose to reimburse the employee for this fee from state or local funds. Check with your local Business Office before purchasing travel insurance to determine if it would be reimbursed from state or local funds.

Additionally, many credit card companies include some level of "travel insurance" when you purchase an airplane ticket with the credit card. You may want to check the benefits your credit card company offers to determine if such insurance is automatically provided with the purchase of the plane ticket.

**A.9.20. Can we use grant funds to pay an “airline seat assignment fee”?**

No. “Airline seat assignment fees” are voluntary (not mandatory) and typically allow the individual traveling to pay an additional fee to sit in a window or aisle seat (as opposed to a middle seat). This expense would not be considered “reasonable and necessary” to accomplish the objectives of the grant program. The individual will arrive at their destination at the same time as all of the other passengers regardless of which seat they are assigned. The airline will assign a seat free of charge if one is not selected by the traveler in advance of the flight.

An individual may certainly pay these fees from their own personal funds, and if it is within local district travel policy, the district may choose to reimburse the employee for this fee from state or local funds. Check with your local Business Office before purchasing an airline seat assignment to determine if it would be reimbursed from state or local funds.

**A.10. Student Transportation**

**A.10.1. Can McKinney-Vento grant funds be used to transport homeless students to and from school?**

The school a homeless student attends is determined by which school can serve the best interest of the student. When a student becomes homeless, the McKinney-Vento statute permits the student to remain enrolled in the *school of origin* or to enroll in another school in the attendance zone where the student is actually living if it is in the student’s best interest. (*School of origin* is the school in which the student was enrolled when he or she became homeless or the last school attended.)

An LEA must provide comparable services to homeless students as are provided to non-homeless students in that, if other students are receiving transportation through state and local funding, homeless students must also receive transportation through state and local funding. However, even if other students are not receiving transportation, homeless students must be provided transportation to and from the *school of origin* if requested by the parent or guardian. (In the case of an *unaccompanied youth*, if requested by the homeless education liaison.)

Districts that receive McKinney-Vento funds can use funds only to defray the *excess cost* of transporting homeless students to and from the *school of origin* when transportation is not otherwise provided through federal, state, or local funding or is not sufficient. This means there is the expectation that the LEA will cover the same level of cost for transporting homeless students as is covered for other students before relying on McKinney-Vento funds.

Therefore, the answer to this question depends on several factors, including but not limited to

- the local district's policy on transportation
- whether the district is receiving the [state transportation allotment](#) for that student and whether the allotment is sufficient to cover the costs of transporting the student to the *school of origin*
- whether the homeless student stays enrolled in the *school of origin*
- whether the student continues to live in the attendance zone where the *school of origin* is located once the student becomes homeless or moves to another attendance zone or another LEA

In general, McKinney-Vento funds can be used to defray the *excess cost* of transporting a homeless student to and from the school of origin when one of the following conditions exists:

- The student stays enrolled in the *school of origin* and continues to live in the attendance zone where that school is located.
- The student temporarily moves to and lives in a different attendance zone (within the boundaries of the same LEA) but stays enrolled in the *school of origin*.
- The student stays enrolled in the *school of origin* but begins living in an area served by *another LEA*. In this case, the LEA in which the school of origin is located and the LEA in which the student is now living must agree upon how to apportion the costs. If they cannot agree, the costs must be shared equally.

Thus, "*excess costs*" that may be paid using McKinney-Vento funds are any costs an LEA may incur in transporting a homeless student to/from the *school of origin* under one or more of the following scenarios (may not be all-inclusive). This includes all allowable and properly apportioned expenses associated with the scenario, such as bus driver salary, gasoline for the bus/van, city bus passes/tokens, taxi fare, reimbursement of mileage, etc. See question A.10.6. for detailed information about where to budget transportation expenses.

In all scenarios, the key is *to/from the school of origin*.

- The school district does not provide transportation for any of its students (except for students with disabilities). Districts **must** provide transportation at the request of the parent or guardian for a homeless student to/from the *school of origin*, even when the district does not provide transportation to non-homeless students.
- The district is receiving the *state transportation allotment* for the homeless student, but the amount is not sufficient to cover the entire cost of transporting the student. (A first step in providing transportation for a homeless student is to always coordinate with your district's transportation coordinator to determine ridership on school buses.)
- Local board policy does not authorize regular bus transportation in a location where the homeless student can easily access the bus.
- Regular bus transportation for the homeless student has not yet been arranged or provided.
- The homeless student does not live on or near a regular bus route and cannot easily access the bus.

- The homeless student rides the bus, but the bus driver deviates from the regular bus route to pick up/return the homeless student and can track the mileage separately.
- The homeless student is transported to/from school via other means of local transit, such as a city bus or taxi.
- The homeless student is transported to/from school via a van owned or leased by the district.
- The liaison or other staff member is reimbursed for mileage to transport the homeless student to/from school in a personal vehicle. Check with local policy prior to transporting a student in a personal vehicle. This may or may not be allowed and may require permission to avoid liability issues.
- The parent or guardian of a homeless student drives the student to/from school, and the parent/guardian is reimbursed for the actual gas mileage using the district's process. See question A.10.5. pertaining to reimbursement for gas mileage.
- An unaccompanied youth drives himself/herself to/from school, and the youth is reimbursed for the actual gas mileage using the district's process.

#### Using Title I, Part A Funds To Transport Homeless Students To/From School

Since the **2014-2015 school year**, LEAs have been permitted to use Title I, Part A funds to pay for the *excess costs* of transporting homeless students to and from their school of origin. LEAs may use the Title I *set-aside* for homeless students attending non-Title I schools to pay for transportation. However, using Title I *set-aside* funds to transport homeless students to/from their school of origin does *not* satisfy an LEA's obligation to provide comparable Title I services to homeless children who attend non-Title I schools.

**Up through the end of the 2013-2014 schools year**, however, it was not permissible to use *Title I, Part A funds* to provide transportation to the school of origin for students who were homeless. Because transportation services to the school of origin are mandated under McKinney-Vento, this would have resulted in a supplant violation for Title I.

It is important to note that there are some conditions under which the LEA must use state or local funds to transport a homeless student to/from school. The following table outlines the transportation requirements for homeless students and the allowable fund sources that may be used to provide transportation.

**Transportation Requirements for Homeless Students  
and Allowable Funding Sources**

	<b>Status of Homeless Student</b>	<b>Allowable Funds McKinney-Vento Grantees</b>	<b>Allowable funds Non-McKinney-Vento Grantees</b>
1	Homeless student continues to live in the same attendance zone and stays enrolled in the <i>school of origin</i> (i.e., same zone, same LEA, same school)	<p>LEA must provide transportation –Must use state and local funds first and may use MV to defray excess cost or may use state/local funds to defray excess cost.</p> <p>LEA may use Title I, Part A to defray excess cost of transportation for homeless students (effective with the 2014-2015 school year).</p>	<p>LEA must provide transportation – Must use state or local funds</p> <p>LEA may use Title I, Part A to defray excess cost of transportation for homeless students (effective with the 2014-2015 school year).</p>
2	Homeless student temporarily moves to a different attendance zone within the boundaries of the same LEA, but stays enrolled in the <i>school of origin</i> (different zone, same LEA, same school)	<p>LEA must provide transportation – Must use state and local funds first and may use MV to defray excess cost or may use state/local funds to defray excess cost.</p> <p>LEA may use Title I, Part A to defray excess cost of transportation for homeless students (effective with the 2014-2015 school year).</p>	<p>LEA must provide transportation– Must use state or local funds</p> <p>LEA may use Title I, Part A to defray excess cost of transportation for homeless students (effective with the 2014-2015 school year).</p>
3	Homeless student temporarily moves to a different attendance zone within the boundaries of the same LEA and enrolls in a school in the attendance zone in which the student is now living (different zone, same LEA, different school, i.e., <i>not the school of origin</i> )	<p>LEA must provide transportation in the same manner as provided to other students living in that attendance zone– Must use state or local funds</p> <p>There may be special circumstances where MV could be used to defray the excess cost of transporting a student to school. The purpose of MV is to eliminate any barriers to enrollment, attendance, or success.</p> <p>For example, a homeless 6-year-old is attending the school located in the zone where she is temporarily residing; she is provided transportation in the same manner as other students. However, she is</p>	<p>LEA must provide transportation in the same manner as provided to other students living in that attendance zone – Must use state or local funds</p> <p>LEAs are required to eliminate barriers that may prevent a homeless student from attending school. Therefore, an LEA is encouraged to use state or local funds to provide transportation for homeless students beyond that provided to other students where necessary to eliminate any barriers to attendance such as that described in the example to the left.</p>

		required to walk 1.9-miles, which may present a barrier to regular attendance, especially if the child has to walk through a dangerous area. The school should provide transportation assistance to help her overcome this barrier. MV could be used to defray the excess cost of transporting the student the additional 1.9 miles to school.	
4	Homeless student moves to a different attendance zone within the boundaries of another LEA, but stays enrolled in the <i>school of origin</i> (different zone/different LEA, same school)	Transportation must be provided. The 2 LEAs must agree on how to apportion responsibility and costs. If can't agree, must share equally. May use MV to defray excess cost or may use state/local to defray excess cost.  LEA may use Title I, Part A to defray excess cost of transportation for homeless students (effective with the 2014-2015 school year).	Transportation must be provided. The 2 LEAs must agree on how to apportion responsibility and costs. If can't agree, must share equally. Must use state or local funds.  LEA may use Title I, Part A to defray excess cost of transportation for homeless students (effective with the 2014-2015 school year).
5	Homeless student continues to live in the same attendance zone but enrolls in a different school in a different attendance zone (same zone, different school/different zone, same LEA; i.e., <i>not the school of origin</i> )	LEA is not required to provide transportation.	LEA is not required to provide transportation.
6	Homeless student continues to live in the same attendance zone, but enrolls in a different school within the boundaries of another LEA (same zone, different LEA, different school; i.e., <i>not the school of origin</i> )	LEA is not required to provide transportation.	LEA is not required to provide transportation.

See *Part III Program Requirements, Transportation for Homeless Students* in the [Compliance Handbook](#) for examples of allowable "excess costs" of transportation. Also see the remaining questions in this section of the FAQ for more examples of appropriate "excess costs" that may be incurred to transport homeless students.

You may also want to refer to the [Fact Sheet](#) and corresponding [Question and Answer](#) document on THEO's website pertaining to transportation for homeless students.

See question A.2.10. of this FAQ for information on paying a bus driver's salary.

**A.10.2. Can McKinney-Vento grant funds be used to purchase or lease a *school bus* for transporting homeless students?**

LEAs must own or lease a sufficient number of school buses (using state or local funds) to transport their students to and from school via the official routine bus route. Under rare circumstances, the LEA *may* be able to make a case that the number of school buses currently owned or leased by the LEA is insufficient to provide adequate transportation to homeless students that reside *outside the official routine bus route*.

Considerable documentation would be required, including the total number of homeless students that would ride the bus and an analysis of cost effectiveness that demonstrates the purchase or lease of a school bus is more cost effective than other modes of transportation such as bus fares, local transit fees, or other fees for public transportation.

A "lease-purchase" (i.e., lease-to-own) is *not* allowable to be paid from discretionary grants.

The purchase (*6600 Capital Outlay*) or lease (*6200 Professional and Contracted Services*) of any school bus must be approved in the applicable grant application. The bus must be compliant with Texas law for transporting students.

**A.10.3. Can we use McKinney-Vento funds to purchase or lease a *van* to transport homeless students?**

The purchase or lease of a van (including the purchase of oil, gasoline, and other maintenance costs) to transport homeless students *may* be allowable under certain circumstances. The answer to this question is related to the previous question pertaining to buses for homeless students.

Transportation for homeless students to and from the *school of origin* is required under the McKinney-Vento statute, regardless of whether a district receives McKinney-Vento funds. LEAs must own or lease a sufficient number of school buses (using state or local funds) to transport their students to and from school via the official routine bus route.

However, even when an LEA complies with these requirements, regular transportation via school bus for a homeless student may take as long as three or four days to coordinate and schedule. Therefore, if the only way for a homeless student to get to and from school is to lease or purchase a van, then it may be an appropriate and necessary "*excess cost*" expense. In order to justify the expense, the district must maintain documentation that evidences that arranging and providing bus transportation for the homeless student typically takes 3-4 days.

If a van is purchased or leased with McKinney-Vento funds, it is expected that the van would be available for other duties performed by the liaison, such as identifying and recruiting homeless students and coordinating with social service and local housing agencies.

Whether the van is leased or purchased, it must comply with Texas law for transporting students. The lease (*6200 Professional and Contracted Services*) or purchase (*6600 Capital Outlay*) of the van must also be budgeted and approved in the grant application.

One hundred percent (100%) of the cost of the van and of the cost of gasoline, oil, and maintenance for the van is allowable to be charged to McKinney-Vento as long as the van is not used for any purposes other than McKinney-Vento. If the van is used for purposes other than McKinney-Vento, then the cost (including oil, gasoline and maintenance) must be prorated among the appropriate funding sources.

The district must also assess whether it is more cost effective to *purchase* the van outright in a single grant year versus *leasing* the van each year. Documentation must be maintained that demonstrates the most cost-effective method is being used.

A "lease-purchase" (i.e., lease-to-own) is *not* allowable to be paid from discretionary grants.

**A.10.4. Can we use McKinney-Vento funds to pay for bus fares, metro fares, or other fees for public transportation to enable homeless students to get to and from school or other locations where services are provided to them?**

Yes. If homeless students cannot easily access regular school bus transportation (i.e., the official routine bus route), you must ensure those children are transported to school so they arrive at school on time. You may use McKinney-Vento funds to defray the *excess cost* for transportation to and from the *school of origin* to include the purchase of bus fares/passes, metro fares, local transit fees, or other fees for public transportation for the students. These costs must be reasonable, necessary, budgeted in the grant application (*6400 Other Operating Costs*), and not already reimbursed under the TEA [Bus Pass/Bus Card Reimbursement Program](#).

To protect the district from an audit exception, you will want to make it clear to the students and parents that the bus fare or other transportation fares are solely for transporting the student to and from school and are not to be used for personal reasons. You will also want to use attendance records to determine how many days the student was present versus the number of trips that the bus or other fare should cover to ensure the student is transported to school on the number of days expected.

**A.10.5. Some of our homeless parents/guardians or unaccompanied youth have access to a car or other vehicle to use for driving to/from the *school of origin*, but they have no money to buy gasoline for the vehicle. Can we reimburse the parent/guardian or unaccompanied youth for gas or purchase a gas card for them?**

It seems reasonable to want to reimburse parents/guardians or unaccompanied youth for gasoline or to purchase a gas card for them so the student can get to school. However, the expenditure must be done in the form of a *reimbursement*

for actual mileage, and it must be carefully documented and monitored to avoid an audit exception for the district.

In general, to be allowable from grant funds

- The costs must be reasonable (comparable to current fair market value).
- The costs must be necessary in order for the student to be transported to/from the *school of origin* (there are no other viable means of transportation, including school bus, bus passes, metro passes, etc.).
- The costs must be budgeted and approved in the grant application.
- There are no viable resources to donate funds or gas cards to purchase gasoline.

In addition, the district must develop some reasonable method for calculating the mileage from the student's temporary residence to/from school and for tracking and monitoring the student's attendance at school. **The district cannot pay for gasoline for someone's personal vehicle. Rather, the district must reimburse the parent/guardian or unaccompanied youth based on actual mileage incurred for transporting the student to/from the school of origin. Purchasing gasoline for someone's personal vehicle is not an allowable cost because it is impossible to control or monitor the use of the vehicle.**

Specifically, the district would use a program such as Mapquest (or other electronic mapping source used by the district) to determine the mileage between the child's temporary home and the *school of origin*. The school would use attendance records to determine how many days the student was present during the reimbursement time frame. The reimbursement would be based on the **distance traveled x the number of days present**. In other words, the reimbursement is based on actual mileage to/from school, not on the cost of the gasoline.

The rate of reimbursement per mile does not have to be the same rate at which district employees are reimbursed for mileage. The rate of reimbursement may be *lower* than the rate for employees but *never higher*. The district should develop a policy that specifies the rate per mile for reimbursing homeless parents/guardians or unaccompanied youth and should apply the policy consistently. An auditor will examine whether the policy is being applied consistently when reimbursing under this scenario.

The method of mileage reimbursement should be one that is most reasonable for the district's Business Office and the parent/guardian or unaccompanied youth that provides for accurate accounting and recordkeeping. Some districts may wish to reimburse the mileage using a check, provided that the parent/guardian or unaccompanied youth has the resources to cash the check. Some districts may find it more convenient to reimburse mileage using cash from the district's petty cash fund.

Other districts may find it easier to purchase gas cards to reimburse the parent/guardian or unaccompanied youth for mileage. However, the gas card must be issued for the exact amount that is to be reimbursed or rounded *down*

(*never up*) to the nearest \$5.00 increment. Any difference still owed to the parent/guardian or unaccompanied youth would be settled at the next reimbursement.

Regardless of the method used for reimbursing mileage, the district will need to maintain documentation for each reimbursement. Documentation might be in the form of some type of *Reimbursement Voucher* or other document signed and dated by the parent/guardian or unaccompanied youth.

Reimbursement for mileage will be budgeted in *6400 Other Operating Costs*.

**A.10.6. How can the district use McKinney-Vento funds to pay the excess cost of transportation not otherwise provided through federal, state, or local funds, to enable homeless students to attend school? How are transportation costs categorized in the budget?**

Refer to question A.10.1. in this section of the FAQ for general information about transportation costs. An LEA may only charge the *excess costs* for transporting homeless students to/from the school of origin. Therefore, if a homeless student lives along the approved turn-by-turn route, then no excess costs would be incurred because the bus driver did not deviate from the approved route.

An LEA may choose one of several different methods to budget and expend funds for the excess cost for transporting homeless students to/from the school of origin. In any case, if using any method to charge the grant for excess costs, the same method must be used consistently, and *each method requires copious documentation to avoid an audit or monitoring finding*. The *budget* may be based on *estimates*, but all *charges* to the grant must be based on *actual costs*, and *not* on *estimated costs*.

Paying the Salary of a Bus Driver

See question A.2.10. for information with regard to paying the salary of a bus driver who transports homeless students to/from their school of origin.

Paying the Cost of Gasoline, Oil, and Maintenance

The costs of gasoline, oil, and routine maintenance of the bus are allowable as direct costs to the grant, provided these costs for transporting homeless students to/from the school of origin can be **isolated from the costs for providing gasoline, oil, and routine maintenance for the official routine bus route.**

The LEA must be able to isolate the actual cost of gasoline, oil, and maintenance for driving on the *irregular* route, from the actual cost of gasoline, oil, and maintenance for driving the *regular routine bus route*. That portion of the total costs for deviating from the regular route to pick up and drop off homeless students can be charged to the McKinney-Grant. In other words, the "excess costs" must be isolated from the costs of transporting regular students to/from school. Although this method may be allowable, *budgeting and recording expenditures in this manner will not be practical in most cases.*

If paying for the excess costs of transportation in this manner, the costs must be budgeted in the approved application (6300 Supplies and Materials; *contracted maintenance is budgeted in 6200 Professional and Contracted Services*).

See question A.10.3. if using a *van* to transport homeless students to/from school.

#### Using the Cost-Per-Mile Method

A *cost per mile*, commonly referred to as the "[allotment-per-mile rate](#)" assigned by TEA, that includes the cost of gasoline, oil, and regular maintenance of a *bus*, is allowable as a direct cost to the grant, provided the LEA or bus driver keeps track of the additional actual miles as a result of deviating from the routine route.

The *cost per mile* is derived from the district's *Student Transportation Operations Report*, which is completed annually by your district's Transportation Office and includes the total number of miles driven for the year for transporting *all* students to/from school (referred to as "route-related-service"). If using the *cost per mile* method, the LEA must use the cost per mile for **route-related-service**.

To determine the amount that can be charged to the grant, LEAs must first keep track of the actual number of excess miles driven. LEAs would then multiply the **number of actual excess miles** (for deviating off the approved route to pick up or drop off one or more homeless students) **X the cost per mile for "route-related-service."** Do not include miles driven for any purpose other than *route-related-service*, which is the number of miles for transporting students to/from school.

The "cost per mile" includes any "wear and tear" on the bus. Therefore, no additional charges can be made to the grant except for the **actual number of excess miles driven X the cost per mile for route-related-service**. The *budget* may be *estimated*, but the charges to the grant must be based on *actual* miles driven.

If using this method, the total estimated charges (based on cost per mile) must be budgeted in the approved grant application (6400 Other Operating Costs, specifically, 6499) and must be reasonable. This type of charge is more practical than the two previous types of costs (i.e., bus driver's salary and cost of gasoline) and would most likely be used in the event the LEA wishes to use McKinney-Vento or Title I, Part A funds to reimburse these excess costs for transporting homeless students to/from school.

The "cost per mile" does not apply if using a *van* to transport homeless students to/from school. See question A.10.3. if using a *van*.

#### Public Transportation

Bus fares, local transit fees, or other fees for public transportation to/from the school of origin for homeless students are allowable as direct costs to the grant, provided the costs for such public transportation are budgeted in the approved grant application (*6400 Other Operating Costs* if not contracted; *6200 Professional and Contracted services* if contracted), are reasonable, and are not

already reimbursed under the TEA [Bus Pass/Bus Card Reimbursement Program](#). See question A.10.4. for more information regarding this type of transportation.

#### Contracted Transportation Services

LEAs using contracted bus services to transport all students to/from school must use one of the above methods if charging excess costs for transporting homeless students. This would require close coordination with the contracted bus company. The same documentation for actual charges to the grant would also be required. Contracted transportation services are budgeted in *6200 Professional and Contracted Services*.

#### Reimbursing the Parent/Guardian/Student for Transportation

See question A.10.5. for information related to reimbursing the parent, guardian, or homeless student for transportation to/from the school of origin.

Also refer to *Part III Program Requirements, Transportation for Homeless Students, Allowable Uses of McKinney-Vento Funds* in the [Compliance Handbook](#) for a detailed discussion of allowable *excess costs* of transportation and where to budget them.

- A.10.7. A school district wants to take students attending their summer program (specifically for homeless students) to a university for an orientation and "how to get into college" activity that lasts three days. The drivers are the chaperones for the program, the vehicles are rented (not part of the school-district-owned fleet) and the college covers the costs of the meals and lodging for this program. Should this expense be budgeted as *6494 - Reclassified Transportation Expenditures/Expenses*, or should it be budgeted as *6412 - Travel and Subsistence for Students*?**

Attempting to determine the appropriate class/object code for recording this expenditure can be confusing at best due to some similarities in the descriptions provided in FAR (TEA's mandatory [Financial Accounting and Reporting](#) module). In order to arrive at the answer to this question, not only must the description of the appropriate **class/object codes** (i.e., 6494 vs. 6412) be considered, but the description of the appropriate **function codes** must also be considered. The manner in which an individual school district consistently codes this type of expenditure is also an important consideration. Each of these considerations is addressed below.

#### 6494 Reclassified Transportation Expenditures/Expenses

FAR provides the following description for **6494 Reclassified Transportation Expenditures/Expenses**:

This code can be used as an option to identify expenditures/expenses for transportation costs *other than those incurred for the purpose of transporting students to and from school*. Expenses from various expenditure object codes for salaries, fuel, etc., in Function 34 (Student Transportation) should be reclassified to this expenditure object code with the appropriate function assigned. Examples of such costs include those

associated with field trips (Function 11) and cocurricular/extracurricular activities (Function 36). Identification of the costs of transporting students for any purpose other than to and from school is required under Section 34.010, TEC.

Note that this code includes transportation costs associated with "extracurricular activities" in Function 36. FAR provides the following description for **Function 36 Extracurricular Activities**:

This function is used for expenditures/expenses for school-sponsored activities outside of the school day. These activities are generally designed to provide participating students with experiences such as motivation and the enjoyment and improvement of skills in either a competitive or noncompetitive setting.

Extracurricular activities include athletics and other activities that normally involve competition between schools (and frequently involve offsetting gate receipts or fees such as football, baseball, volleyball, track and tennis). Other kinds of related activities are included (such as drill team, pep squad and cheerleading, University Interscholastic League competition such as one-act plays, speech, debate, band, Future Farmers of America (FFA), National Honor Society, etc.).

According to FAR, costs for **extracurricular activities** include:

- Travel for (athletic and academic) coaches and trainers, sponsors, and students including meals and lodging (use Program Intent Code 91)
- Travel for band director, sponsors of debate, science competition, etc. and students including meals and lodging for student competition and extracurricular activities (use Program Intent Code 99)

Class/object code 6494 also includes costs associated with **field trips** (Function 11). FAR provides the following description for **Function 11 Instruction**:

This function is used for activities that deal directly with the interaction between teachers and students. Teaching may be provided for students in a school classroom, in another location such as a home or hospital, and in other learning situations. It may also be provided through some other approved medium such as television, radio, telephone, telecommunications, multimedia and correspondence. This function includes expenditures/expenses for direct classroom instruction and other activities that deliver, enhance or direct the delivery of learning situations to students.

FAR also states that costs for **instruction** include **field trips**, in addition to typical instructional costs such as salaries for classroom teachers and aides. It is important to note that field trips as mentioned here must also meet the definition of instruction as provided in the previous paragraph, in that the field trips involve direct interaction between teachers and students, teaching is provided during the field trips, and the field trips enhance the delivery of learning situations to students.

Additionally, field trips paid with grant funds must be allowable under TEA's [Budgeting Costs Guidance Handbook](#) (under *Allowable Cost and Budgeting Guidance*) pertaining to field trips. TEA's examples of appropriate field trips include visits to colleges and universities to encourage interest in the pursuit of higher education. Also refer to question A.13.15. of this FAQ for more information pertaining to allowable field trips.

#### 6412 Travel and Subsistence – Students

FAR provides the following description for **6412 Travel and Subsistence – Students**:

This code is used to classify the cost of transportation (rental of vans, buses and other vehicles), meals, participation fees, room, and other expenses associated with students traveling for school sponsored events. (Do *not* use function 34, i.e., Student Transportation, which is for transporting students to and from school.)

While this description seems very similar to the description for 6494 as provided above, 6412 would be used for student transportation *other than* for:

- extracurricular activities
- field trips as described above, and
- transporting students to and from school via the regular bus route

#### Consistency in Coding

In this particular example, the school district is taking students to a university for an orientation that lasts three days. The three-day "orientation" will most likely be provided by university personnel rather than by the district teacher. While "college visits" are listed as appropriate field trips in TEA's [Budgeting Costs Guidance Handbook](#) (under *Allowable Cost and Budgeting Guidance*), the district may determine that this particular three-day orientation does not meet the typical definition of an educational field trip because instruction is not being provided by the teacher. In this case, the district may choose to code the expenses to 6412, even though the college will be covering the cost of the meals and lodging. Additionally, the district may choose to code this expense to *Function 31, Guidance, Counseling and Evaluation Services* because the purpose of the college visit is to counsel students with respect to career and educational opportunities.

However, because only transportation costs will be incurred in this particular example, the district may choose to code the expenses to 6494, describing the three-day activity as a *field trip*. The district may then choose to code this expense to *Function 11 Instruction* where the activity is viewed as a field trip.

In any case, **consistency in coding** these types of expenditures is key. If your local Business Office typically codes this type of "extended multi-day college visit" as a *field trip* under 6494, then the expenditure should be coded accordingly. If your Business Office typically codes this type of expenditure to 6412 as *travel*

*and subsistence*, then the expenditure should be coded accordingly. Additionally, commercial companies are now contracting with school districts to provide tours to colleges and universities for students. Such a contract with a commercial company would be budgeted in and coded to *6200 Professional and Contracted Services*.

As long as the expenditure is budgeted in the application in an appropriate class/object code that corresponds to the definitions provided in FAR, the local Business Office should determine the proper coding to be consistent with their decision making. In any case, the district must comply with the provisions of Section 34.010 of the *Texas Education Code* (TEC) if using school buses to transport students for these types of activities, which state that the costs of using school buses for a purpose *other than* the transportation of students to or from school, including transportation for an extracurricular activity or field trip or of members of an organization other than a school organization, must be properly identified in PEIMS (Public Education Information Management System). Check with your district's PEIMS coordinator with regard to this requirement.

**A.10.8. Our district is taking students to visit colleges to encourage the pursuit of higher education. In some cases, the college visits require overnight stays in one or more hotels. Is it allowable to use McKinney-Vento funds for these college visits for our homeless students?**

It depends on the arrangement for *non-homeless* students. If the parents of *non-homeless* students are required to pay for the overnight stays in hotels and meals, then it may be appropriate to use McKinney-Vento funds to pay for the homeless students so they can participate if there are no other financial resources available. Travel costs of this nature would be budgeted in *6400 Other Operating Costs*.

However, if the district covers the cost of overnight lodging and meals from state or local funds for *all* students, then the district must also cover the cost for homeless students. In this instance, McKinney-Vento funds could not be used for homeless students because it would constitute a violation of the supplement, not supplant provision.

**A.10.9. Can Title I, Part A funds be used to transport homeless students to/from school?**

A provision in the federal *Consolidated Appropriations Act* specifically permits LEAs to use Title I, Part A funds for transporting students to/from the school of origin. These provisions were **in effect beginning with the 2014-2015 school year**.

Since the **2014-2015 school year**, LEAs are permitted to use Title I, Part A funds to pay for the *excess costs* of transporting homeless students to and from their school of origin. LEAs may use the Title I *set-aside* for homeless students attending non-Title I schools to pay for transportation. However, using Title I *set-aside* funds to transport homeless students to/from their school of origin does *not* satisfy an LEA's obligation to provide comparable Title I services to homeless children who attend non-Title I schools.

**Up through the end of the 2013-2014 schools year**, it was not permissible to use *Title I, Part A funds* to provide transportation to/from the school of origin for students who were homeless. Because transportation services to the school of origin are mandated under McKinney-Vento, this would have resulted in a supplant violation for Title I.

## **A.11 Construction/Remodeling/Renovation**

### **A.11.1. Can grant funds be used to pay for *construction* costs?**

No. *Construction* costs are associated with *permanent and structural work* of buildings or properties, such as installing sidewalks; paving parking lots; building wheelchair ramps to meet ADA requirements; expanding the square footage of a building; building a road, fence, or garage on school property, etc. Federal regulations prohibit the use of grant funds for construction unless it is specifically permitted in the authorizing program statute. Construction is not authorized in McKinney-Vento.

McKinney-Vento grantees are permitted, however, to use funds for the *adaptation of space for nonschool facilities* to provide services to homeless children and youth.

#### **For example:**

LEAs may use McKinney-Vento funds to make *minor* adaptations to existing non-school facilities such as shelters or transitional or temporary housing facilities to enable LEA personnel to provide **additional/supplemental** educational or support services in those facilities after school or on the weekends.

The LEA may use McKinney-Vento funds to provide a quiet area or room in a shelter where homeless students can read, study, or receive supplemental support, including the installation of study carrels, tables, desks, chairs, computers, study supplies, etc. Any such equipment or furniture placed in a shelter is the property of the school district, not the property of the shelter.

"Minor adaptations" does **NOT** include *major* renovation, remodeling, repairs, or construction of the facilities. These costs are considered construction costs and are not authorized by McKinney-Vento.

### **A.11.2. Can McKinney-Vento grant funds be used to pay for renovation/remodeling costs?**

The answer to this question is similar to the previous question and answer. McKinney-Vento grantees are permitted only to use funds for the *minor adaptation of space for nonschool facilities* to provide services to homeless children and youth. See the answer to the previous question for more information. Any such costs must be budgeted and approved in the application.

If these costs involve only the purchase of materials, and district employees will perform any work related to the adaptation of the space of the nonschool facility, then the materials are budgeted in *6300 Supplies and Materials*.

All labor must be performed by employees of the school district or donated by employees of the nonschool facility. Labor by district employees is budgeted in *6100 Payroll Costs*. Contracted labor is not allowable, as this would constitute construction and would require compliance with the Davis Bacon Act as well as other laws pertaining to construction with federal funds.

Refer to the instructions for completing the *Adaptation of Space* schedule in the TEXSHEP (McKinney-Vento) application for more information pertaining to this topic.

**A.11.3. We have space in our district (i.e., either owned or rented/leased by the district) to store supplies, including donated school supplies and clothing, etc., for our homeless students. However, there are no shelves in the space to organize and store the supplies. Can we use McKinney-Vento funds to purchase and install shelves and bins to store the supplies?**

Yes, it is permissible to purchase and install shelves and bins to store the supplies, provided that

- the costs are reasonable (comparable to current fair market value)
- the costs are necessary in order for the supplies to be organized and stored properly
- the costs are budgeted and approved in the grant application
- there are no other viable resources to donate the shelves or storage bins
- all labor is provided by school district employees and not by contractors

Shelves and bins would be budgeted in *6300 Supplies and Materials*. See the answer to the previous question if any labor costs are involved for installing the shelves and bins.

**A.11.4. Our district stores supplies and clothing for our homeless students at a thrift store operated by a nonprofit organization in our community. The homeless students receive a voucher which they can exchange for clothing and supplies at the thrift store. However, due to the large amount of supplies and clothing we have provided to the thrift store, the store does not have sufficient shelving or bins to store the supplies. Can we use McKinney-Vento funds to purchase shelving or bins for the thrift store so they can properly organize and store the supplies and clothing so it is easily accessible by homeless students?**

This is a challenging question to answer. An auditor or monitor *may or may not* deem this expenditure as allowable due to the circumstances. The district is taking the risk that the shelves or bins would not be under the control of the school district, but rather would be under the control of the thrift store.

The shelves and bins would be the property of the school district, not the property of the thrift store. The school district cannot be guaranteed that the

shelves and bins would be used strictly to store supplies and clothing for homeless students. Therefore, an auditor or monitor may *not* be assured that the shelves and bins were being used strictly to store supplies and clothing for homeless students.

At a minimum, the district would need to provide evidence to the auditor or monitor that the district is monitoring (on-site) the use of the shelves and bins on a *frequent and regular basis*. This may not be a viable use of time and resources for the district.

A more viable alternative may be for the district to solicit donated shelves and bins from local hardware and home repair stores or from other nonprofit organizations to place in the thrift store for storing supplies and clothing for homeless students.

However, *as a last resort*, it *may* be permissible to purchase shelves and bins for the thrift store, provided that

- the shelves are non-permanent in that they can be easily removed and relocated
- the costs are reasonable (comparable to current fair market value)
- the costs are necessary in order for the supplies and clothing to be organized and stored properly in the thrift store
- the costs are budgeted and approved in the grant application
- there are no other viable resources to donate the shelves or storage bins to the thrift store
- appropriate district staff monitor (on-site, regularly and frequently) the use of the shelves and bins in the thrift store
- all labor in conjunction with the installation of the shelves and bins is performed either by employees of the school district or by volunteers and not by contractors paid from the grant

Be advised however, that there is *no guarantee* that, even under these circumstances, the purchase *would not be disallowed* by an auditor or monitor.

Shelves and bins would be budgeted in *6300 Supplies and Materials*. See the answer to question A.11.2. if any labor costs are involved for installing the shelves and bins.

## **A.12 Program Income**

### **A.12.1. What is *program income*?**

*"Program income"* is defined in the federal regulations as gross income earned by the grantee that is *directly generated by a grant-supported activity*, or earned as a result of the federal award during the period of performance. *"During the period of performance"* is the time between the effective date of the grant and the ending date of the grant.

*Program income* includes income from

- fees for services performed under a grant

- the use or rental (by others) of real property (land or buildings) or personal property (i.e., computers or other equipment and furniture) acquired with grant funds
- the sale of commodities or items fabricated under a grant agreement
- royalties and license fees for copyrighted materials, patents, and inventions developed by a grantee (using grant funds) if the revenues are specifically identified in the grant agreement
- registration fees collected from participants for conferences or workshops directly related to the grant program (program income would be the amount that exceeds the amount that was actually expended by the grantee organization to sponsor the conference or workshop; see example 3 below)

Program income does *not* include

- interest earned on grant funds
- rebates
- credits
- discounts
- refunds, etc.

Program income also does *not* include any revenue received (such as cash or check donations) that doesn't *directly result from grant activities*. It also does not include any donations received where services or goods are not provided in return for receipt of the donation.

**For example:**

- (1) The school conducts a fund-raising event (using state or local funds or personal donations) to benefit homeless students. The cash or check donations earned as a result of the fund-raising event are *not* considered program income *because grant funds were not used to sponsor the event*. **Note:** It is unallowable under the federal cost principles to use *grant funds* for fund-raising. See question A.13.11. in this FAQ for more information about fund-raising.
- (2) The homeless education liaisons (on their own time) in several school districts collaborate to develop, print, and sell a cookbook. The proceeds from the sale of the cookbook are donated to benefit their homeless students. The proceeds earned as a result of this fund-raising event are not considered program income because *grant funds were not used to develop, print, and sell the cookbooks*. **Note:** Only state or local funds or personal donations may be used to develop, print, and sell the cookbook when the activity is a fund-raising event.

However, if the homeless *students use McKinney-Vento funds* to develop, print, and sell the cookbook, then the activity is not a fund-raising event, but rather an activity to earn *program income*. Proceeds of the sale must be reported as *program income* and the activity to earn *program income* must be approved in the application.

If authorized by the federal grant, the costs incurred to generate the program income may be deducted from gross income to determine program income, provided these costs *have not been charged to the federal grant*. See the remaining questions in this section pertaining to the reporting and use of *program income*.

- (3) The school district or ESC hosts a conference for the McKinney-Vento homeless education liaisons. The host organization charges a \$40 registration fee. The registration fee will be used to defray certain expenses. After all planned expenses are paid from the aggregate registration fees collected, however, money is left over. The remaining funds are program income. The program income must be reported to the grantor agency, and the activity to earn program income must be approved in the applicable grant application.

**See the following question in this FAQ pertaining to requesting permission in the grant application to retain the program income and add it to grant funds.**

Also see *Part II Fiscal Requirements, Program Income* in the [Compliance Handbook](#) for examples of how program income might be generated.

#### **A.12.2. What happens to any program income we earn?**

If you wish to generate program income, you must first seek approval in the grant application. In most cases, you must describe the activity that will be conducted to generate program income and how it is related to the objectives for carrying out the grant program.

If you want to *retain the program income and use it for grant purposes*, you **must also specifically request permission in the grant application to retain the program income and add it to grant funds**. All program income must be used to benefit the grant program in accordance with the terms and conditions of the grant and must be used in accordance with the federal cost principles and purpose of the grant.

If you do not specifically request in the application to *retain the program income and add it to grant funds*, per the regulations, you must *deduct* the amount of program income from the amount of grant expenditures, and report only the difference as expenditures for reimbursement. In other words, the program income is not added to the grant funds; rather, it is subtracted from the amount of grant funds expended and reimbursed to the grantee.

**A.12.3. Are we required to report any program income we earn?**

Yes. Grantees who earn program income must report all such income on the expenditure report, even when you have been given permission in the application to retain the program income and add it to the grant funds.

If you expend grant funds in order to generate program income, you may deduct the costs incurred from gross income to determine the amount of net program income. However, the grant application must also specify this.

**A.12.4. What types of items are we allowed to purchase with program income?**

All program income must be used to benefit the grant program in accordance with the terms and conditions of the grant and must be used in accordance with the federal cost principles and purpose of the grant. In other words, you can use program income to purchase anything that would be allowable to use grant funds to purchase.

**A.12.5. What happens to any program income earned *after* the grant ends?**

There are no federal requirements governing the disposition of program income earned *after* the end of the grant period, unless the terms of the award agreement or the program-specific federal regulations provide otherwise. After the ending date of the grant, grantees are no longer required to report any program income generated for the grant. For multi-year discretionary grant projects, including McKinney-Vento, this means at the end of the multi-year (e.g., 3-year) grant project.

**A.12.6. We are currently charging a *use allowance fee* to McKinney-Vento for equipment that was previously purchased from state or local funds. Is that considered “program income”?**

It is important to note that the new federal regulations in 2 CFR § 200.436 no longer permit charging a “*use allowance fee*” to federal grants. Costs for the use of equipment previously purchased with state or local funds must be recovered by calculating *depreciation*. Refer to question A.8.2. pertaining to depreciation of equipment purchased from state or local funds in a prior year.

**A.13 Miscellaneous Costs**

**A.13.1. Is *personal or professional liability insurance* for employees allowable?**

No. The only allowable liability insurance is *liability insurance for the organization* to protect the students and parents during grant activities. Such insurance is usually included in the LEA's indirect cost plan or in a direct cost allocation plan. Check with your Business Office to be sure before you budget it in the application.

**A.13.2. Is it allowable to use grant funds to pay for costs associated with an awards banquet, ceremony, or celebration?**

No. While it is important to celebrate successes, expenditures related to award banquets/ceremonies, celebrations, or social events are not allowable to be paid from federal or state grant funds under any circumstances. These types of expenditures are not viewed by auditors, monitors, and oversight agencies as *necessary* to accomplish the objectives of the program. You might want to solicit donations from local businesses or nonprofit organizations to help pay for such celebrations.

**A.13.3. Is it allowable to use grant funds to pay for a *graduation* ceremony?**

No. Refreshments, meals, decorations, or other costs related to a graduation ceremony are not allowable to be paid from grant funds. Oversight agencies do not consider graduation *ceremonies* as *necessary* to accomplish the objectives of a grant program. You might want to solicit donations from local businesses or nonprofit organizations to help pay for such graduation ceremonies.

**A.13.4. All of our students graduating normally have to pay for the rental of their cap and gown for the graduation ceremony. Is it allowable to use McKinney-Vento funds to pay for the rental of the cap and gown for our homeless students?**

It is appropriate for homeless students to fully participate in all graduation activities along with their non-homeless peers. If the parent of a homeless student does not have the financial resources to pay for the rental of the cap and gown, it is suggested that you do the following in the order listed:

- Ask the company renting the cap and gown to donate the rental to the homeless student.
- Seek support from the community such as through nonprofit organizations or local businesses.
- As a last resort, use McKinney-Vento funds to pay for the rental of the cap and gown so the student can participate in the graduation ceremony.

**A.13.5. Most of the high school seniors are purchasing class rings. Is it allowable to use McKinney-Vento funds to purchase a class ring for our senior homeless students so they can be included in this activity?**

No. The purchase of a class ring would not be deemed by auditors or monitors as reasonable and necessary to meet the objectives of the grant program. The student can graduate with or without a class ring. If the district wishes to assist the student in purchasing a class ring, you may want to seek donations from the ring company or from the community.

#### **A.13.6. What types of *advertising and public relations* costs are allowable?**

Per the federal cost principles, the only *allowable advertising costs* are those which are solely for

- recruitment of grant personnel required for the performance of the grant (advertisements are not in color and not excessive in size)
- procurement of goods and services for the performance of the grant
- disposal of scrap or surplus materials acquired under the grant
- program outreach and other specific purposes necessary to meet the requirements of the grant

The allowable *public relations costs* are

- costs specifically required by the grant award
- costs of communicating with the public and press pertaining to specific activities or accomplishments of the grant when these costs are considered necessary as part of the outreach effort for the grant. This would include recruiting students and families to participate in grant activities. (reasonable in cost, i.e., usually not in color and not excessive in size unless can be justified as necessary to accomplish the objectives of the outreach effort)
- costs of keeping the public informed on matters of public concern, such as notices of federal grant/contract award and financial matters pertaining to federal grants and contracts

*Unallowable advertising and public relations costs* include the following:

- costs of meetings, conventions, convocations, or other events related to other activities of the grantee *organization*, including
  - costs of displays, demonstrations, and exhibits
  - costs of meeting rooms, hospitality suites, and other special facilities used in conjunction with shows and other special events
  - salaries and wages of employees engaged in setting up and displaying exhibits, making demonstrations, and providing briefings
- costs of promotional items and memorabilia, including models, gifts, and souvenirs
- costs of advertising and public relations designed solely to promote the grantee organization

The cost of meeting rooms and reasonable and necessary costs associated with conducting a conference to convey technical information to grantees are allowable.

#### **A.13.7. What types of *printing costs* are allowed under the grant?**

Grantees may charge the grant for *reasonable and necessary* printing costs. Any *multi-color* printing must be reasonable in cost and must be documented as necessary to carry out the objectives of the grant program. For example, in order to entice *students* to pick up a flyer or brochure for recruitment or information purposes, it might need to be in multiple colors and graphically appealing.

**A.13.8. Can grant funds be used to pay parents to participate in program activities? If so, what form of payment is acceptable?**

Parents may receive compensation from grant funds if they provide services or participate in activities that are necessary to accomplish the objectives of the grant and that are directly related to and beneficial to the students' learning. The compensation, such as a stipend, must be "earned" in that it is in exchange for providing a service or participating in a necessary activity.

**For example**, it might be reasonable to pay parents a *non-employee stipend* to accompany students during field trips if it is necessary for parents, instead of or in addition to teachers, to accompany students on the field trips.

Or it may be appropriate to pay parents a *non-employee stipend* for attending parent education training or other training related to improving student learning where the expenditure is deemed necessary to encourage parents to attend.

*Stipends for non-employees* are usually in lieu of mileage reimbursement and are budgeted in *6400 Other Operating Costs*.

Payment for non-employee stipends is acceptable in the form of cash (documented with a receipt or other voucher from petty cash) or check. The check record should read "participant stipend" or similar. Check with your local Business Office to determine which method of payment is preferable.

Payment in the form of a gift card or bank card is *not* acceptable.

**A.13.9. Can we use McKinney-Vento grant funds to prepare and write the McKinney-Vento grant application?**

It depends. If the district is preparing and writing a McKinney-Vento *continuation application* (i.e., for years 2 or 3 of the grant cycle), then the costs incurred are allowed to be budgeted in the current application for next year's continuation application. If the continuation application is prepared and written by a contractor, then the cost is budgeted in *6200 Professional and Contracted Services*. If the continuation application is prepared and written by one or more district employees, then the time spent on this activity should be included for the appropriate position(s) budgeted in *6100 Payroll Costs*.

However, if the district is preparing and writing a *competitive* grant for the first year of a new competitive cycle, then the costs *cannot* be charged to the McKinney-Vento grant. The cost of writing new competitive grants must be paid from state or local funds.

**For example**, a district receives a 3-year McKinney-Vento grant. In year 3, a new competitive cycle is available to start the next school year. The district cannot use year 3 grant funds to write the new competitive grant for the next year.

**A.13.10. Can we use *McKinney-Vento grant funds* to write *other grants* that would benefit homeless students?**

No. You cannot use grant funds to develop or write a grant application or proposal that seeks funding from a source *other than* McKinney-Vento. You must use state or local funds.

However, if a person writing the grant (i.e., another person funded from state or local funds) requests information from the homeless education liaison or another McKinney-Vento-funded staff member, then certainly the liaison or other staff member may provide information to the grant writer.

See the previous question for information about writing the McKinney-Vento application.

**A.13.11. Can we use McKinney-Vento funds to sponsor a fund-raising event, such as a car wash, bake sale, run, “couch-potato run,” or other event, to raise funds that benefit our homeless students?**

No. Federal cost principles prohibit the use of *grant funds* to conduct organized *fund-raising activities*, including financial campaigns, solicitation of gifts and bequests, and similar expenses incurred to raise capital or obtain contributions, regardless of the purpose for which the funds will be used.

Grantees may, however, use state or local funds or personal donations to sponsor a fund-raising event. Also, any cash donations (including checks) received as a result of the fund-raising event (conducted using state or local funds or personal donations) are not considered “program income” when grant funds are not directly used to generate the donations. See section A.12. in this FAQ for more information about “program income.”

**A.13.12. We have one or more homeless students who need an eye examination and possibly eyeglasses. Is this allowable to be paid from grant funds, and where do we budget eye examinations and eyeglasses?**

Eye examinations and eyeglasses for homeless students are allowable provided that

- the costs are reasonable (comparable to current fair market value)
- the costs are necessary in order for the students to be successful in school
- The eye examinations or eyeglasses cannot be donated by another organization or provider, such as Lions Club. Local optometrists may also provide low or no-cost eye examinations and eyeglasses to homeless students.

The following information is available at the [Lions Club International website](#). Contact your local Lions Club to determine the services available in your area.

“Lions Clubs International and OneSight(SM) have partnered to deliver sight to the needy since 1988. OneSight, A Luxottica Group Foundation, is a family of charitable

vision care programs dedicated to improving vision through outreach, research and education.

Lions and OneSight work together to provide eyeglasses for the needy through:

- **OnSite Voucher** – Lions clubs and other groups may obtain a limited number of pairs of free eyeglasses for the needy. Eye exams are not included.
- **Special Price Voucher** – Lions clubs are able to purchase an unlimited number of glasses for needy individuals at a special price of US\$50 per pair in the United States and US\$70 per pair in Canada. Eye exams are not included. Prepaid Lions Special Price vouchers are available in a book of 10. To order a book or single voucher, call 1-888-935-4589.
- **Hometown Day** – The first Tuesday of December each year, Luxottica Retail stores (LensCrafters, Pearle Vision, Sears Optical and Target Optical) set aside a special morning to provide free eye exams and glasses to local residents in need as pre-determined by Lions and other charitable groups.
- **Vision Vans** – Two 40-foot Vision Vans "Seemore" and "Iris," travel North America delivering free eye care and new glasses to disadvantaged children pre-selected by Lions clubs and other local agencies."

The eye examinations would be budgeted in *6200 Professional and Contracted Services*. Eyeglasses would either be budgeted in *6300 Supplies and Materials*, or in *6200 Professional and Contracted Services* if the grantee organization has a contractual agreement with a provider for eyeglasses.

Under no circumstances should the funds be given to the family/student to make their own arrangements and pay for the eye examinations or eyeglasses.

**A.13.13. Is it allowable to pay for immunizations or medical exams for homeless students? If so, where are they budgeted?**

Yes, it is allowable to pay for *immunizations* for homeless students when the immunizations are required for enrolling in school or when other students are being immunized to prevent contracting a contagious disease that has spread in the geographic area. It is also allowable to pay for *medical exams* for homeless students under certain circumstances.

In general, immunizations and medical exams are allowable provided that

- the costs are reasonable (comparable to current fair market value)
- the costs are budgeted and approved in the grant application
- the medical exams are for extraordinary or emergency situations, such as necessary to allow the student to enroll in or to attend school
- The immunizations or medical exams cannot be donated by another organization or provider. Check to see if any local physicians provide low or no-cost immunizations or medical exams to homeless students.

Immunizations and medical exams from licensed physicians would be budgeted in *6200 Professional and Contracted Services*. If the liaison pays for the immunizations and medical exams from her personal funds and then seeks reimbursement from the Business Office based on a receipt, then the costs would be budgeted in *6400 Other Operating Costs*.

Under no circumstances should the funds be given to the family/student to make their own arrangements and pay for the immunizations or medical exams.

**A.13.14. We have some homeless students who are in desperate need of dental work, but their family cannot afford it. Is it allowable to use McKinney-Vento funds to pay for this?**

A homeless student may need dental work under the “extraordinary or emergency assistance” category. This may be necessary in limited circumstances. For example, the student might have a persistent toothache that limits the ability of the student to concentrate at school or on homework and therefore interferes with learning. The toothache may even be preventing the student from sleeping at night. A visit to the dentist may result in extraction of the tooth or in a root canal in order to alleviate the pain.

Such extraordinary and emergency dental costs are allowable provided that

- the costs are reasonable (comparable to current fair market value)
- the costs are budgeted and approved in the grant application
- the dental exams are for extraordinary or emergency situations, such as necessary to alleviate pain to allow the student to attend school and do homework
- The dental costs cannot be donated by another organization or provider. Check to see if any local dentists provide low or no-cost services to homeless students.

Services provided by a licensed dentist would be budgeted in *6200 Professional and Contracted Services*. If the liaison pays for the dental work from her personal funds and then seeks reimbursement from the Business Office based on a receipt, then the costs would be budgeted in *6400 Other Operating Costs*.

Under no circumstances should the funds be given to the family/student to make their own arrangements and pay for the dental work.

**A.13.15. Is it allowable to take homeless students to an *amusement park* as long as we have lesson plans and a variety of educational activities that occupy the majority of their time?**

The federal cost principles prohibit costs for “entertainment, including amusement, diversion, and social activities.” Therefore, the primary purpose of any visit to any type of facility that can be viewed as entertainment or amusement must be carefully documented as primarily *educational* in order to be allowable under any state or federal grant, including McKinney-Vento.

*Appropriate field trips* generally involve students in learning experiences that are difficult to duplicate in a classroom situation. According to TEA's [Budgeting Costs Guidance Handbook](#) (under *Allowable Cost and Budgeting Guidance*), the field trip must appear as part of the teacher's lesson plans and it must meet the instructional objectives of the grant program.

Also per TEA, field trips to *entertainment or recreational locations* that have legitimate educational programs may be allowable if at least 75% of the time spent at the location is used for (documented) *educational purposes* (and not entertainment or recreation), provided the field trip meets the other conditions. This includes but is not limited to field trips to movies, parks, amusement parks, water parks, roller skating and ice skating parks, and any other venue that can be considered to be for the primary purpose of amusement or entertainment. The purpose of the field trip *cannot* be solely or primarily for entertainment or amusement. Such a field trip is unallowable to be paid with any state or federal grant funds and should be disallowed by an auditor or monitor. The grantee must retain documentation of each field trip to provide evidence that it met the criteria established by THEO and by TEA.

Provided that all of the guidelines specified in TEA's [Budgeting Costs Guidance Handbook](#) (under *Allowable Cost and Budgeting Guidance*) are met, the costs associated with a field trip of this type *may* be allowable provided that

- the entrance fees and transportation costs are reasonable (comparable to current fair market value)
- the costs are budgeted and approved in the grant application
- the field trip is necessary to accomplish the objectives of the grant program and of a specific teacher's lesson
- the entrance fees cannot be donated by another organization
- The field trip is supplemental to the regular academic program. Additionally, if the field trip is for *all* students, including homeless students, then the costs associated with the field trip must be paid from state or local sources for all students. It would not be allowable to use McKinney-Vento funds to pay for homeless students, and use other state or local sources to pay for non-homeless students. This would constitute a violation of the supplement, not supplant provision.

The costs associated with field trips (i.e., bus transportation, entrance fees, a reasonably priced meal for all-day field trips, etc.) are budgeted in *6400 Other Operating Expenses*.

**A.13.16. We have a summer program specifically for homeless students. Is it allowable to take the students to a swimming pool for swimming lessons?**

It is recognized that swimming lessons provided by a certified swimming instructor can teach vital water safety and survival skills to children. To be allowable to be paid from grant funds of any type, the swimming lessons would need to meet the criteria for *educational field trips* as specified in the previous question. If the trip to the swimming pool for swimming lessons meets the criteria stated in the previous question, including those stated in TEA's [Budgeting](#)

[Costs Guidance Handbook](#) (under *Allowable Cost and Budgeting Guidance*) for field trips, then the associated costs, such as bus transportation and entrance fees, *may* be allowable provided that

- The swimming lessons are provided by a *certified swimming instructor*. Allowing the students just to practice swimming on their own or under the supervision of a non-certified instructor does not qualify as legitimate *swimming lessons* for the purpose of learning water safety and survival.
- The entrance fees and transportation costs are reasonable (comparable to current fair market value).
- The costs are budgeted and approved in the grant application.
- The swimming lessons are necessary to accomplish the objectives of the grant program and of a specific teacher's lesson. Written documentation must be maintained that provides that homeless students would not otherwise have the opportunity to learn water safety and survival skills.
- The entrance fees cannot be donated by another organization.
- The swimming lessons are supplemental to the regular academic program. Additionally, if the summer school also serves *non-homeless* students, then the costs associated with the swimming lessons must be paid from state or local sources for *all* students. It would not be allowable to use McKinney-Vento funds to pay for homeless students, and use other state or local sources to pay for non-homeless students. This would constitute a violation of the supplement, not supplant provision.

The costs associated with field trips (i.e., bus transportation, entrance fees, etc.) are budgeted in *6400 Other Operating Expenses*.

**A.13.17. What types of organization memberships are we permitted to purchase with grant funds?**

Memberships in **business, technical, and professional organizations** related to the purposes of the grant program are allowable. All memberships must be in the name of the grantee *organization*, and not in the name of an individual. Memberships must be reasonable in costs, necessary to carry out the objectives of the grant program, and budgeted in the grant application in *6400 Other Operating Costs (specifically, 6495)*.

Memberships in **civic or community organizations** are allowable costs only with specific approval of TEA or other awarding agency.

Memberships in any **country club, social club, or dining club or organization** are *unallowable*. Memberships in organizations with any sort of **religious affiliation** are also not allowable.

**Memberships in Organizations Whose Primary Purpose is Lobbying:** The federal cost principles prohibit the use of grant funds for *memberships* in organizations whose primary purpose is lobbying.

*You are advised to not use federal funds to pay the membership of an organization if the membership organization cannot verify that its primary*

*purpose is not lobbying.* The membership fee could be disallowed by an auditor if it is determined that the organization's primary purpose is lobbying.

Refer to *Part I Uniform Administrative Grant Requirements, Lobbying* in the [Compliance Handbook](#) for more information on lobbying.

## **B. Supplement Not Supplant**

### **B.1. What is the "supplement, not supplant" provision?**

Most federal education grants contain the *supplement, not supplant* provision. In most cases, the expenditure of grant funds for a particular cost or activity must *supplement, and not supplant*, state or local funds. *Supplement, not supplant* is a critical factor in determining whether a particular cost is allowable under a federal program, and it must be understood by program managers and fiscal personnel.

**Example of typical statutory language:** A state or local educational agency may use funds only so as to supplement the funds that would, in the absence of such federal funds, be made available from non-federal sources, and in no case may funds be used so as to supplant funds from non-federal sources.

In any public education setting and in all cases, state and local funds must be used to provide the regular academic program. An LEA must be able to operate its schools and the core foundation program without any federal funds. All students, including homeless students, and other disadvantaged students, must be provided at least the same level and quality of education and services with state and local funds as all other students receive from state and local funds.

The McKinney-Vento Homeless Education authorizing statute contains a *type* of *supplement, not supplant* language in that grantees must use funds only to *expand or improve* upon already-existing services provided as part of a school's regular academic program. McKinney-Vento funds must not be used to replace services provided under the regular academic program. (Title VII, Subtitle B, Section 723[a][2] and [3] of the *McKinney-Vento Homeless Assistance Act*)

See *Part II Fiscal Requirements, Supplement, Not Supplant* in the [Compliance Handbook](#) for more information pertaining to supplement, not supplant.

### **B.2. What does "supplement" mean? What does "supplant" mean?**

**Supplement** means *to add to; to enhance; to expand; to increase; to extend; to create something new.* **Supplant** means *to take the place of; to replace by something else.*

### **B.3. What is the significance of *supplement*, *not supplant*?**

In general, *supplement*, *not supplant* means the following:

- Federal funds may not be used to operate an LEA's schools or to provide the core foundation program.
- Federal funds may not be used to replace activities normally funded from state or local funds.
- State and local funds may not be diverted for other purposes due to the availability of federal funds.
- Federal funds may not be used to support activities that are required by state law, State Board of Education or Commissioner's rule, or local policy.
- *All* students must receive the same level and quality of services from State and local resources. In other words, State and local sources *cannot* be used to provide services to only *some* of the students, while Federal funds are used to provide services to the *remaining* students. (Title I *schoolwide* programs may be an exception, depending on the funding sources consolidated on the schoolwide program. Refer to the [USDE Non-Regulatory Guidance, Title I Fiscal Issues, February 2008](#), for additional, specific information on consolidating funds on schoolwide projects.)
- Federal funds must be used to *supplement* activities already being provided by the grantee, meaning they must be used to *expand, enhance, or improve* existing services and activities or to create something *new*.

### **B.4. Are grantees required to maintain documentation that demonstrates the supplementary nature of the funds and activities?**

Yes. In most cases, both the *funds* and the *activities and services* must be supplemental. Therefore, both the supplementary nature of the *activities and services*, as well as the supplementary nature of the *expenditures* must be documented.

The exception is Title I schoolwide programs where only the *level of funding* must be supplemental to the level of state and local funding for the school. A Title I schoolwide program must receive the same *level* of state and local funds that the school would receive in the absence of Title I.

If *supplement, not supplant* cannot be properly documented, the maximum penalty would be the return of 100% of the grant dollars to the awarding agency, depending upon the activities and expenditures associated with the supplant violation.

Refer to the [USDE Non-Regulatory Guidance, Title I Fiscal Issues, February 2008](#), for additional, specific information on using funds for schoolwide projects.

**B.5. How can grantee officials know if they are supplanting with McKinney-Vento funds?**

**Ask yourself the following questions:**

- ❑ Am I using McKinney-Vento funds to replace activities normally funded from state or local funds?
- ❑ Am I using McKinney-Vento funds to provide activities or services that are part of the regular academic program?
- ❑ Am I diverting State and local funds (already planned for these activities or services) for other purposes due to the availability of McKinney-Vento funds?
- ❑ Am I using McKinney-Vento funds to support activities that are required by state law, State Board of Education or Commissioner's rule, or local policy?
- ❑ Are State and local funds being used to provide services to only *some* of the students, while federal funds, including McKinney-Vento funds, are being used to provide services to the *remaining* students? (Title I schoolwide programs may be an exception, depending on the funding sources consolidated on the schoolwide program. However, McKinney-Vento funds should most likely not be consolidated on a schoolwide program.)

If the answer to any of these questions is "yes", it is presumed you are supplanting. Refer to *Part II Fiscal Requirements, Supplement, Not Supplant* in the [Compliance Handbook](#) for examples of where the grantee may be able to refute, or rebut, the presumption of supplanting.

## **C. Maintenance of Effort (MOE)**

**C.1. What is Maintenance of Effort (MOE)?**

Like many federal education programs, the McKinney-Vento Homeless Education authorizing program statute contains a *maintenance of effort* (MOE) provision. MOE is one of the fiscal requirements, similar to *supplement, not supplant*, that ensures that federal funds are used to provide services that are *in addition to* the regular services normally provided from state and local funds by an LEA.

MOE means the LEA must maintain its expenditures for public education from state and local funds from year to year. An LEA cannot reduce its own state and local spending for public education and replace those funds with federal funds.

For the McKinney-Vento Homeless Education program, an LEA may receive McKinney-Vento federal funds for any fiscal year only if the State educational agency (SEA) finds that either the combined fiscal effort per student or the aggregate expenditures of the LEA with respect to the provision of free public education by the LEA for the preceding fiscal year was not less than 90% of the combined fiscal effort or aggregate expenditures for the *second preceding fiscal year*. (*McKinney-Vento Homeless Assistance Act, Title VII, Subtitle B, §723[b][3]*) Refer to *Part II Fiscal*

*Requirements, Maintenance of Effort* in the [Compliance Handbook](#) for a definition of “preceding fiscal year” and examples.

MOE is based on *actual* expenditures from State and local funds for the year that is two years prior to the current year, *not* on *budgeted* amounts. LEAs are responsible for maintaining effort and for documenting compliance with MOE. For McKinney-Vento, Region 10 ESC will verify each LEA’s MOE through TEA using fiscal information obtained through the Public Education Information Management System (PEIMS) database.

### **C.2. For how many years must we maintain effort under McKinney-Vento?**

LEAs must maintain effort for *each* of the three years of the project period in order to continue receiving McKinney-Vento grant funds.

McKinney-Vento grantees are selected for funding for a three-year project period. MOE must be demonstrated initially to receive an award for the first year, and for each of the remaining two years of the project period. Pursuant to guidance from the USDE, if an LEA fails to meet MOE in year 2 or 3 of the project period, the LEA will not be eligible to receive McKinney-Vento funds for the respective year in which the LEA fails to meet MOE.

**For example**, an LEA meets MOE for the initial award of the 3-year grant cycle (2015-2016 school year, for example), but fails to meet MOE for year 2 of the grant (2016-2017 school year). The LEA will not be eligible to receive McKinney-Vento funds in the second year (2016-2017). But if the LEA meets MOE in the third year of the grant (2017-2018 school year), then the LEA will be eligible to receive funding in year 3 of the grant cycle (2017-2018).

Remember that the determination of MOE for the *current year* is calculated using data from the year which is two years prior to the current year. For example, the data used to calculate MOE for the 2015-2016 school year is audited data in PEIMS from the 2013-2014 school year. The data used to calculate MOE for the 2016-2017 school year is audited data in PEIMS from the 2014-2015 school year. And the data used to calculate MOE for the 2017-2018 school year is audited data in PEIMS from the 2015-2016 school year. Refer to the [Compliance Handbook](#) for more information about MOE.

### **C.3. How is MOE calculated?**

Per federal regulation, TEA, as the state educational agency (SEA), is required to calculate MOE for every school district and open enrollment charter school in Texas. Per 34 CFR § 299.5, in calculating MOE, the SEA shall consider only the LEA’s expenditures from state and local funds for free public education. These include administration, instruction, attendance and health services, pupil transportation services, operation and maintenance of plant, fixed charges, and net expenditures to cover deficits for food services and student body activities. TEA uses expenditure information from PEIMS to calculate MOE for LEAs. It is the same MOE calculated for Title I, Part A.

**C.4. Are there any expenditures that are *not* included in the MOE calculation?**

Yes. Expenditures not included in the MOE calculation in accordance with the regulations include community services, capital outlay, debt service, supplemental expenses made as a result of a Presidentially-declared disaster, and expenditures made from federal funds.

**C.5. What happens if an LEA doesn't maintain MOE for McKinney-Vento?**

McKinney-Vento grantees are selected for funding for a three-year grant cycle. MOE must be demonstrated initially to receive an award for the first year, and for each of the remaining two years of the project period. Pursuant to guidance from the USDE, if an LEA fails to meet MOE in year 2 or 3 of the project period, the LEA will not be eligible to receive McKinney-Vento funds for the respective year in which the LEA fails to meet MOE. See question C.2. for more detailed information.

**C.6. Can the Secretary of Education waive MOE requirements for McKinney-Vento like they can for some ESEA programs?**

Unlike some ESEA programs, there is no waiver provision for MOE in the McKinney-Vento statute. LEAs that do not maintain MOE for each of the three years of the grant cycle will not receive McKinney-Vento funding for any year for which MOE was not maintained.

## **D. *Obligations/Encumbrances***

**D.1. I often hear the term "*obligation*" used. What is an *obligation*?**

In technical terms, *obligations* are orders placed for property and services, contracts or subgrants awarded, and similar transactions during a given period that will require payment by the grantee during the same or a future period.

In other words, an *obligation* is a commitment to pay. It is a purchase order, a signed contract or other agreement, a purchased airplane ticket, the purchase of supplies or materials, etc., or other "commitments" to expend the funds. According to federal regulation, grant funds may not be *obligated*, or *committed*, prior to the starting date of the grant or after the ending date of the grant.

**D.2. When does an *obligation* occur?**

Grant funds may not be obligated, or committed, prior to the starting date of the grant or after the ending date of the grant. An *obligation* occurs as follows:

Type of Expenditure	When the Obligation Occurs
For services by an <b>employee</b>	When the services are performed
For services by a <b>contractor</b>	The date of a binding written commitment, such as a contract, purchase requisition or purchase order, or other written agreement, to obtain services
For <b>utility services</b>	When the utility services are received
For <b>travel</b>	<ul style="list-style-type: none"> <li>• For hotel lodging, meals, and mileage, when the travel actually occurs</li> <li>• For the purchase of a plane ticket, when the ticket is actually purchased</li> <li>• For registration fees associated with travel, at the time payment of the fee is due and payable</li> </ul>
For <b>rental of property</b>	When the property is actually used or occupied
For <b>real or personal property</b> (including purchase of supplies and equipment)	The date of a binding written commitment, such as a purchase requisition, purchase order, invoice, or receipt, to acquire the property
A <b>pre-agreement cost</b> that was properly approved by the awarding agency prior to the obligation	On the first day of the grant project period

**Special Note:** Not only must all obligations occur during the grant period, but all goods must be received and all services must be provided or delivered in time to benefit homeless students in the current grant period. This is required in order to document that the expenditures were *necessary* to accomplish the objectives of the current-year grant, which is a requirement of the federal cost principles.

**TEA and Region 10 generally consider this to be at least 30 days prior to the ending date of the grant and in no case after the ending date.** Per TEA's [General and Fiscal Guidelines](#), in general, goods or services delivered near the end of the grant period may be viewed by TEA as not necessary to accomplish the objectives of the current grant program, but TEA will evaluate such expenditures on a case-by-case basis. A TEA monitor or an auditor may disallow those expenditures if the grantee is unable to (1) document the need for the expenditures, (2) demonstrate that program beneficiaries receive benefit (during the grant period) from the late expenditures, or (3) negate the appearance of "stockpiling" supplies or equipment.

### D.3. What is an *encumbrance*?

An *encumbrance* is an accounting term that means *reservation, or commitment, of funds* to cover outstanding obligations, or commitments to pay. The terms "obligation" and "encumbrance" are often used interchangeably.

**For example**, when a contract, purchase requisition, or purchase order is signed, the amount should be *encumbered*, or *set aside*, in the accounting system. Or, when a *Request to Travel* is approved in advance of travel, the total amount reserved for that specific travel event should be *encumbered* in the accounting system.

An *encumbrance* is not the actual expenditure, only a *commitment to expend* resources. When an *encumbrance* is posted to the general ledger (in the "Encumbrance" column), the amount of money available for spending by the LEA is reduced by the amount of the *encumbrance*. *Encumbrance* accounting helps ensure you always have an accurate balance of committed, or obligated, funds, versus unobligated, or uncommitted, funds. The grantee risks over-obligating funds when obligations are not recorded as *encumbrances* in the general ledger.

In addition, FAR *requires encumbrance* accounting. Refer to *Part II Fiscal Requirements, Expending Grant Funds, Obligation of Funds* in the [Compliance Handbook](#) for more information pertaining to obligations and encumbrances. Also refer to Section 1.1.6 of [FAR \(Module 1\)](#) for more information on encumbrance accounting.

**D.4. McKinney-Vento funds were obligated/encumbered before the end of the 12-month grant period, but the goods were not received until after the end of the 12-month grant period. Can we still pay for these goods from grant funds?**

Unfortunately, no. All encumbrances/obligations must occur on or between the beginning and ending dates of the grant. Likewise, for discretionary grants, all goods must be received and all services must be rendered within the beginning and ending dates of the grant.

All expenditures must be subsequently liquidated (recorded as an expenditure or accounts payable) within 30 days after the end of the grant period to coincide with the submittal of the final expenditure report to Region 10 (or to TEA for grants administered by TEA). Goods or services can only be put into the *accounts payable* once the goods or services have been received. Goods or services received after the grant ends will have to be paid from other eligible grant funds or from state or local funds.

And remember, all expenditures must benefit the *current* grant period in order to be deemed by auditors and monitors as necessary to carry out the objectives of the grant program and to be allocable to the grant. Refer to number D.2. above for more information regarding benefit received during the current grant period.

**D.5. We ordered materials or equipment before the ending date of the grant in time for the materials and equipment to benefit the current grant period. But the vendor didn't ship the materials or equipment on time, so we did not receive them until after the grant ended. Can we pay for them from the grant since it was not our fault?**

No. The materials or equipment must be received prior to the ending date of the grant in order to be charged to the grant. In addition, the materials and equipment must be received in time to benefit the current grant period.

**D.6. We want to contract with a consultant to perform services related to the grant. Can the contract extend past the ending date of the current grant period?**

Grantees cannot claim reimbursement for consultant services performed before the beginning date of a grant or after the ending date of a grant. Signing a contract before the starting date of the grant, or signing a contract that extends past the current grant period, constitutes an obligation outside the *period of availability of funds* (i.e., before or after the grant period), which can cause an audit or monitoring exception for the grantee.

Therefore, TEA highly recommends that such a contract not begin before the current grant period or extend past the ending date of the current grant period. The contract creates a binding written legal agreement between the grantee and the consultant. Should you not receive grant funds for some reason beyond the current grant period, the grantee is still contractually obligated to receive services from and to pay the consultant. This means the grantee will be paying for consultant services from some other allowable funding source if the grantee for some reason does not receive grant funding in the subsequent year.

In addition to possibly resulting in financial difficulties for the grantee in paying the consultant, it may also appear to be a supplant rather than a supplemental expenditure because the grantee is making a commitment to pay prior to or beyond the current grant period, which implies other sources of funds will exist before or after the grant period to pay the consultant. A supplant condition would require the repayment to the awarding agency (TEA or Region 10 ESC, in this case) of all costs paid to the consultant from the grant.

In addition, you may wish to terminate the contract with a particular consultant at the end of the grant period, but would be unable to do so easily if the contract extends past the current grant period into another year.

For these reasons, it is recommended that any contract with a consultant/contractor not be executed prior to the current grant period or extend past the current grant period. Refer to TEA's [Guidance and Best Practices for Professional Services Contracts](#) (under *ESC Cluster Site Trainings* on TEA's new EDGAR web page) for additional guidance pertaining to professional service and consulting contracts.

**D.7. Can we sign a contract with a consultant/contractor *prior* to the start date of the grant and pay for the services from the grant, even though the services will not be performed until after the grant starts?**

No. The signed contract constitutes a binding obligation/encumbrance, and cannot be committed prior to the start date of the grant. This is making a commitment prior to the *period of performance*. Signing the contract and/or paying for the services prior to the start date of the grant will cause an audit exception for the grantee.

The LEA may, however, sign a "letter of intent" to contract with the consultant/contractor prior to the start date of the grant. The letter must contain certain information. Refer to TEA's [Guidance and Best Practices for Professional Services Contracts](#) (under *ESC Cluster Site Trainings* on TEA's new EDGAR web page) for additional guidance pertaining to professional service and consulting contracts.

## **E. Indirect Costs**

### **E.1. What are “indirect costs?”**

The costs for administering a federal program usually include both *direct administrative* costs and *indirect costs*. *Indirect costs* are costs for administering the grant program that cannot be specifically identified with a particular grant program without effort disproportionate to the benefits received. *Indirect costs* are incurred for common or joint purposes and benefit multiple cost objectives (i.e., more than one federal grant, project, or activity). *Indirect costs* usually support areas that serve the entire grantee organization, such as Accounting, Budget, Human Resources, Purchasing, Building Maintenance, etc.

*Indirect costs* are budgeted in the application as part of the costs for administering the program, and your organization must have an approved *indirect cost rate* in order to charge *indirect costs* to a grant. TEA issues the *indirect cost rate* for school districts, ESCs, and open-enrollment charter schools based on information contained in an indirect cost plan.

Items that are included in an *indirect cost agreement* as part of the *indirect cost pool* cannot also be charged as a *direct* cost to the grant. Consult with your Business Office to determine which costs are included in your organization’s indirect cost agreement.

### **E.2. Our organization’s indirect cost rate is 11.72%. Can I charge indirect costs to the grant at this 11.72% rate?**

No. Most federal grants contain the “supplement, not supplant” provision. For these grants, the maximum rate allowed is 8%, or the approved restricted indirect cost rate, whichever is *less*. The McKinney-Vento Homeless Education grant contains a type of supplement, not supplant provision. Therefore, the maximum indirect costs that can be charged to the McKinney-Vento grant is 8%, or your approved restricted indirect cost rate, whichever is less.

### **E.3. Do the indirect cost rates change from one year to the next?**

Yes. Unless the same rate is extended for another year by TEA, the indirect cost rate changes each year for the period July 1 through June 30. The correct indirect cost rate in effect at the time must be applied for the expenditures incurred during that same time period.

**For example**, the typical McKinney-Vento grant period is September 1 through August 31. The grantee organization will have one indirect cost rate that is in effect for the September 1 through June 30 period, and a different indirect cost rate that is in effect for the period July 1 through August 31. Therefore, the grantee must apply the appropriate rate to the expenditures incurred during the respective time period.

**E.4. Do we get to keep all of the indirect costs budgeted for the program, even though we may not spend all of the grant funds?**

No. Indirect costs can only be charged to the grant based on the actual *direct* costs (expenditures in class/object codes 6100-6600) expended and charged to the grant. Therefore, if a grantee does not expend all of its funds during the grant period, the maximum amount of indirect costs based on the total grant award cannot be charged to the grant. Rather, the grantee must adjust the final amount charged to indirect costs based on the *actual direct costs* to the grant. Failure to make this correction at the end of the grant period will result in an audit exception and would require repayment to the awarding agency of the excess amount charged to indirect costs.

***F. Using Title I, Part A, Funds to Serve Homeless Students***

**F.1. Our district receives both Title I, Part A funds and McKinney-Vento Homeless Education funds. When using Title I, Part A funds to serve homeless students, does Title I, Part A supplement McKinney-Vento, or does McKinney-Vento supplement Title I, Part A?**

It may depend on the specific situation in which both types of funds are actually being used. Funds from both programs must be used in a supplemental manner. However, McKinney-Vento contains legal requirements that must be implemented even when a district does not receive McKinney-Vento grant funds. Therefore, it may depend on which source of funds is viewed as the first resource used for resolving a particular need. The following information and examples may help.

Supplemental Educational Services

Title I, Part A should be used to provide supplemental *educational* services to all educationally disadvantaged children, including homeless children. Districts that also receive McKinney-Vento could then use McKinney-Vento funds to provide additional *educational* services to homeless children above and beyond Title I. In this case, it makes sense that McKinney-Vento would supplement Title I, Part A.

This concept has been illustrated in the following manner.

Think of an ice cream sundae. The bowl of ice cream represents the core foundation program. Every student gets at least the bowl of ice cream. The hot fudge represents Title I, Part A, and is available to all educationally disadvantaged children, including homeless children. The whipped cream and nuts on top represent McKinney-Vento, and is available to all homeless children in districts that also receive McKinney-Vento funds. If the district did not receive McKinney-Vento funds, it would at least usually have the hot fudge for the benefit of the homeless children.

### Title I Set-Aside Funds

Unless 100% of the campuses in an LEA are receiving Title I funds, the LEA must *set aside* an appropriate amount of Title I, Part A funds to provide comparable services to homeless students who attend non-Title I schools. An LEA may use these reserved funds to provide supplemental services to homeless students in both Title I and non-Title I schools. Districts that also receive McKinney-Vento could use McKinney-Vento funds to provide additional services above and beyond Title I. Again, in this case, McKinney-Vento would supplement Title I, Part A.

It is also appropriate to use the Title I set-aside funds to provide educationally related services, such as tutoring, to children in shelters, motels, and other places where children may live. If McKinney-Vento funds are already being used to provide tutoring to children in shelters such as described here, Title I, Part A could be used to provide additional or enhanced services. In this case, Title I would supplement McKinney-Vento because McKinney-Vento is being used first.

### Supplemental Non-Educational Support Services

Section 1115(e)(2) of the Title I, Part A statute permits LEAs to use Title I, Part A funds “as a last resort” in a targeted assistance school for “comprehensive services,” often referred to as *non-educational support services*. This includes health, nutrition, and other social services not otherwise available to eligible children in the school and is allowable from Title I, Part A if the school has engaged in a comprehensive needs assessment, has established a collaborative partnership with local service providers, and funds are not reasonably available from other public or private sources to provide such services. This may include the provision of basic medical equipment, such as eyeglasses and hearing aids.

**For example**, a homeless student needs eyeglasses, but the district did not budget for eyeglasses (or any type of medical/dental expenses) in their McKinney-Vento application because the district uses their funds for summer programs and other purposes. The district was unsuccessful in obtaining a donation of the eyeglasses, so the district used Title I, Part A to purchase the eyeglasses. In this case, Title I, Part A supplemented all sources, including state, local, and McKinney-Vento.

In a similar example, the district budgeted for eyeglasses (medical/dental) expenses in their McKinney-Vento application, but funds were insufficient to pay for all of the medical/expenses required during the grant year. Title I, Part A could be used to supplement the remaining funds needed to provide the homeless students with sufficient medical/dental needs. Again in this case, Title I, Part A would supplement McKinney-Vento.

See question F.6. for more information about the use of Title I, Part A for supplemental non-educational support services.

### Supplementing Services Required By Law

Finally, Section 1115(b)(3) of the Title I, Part A statute states that Title I, Part A funds may *not* be used to provide services that are otherwise required by law to be

made available to children eligible for Title I, Part A services, including children who are economically disadvantaged, children with disabilities, migrant children or limited English proficient children, and *homeless children*. But Title I, Part A funds *may* be used to coordinate or supplement such services.

Title I, Part A funds could also be used to supplement the services and coordination of the activities that are *authorized but not required* under the McKinney-Vento statute and are not available through other sources. For example, Title I may be used to provide or enhance after-school programs, tutoring, homework assistance, supplemental instruction, mentoring, and educating and training parents of homeless students. If McKinney-Vento funds are not being used for these purposes, or if the amount of McKinney-Vento funds is insufficient to meet these needs, Title I, Part A could supplement McKinney-Vento to provide or enhance such services.

The [Fact Sheet](#) and the accompanying [Questions and Answers](#) available on THEO's website provide valuable information related to the use of Title I, Part A to serve homeless students.

## **F.2. Can Title I, Part A funds be used to carry out the statutory requirements of McKinney-Vento?**

Ordinarily, no. Because Title I, Part A contains the *supplement, not supplant* provision, Title I, Part A cannot *ordinarily* be used to carry out the statutory requirements of the McKinney-Vento Act, such as identifying and enrolling homeless students or providing transportation for homeless students to and from the school of origin.

However, a provision in the federal *Consolidated Appropriations Act* specifically permits LEAs to use Title I, Part A funds for the following specific purposes. These provisions have been **in effect since the 2014-2015 school year**.

**Homeless Education Liaison's Salary:** Since the **2014-2015 school year**, LEAs are permitted to use Title I, Part A to pay for the homeless education liaison's salary and benefits in whole or in part. The liaison is *not* required to perform any other Title I, Part A duties. *If the liaison's salary is paid 100% from Title I, Part A*, because Title I, Part A, is an Ed-Flex program, the 6-month certification (or similar documentation) is not necessary. The liaison should also have a job description that states 100% of the duties are for McKinney-Vento, with the funding source identified as Title I, Part A.

*If the liaison's salary is paid with a combination of McKinney-Vento and Title I, Part A*, and the liaison spends 100% of his or her time on McKinney-Vento, this is a *single cost objective* funded from two allowable funding sources. But because McKinney-Vento is NOT an Ed-Flex program, the liaison should complete the 6-month certification (or similar documentation).

The liaison's salary and benefits may be funded from the Title I, Part A set-aside for homeless students attending non-Title I schools. However, using Title I set-aside funds to pay the liaison's salary and benefits does *not* satisfy an LEA's

obligation to provide comparable Title I services to homeless children who attend non-Title I schools.

Refer to question A.2.5. for more information pertaining to paying the salary of the homeless education liaison. See question F.5. for more information about the Title I, Part A funds that must be reserved or set aside for the benefit of homeless students attending non-Title I schools.

**Transportation for Homeless Students To/From the School of Origin:**

Since the **2014-2015 school year**, LEAs are permitted to use Title I, Part A funds to pay for the excess costs of transporting homeless students to and from their school of origin. LEAs may use the Title I set-aside for homeless students attending non-Title I schools to pay for transportation. However, using Title I set-aside funds to transport homeless students to/from their school of origin does *not* satisfy an LEA's obligation to provide comparable Title I services to homeless children who attend non-Title I schools.

**F.3. Can homeless children automatically be served with Title I, Part A, just because they're homeless?**

Yes. The term *disadvantaged* children in Title I, Part A automatically includes homeless children and youth, whether or not they attend a Title I school or meet the academic standards required of other children for eligibility under Title I. Therefore, supplemental Title I, Part A services should be provided to homeless children and youth without them being required to otherwise qualify for Title I, Part A services.

**F.4. Are LEAs required to serve homeless students with Title I, Part A, even when they don't attend a Title I school?**

Yes. Homeless children and youth must be provided the same opportunities to receive supplemental Title I, Part A services that non-homeless students receive, even if they do not live in a Title I, Part A school attendance area or do not attend a Title I, Part A school. Appropriate Title I, Part A services and activities should be tailored to each homeless student based on individual need and should ensure that homeless students have the same opportunities to succeed in school and to meet challenging content standards.

Services should be based on need. Homeless students that do not require Title I services to succeed in school are not required to receive Title I, Part A services.

**F.5. Are LEAs required to reserve any Title I funds to serve homeless students who don't attend a Title I school?**

Yes. The Title I, Part A statute requires that each LEA reserve Title I, Part A funds in an amount *reasonable and necessary* to provide *educational* services to homeless students who do not attend a Title I school. Educational services must be *comparable* to that provided to students attending Title I schools. These funds are referred to as "Title I set-aside funds" or "Title I reserve funds."

An LEA must annually determine an appropriate Title I, Part A reservation amount and the uses of those funds in order to provide comparable services. Activities paid with set-aside funds should be designed to assist homeless students with meeting state academic standards or to help them effectively take advantage of educational opportunities. The services supported by the reservation may include providing educationally-related support services to homeless children and youth in shelters and other locations where they may live.

**If all schools in the district receive Title I, Part A funds**, then this reservation is not required. In other words, if all schools within the LEA's boundaries are either Title I schoolwide programs or Title I targeted assistance campuses, then the LEA is not required, but is permitted, to reserve Title I, Part A funds to provide comparable educational services to homeless children.

**If all schools are *not* receiving Title I, Part A funds, then even if there appear to be no homeless students identified or enrolled in the LEA**, LEAs would still be required to set aside a reasonable amount of Title I, Part A funds in the event homeless children and youth are identified in the coming school year.

Refer to *Part III, Program Requirements, Serving Homeless Students with Title I Funds* in the [Compliance Handbook](#) for more information related to the reservation of Title I, Part A funds to serve homeless children. Also refer to the [Fact Sheet](#) available on THEO's website for valuable information related to the use of Title I, Part A to serve homeless students, as well as the [USDE's guidance on the use of Title I funds for homeless children and youth](#) (see specifically question G-11).

#### **F.6. What are some examples of the ways in which we can use Title I, Part A funds for educationally-related support services?**

In addition to providing services to assist homeless students in meeting the State's challenging academic achievement standards, Title I, Part A funds may be used to provide services that may not ordinarily be provided to other Title I students. However, several principles govern the use of Title I, Part A funds to provide such services to homeless students.

- The services must be *reasonable and necessary* to assist homeless students to take advantage of educational opportunities. "Necessary" means that the lack of these items presents a barrier to the student's ability to access education or inhibits the student's academic success.
- *Title I, Part A funds must be used as a last resort* when funds or services are not reasonably available from other public or private sources, such as the U.S. Department of Agriculture's free- and reduced-price school lunch program, public health clinics, or local discretionary funds (sometimes provided by the PTA) used to provide similar services for economically disadvantaged students generally.
- Districts should have a plan in place and resources available to provide these types of resources to any and all high-poverty students. These resources should be explored and exhausted before using Title I. The LEA must document that local and community resources are not available to address the particular need identified.

For example, to help homeless students effectively take advantage of educational opportunities, an LEA may use Title I, Part A funds to provide, where appropriate, items or services including, but not limited to—

- Items of clothing, particularly if necessary to meet a school's standard dress or uniform requirement
- Clothing and shoes necessary to participate in physical education classes
- Student fees that are necessary to participate in the general education program
- Personal school supplies such as backpacks and notebooks
- Birth certificates necessary to enroll in school
- Immunizations
- Medical and dental services
- Eyeglasses and hearing aids
- Counseling services to address anxiety related to homelessness that is impeding learning
- Outreach services to students living in shelters, motels, and other temporary residences
- Extended learning time (before and after school, Saturday classes, summer school) to compensate for lack of quiet time for homework in shelters or other overcrowded living conditions
- Tutoring services, especially in shelters or other locations where homeless students live
- Parental involvement specifically oriented to reaching out to parents of homeless students
- Fees for AP and IB testing
- Fees for SAT/ACT testing
- GED testing for school-age students

(Excerpted from the [USDE's guidance on the use of Title I Part A ARRA funds for homeless children and youth](#) – see specifically G-11, and from THEO's presentation at ACET Spring 2014 entitled "*Tricky Issues: Title I, Legal Issues, and Challenges in Implementing the McKinney-Vento Act*")

**F.7. MV Homeless collaborates closely with Title I, in part because of the Title I required set aside. Is there a cap on administrative costs for Title I, and should there be for MV Homeless? I thought there was an 8% cap on indirect cost for all federal grants and I know some have their own limitations apart from the general guideline. But I thought that direct administrative costs did not have a cap unless specifically stated by the program in question.**

Administrative costs include both *indirect* costs and *direct* administrative costs.

Most federal grants do, in fact, have an 8% cap on indirect costs. Federal grants that have a *supplement, not supplant* requirement are limited to 8%, or their approved restricted indirect cost rate, whichever is *less*.

While MV Homeless doesn't have the exact same *supplement, not supplant* language that other programs have such as Title I, Part A, it does state in Section 723(a)(2)(iii) and in (a)(3) that services *shall not replace the regular academic*

*program and shall be designed to expand upon or improve services provided as part of the school's regular academic program.* This is a *type of supplement, not supplant* language. Therefore, indirect costs for MV Homeless would be limited to 8% or their approved rate, whichever is less.

As far as *direct* administrative costs, some federal program statutes specify a maximum amount that may be used for administrative costs. In the absence of such a restriction, direct administrative costs must meet the "reasonable and necessary" test.

The USDE generally considers 5% of the total grant award to be a reasonable amount of administrative costs, including both indirect costs and direct administrative costs. A district or ESC would need to be able to justify that any administrative costs in excess of 5% were *reasonable and necessary* to administer the program.

In addition, many ESCs have an indirect cost rate that already exceeds 5%. In this case, the approved indirect cost rate provides sufficient documentation for exceeding the generally reasonable 5% for indirect costs. However, the awarding agency (ESC 10 in the case of McKinney-Vento), may require additional documentation to support any *direct administrative* costs budgeted for the grant when the *indirect* cost rate exceeds 5%.

Neither the MV Homeless nor the Title I, Part A statute specifies a limit on administrative costs. Therefore, it would be safe to say that *direct* administrative costs for these programs must be "*reasonable and necessary*". Thus, total administrative costs, including *indirect costs and direct administrative costs*, should generally not exceed 5% without adequate justification.

**F.8. Our district receives both Title I, Part A and McKinney-Vento funds. Because many of the expenditures are allowable to be paid from either fund source, is it permissible at the end of the year to reclassify some McKinney-Vento expenditures to Title I, Part A to reduce the amount of Title I, Part A carryover to the next year?**

While it may be a permissible accounting practice, this practice is not advised. Title I, Part A is a *formula* grant, while McKinney-Vento is a *competitive discretionary* grant. When an applicant submits a competitive or continuation *discretionary* grant such as McKinney-Vento, the applicant is required in the application to specify the needs, objectives, and activities, and often a timeline for implementing those activities. The applicant is also required to provide a somewhat detailed budget for implementing the activities.

Program and fiscal monitors at TEA or other agencies administering grants on behalf of TEA use the level of expenditures (based on the expenditure reports) as evidence that the activities are being carried out according to the approved application. In addition, discretionary grantees, including McKinney-Vento grantees, are often required to submit periodic progress or activity reports, which are used to monitor the progress of grantees.

If the level of expenditures do not coincide with the budget or information provided by the grantee in the expenditure reports or progress/activity reports, monitors are left with the impression that the grantee is not implementing the program as described and as approved in the application. This impression could trigger additional monitoring, technical assistance, or oversight by the awarding agency.

Ultimately, it could jeopardize future funding for the grantee for the discretionary grant. It is not uncommon for awarding agencies to reduce the amount of funding in subsequent years when the grantee under spent. In extreme cases, the grantee may not be awarded a subsequent discretionary grant if the awarding agency concludes that the grantee did not need the funds after all or did not properly oversee the grant to ensure the funds were spent and activities were carried out.

Finally, it is important to the survival and continued appropriations by the U.S. Congress for McKinney-Vento appropriated funds to be expended by grantees and subgrantees. If appropriated funds are not spent, Congress may incorrectly assume that McKinney-Vento funds are not needed to serve homeless children. This could ultimately cause the demise of funding for McKinney-Vento for all schools and states across the nation. This decrease or elimination of appropriations has occurred in many instances for other programs already.

**F.9. The amount of funding for Title I, Part A has decreased in some years from the prior year due to Congressional across-the-board decreases and sequestration of funds. If an LEA uses state or local funds to make up the difference in funding programs so that we can continue providing a high-quality Title I program, would this cause a violation of Title I's supplement, not supplant provision if we returned to the use of Title I in the subsequent year?**

The USDE recognized these concerns among LEAs and issued guidance to state Title I directors on June 24, 2013, regarding this issue. The USDE understands that some LEAs have indicated a willingness to make up the difference, in whole or in part, with local funds in order to continue to provide a high-quality Title I program.

To determine if supplanting exists, the USDE employs three presumptions, the second of which presumes that supplanting has occurred if Title I, Part A funds are used for activities that were supported in the prior year(s) with non-federal funds. As a result, if an LEA uses Title I, Part A funds in the subsequent year to replace the local contribution that the LEA provided to its Title I program in response to sequestration, it might raise the presumption of supplanting.

The USDE does not believe that using Title I, Part A funds in a subsequent year to replace an LEA's use of local funds to support its Title I program in the face of sequestration would constitute supplanting. Rather, the local contribution would merely serve to provide the same or similar level of Title I services that were provided prior to sequestration. In other words, the local funds would help implement the LEA's federal Title I program. The USDE assumes in this instance that, without the local contribution, the LEA's Title I program would be less robust.

To ensure a local contribution does not raise the presumption of supplanting, an LEA must document that the local funds are, in fact, being used to support the Title I

program. One method of documenting that local funds are being used for Title I purposes is to designate the use of local funds for Title I through one of the local option codes in the accounting ledger. You will also want to make sure purchases made with local funds for the Title I program can be fully traced to the accounting ledger.

You must also meet all applicable Title I requirements with the local funds that are being used to help support the Title I program in that they meet the intent and purposes of Title I and the expenditures comply with the federal cost principles.

## **G. Amendments**

### **G.1. Who is required to sign *Schedule #1 General Information* (the signature page) when submitting an amendment?**

Only the authorized official of the LEA can sign *Schedule #1 General Information* of an application or amendment. The "authorized official" is the person authorized by the local board of directors to enter the organization into a legally binding contractual agreement, or his/her duly authorized designee. This is usually the Superintendent (in larger school districts, this sometimes includes an Assistant Superintendent), the executive director of an ESC, or the chief operating officer of an open-enrollment charter school. The authorized official signing the application or amendment is the person who is agreeing to comply with all of the rules, regulations, and guidelines pertaining to the program and will represent the organization in the event of a legal dispute.

### **G.2. When is an amendment effective?**

An amendment to the McKinney-Vento application is effective on the date it is received in Region 10 ESC in **substantially approvable form**. An amendment is in substantially approvable form if it contains the signature of the authorized official on Schedule #1 of the paper application and if it contains all of the properly completed schedules affected by the amendment.

### **G.3. An amendment has been submitted, but it hasn't been approved yet. Can we go ahead and issue purchase orders and encumber funds while waiting for the amendment to be approved?**

You may proceed with issuing purchase orders and encumbering funds, but your organization does so at its own risk until the amendment is approved. If the items are ordinary for the operation of the grant program, most likely the amendment would be approved for those items. Check with your Business Office before ordering items prior to receipt of your approved amendment to be sure this is an acceptable practice in your district.

But if the items are *not* ordinary and may require more scrutiny by Region 10 ESC and THEO, then it may be more prudent to wait until the amendment is approved. The organization would be required to pay for any items not approved in the amendment from state or local funds.

Once approved, however, the amendment will be effective on the date it was received in Region 10 ESC in substantially approvable form.

**G.4. Can an amendment be submitted and approved before we receive the NOGA?**

No. You must wait until you receive your approved NOGA before you submit an amendment to your application. In addition, for each amendment you submit, you should wait until the amendment is processed before submitting another amendment. If you notice another change that needs to be made while an amendment is in process, you may contact the consultant assigned to you at THEO to add the additional changes to the pending amendment before the amendment is complete.

**G.5. When is “prior written approval” through an amendment required?**

Refer to the *TEXSHEP Amendment Instructions* to determine when an amendment is required. You may contact your consultant at THEO if you have any additional questions.

**G.6. When is an amendment not required?**

Refer to the *TEXSHEP Amendment Instructions* to determine when an amendment is not required. Do NOT submit an amendment if it is not required based on the conditions specified in the instructions. If uncertain about the amendment requirements, contact your consultant at THEO or contact Region 10 ESC prior to submitting an amendment. THEO and/or Region 10 reserve the right to return unnecessary amendments without reviewing and approving them.

**G.7. Can I go ahead and make changes to the budget that require an amendment, and then submit the amendment later to cover the changes retroactively?**

No. It is not permissible to amend an application retroactively except under one condition. See numbers G.8. and G.9. below for the exception.

The grantee cannot make a change to the project that requires an amendment and then submit the amendment to cover it. Expenditures affected by the amendment that are incurred prior to the amendment will not be allowable costs and will not be reimbursable under the grant. Grantees should monitor the approved budget and program plan carefully and plan the necessary amendments to be submitted in time to be approved by Region 10 ESC prior to expending funds or making program changes impacted by the amendment.

- G.8. We had some equipment budgeted under *Supplies and Materials* that should have been budgeted under *Capital Outlay* based on our local capitalization policy. We purchased the items before we discovered they should have been classified under *Capital Outlay*. We submitted an amendment to correct the misclassification as soon as we discovered it. Will the equipment be allowable?**

Yes. You had the items budgeted and approved in your application; they were just inadvertently classified in the incorrect class/object code. In this case, you should state in the amendment that the purpose of it is to correct a misclassification and explain the circumstances. The amendment will then cover the purchase of the equipment retroactively. You must submit the amendment as soon as possible, but absolutely no later than prior to submitting your final expenditure report (due 30 days after the ending date of the grant). You may want to alert Region 10 staff that an amendment requesting retroactive approval has been submitted so that it can be processed before your final expenditure report is processed.

- G.9. We have a contracted position budgeted in *Purchased and Contracted Services*. However, rather than contract for the position, my LEA determined that it was more cost effective and would better meet the objectives of the McKinney-Vento Homeless Education program if the position were an *employee* and not a contractor. The employee will perform essentially the same duties as he/she would have performed had it been a contracted position. I eventually submitted an amendment to reclassify the position from a contractor to an employee listed on the *Payroll Costs* schedule, but it wasn't prior to hiring the person (i.e., placing the person on the payroll). Can we pay the employee's salary and benefits from McKinney-Vento for the time prior to the amendment?**

Yes. In this case, you have the "position" budgeted, it just needs to be reclassified as an employee on the *Payroll Costs* schedule. But as soon as the LEA determines that the position is hired as an employee rather than a contractor, you should submit the amendment to correct the reclassification of the position from *Purchased and Contracted Services* to *Payroll Costs*. Explain the circumstances in the amendment.

You must submit the amendment as soon as possible, but absolutely no later than prior to submitting your final expenditure report (due 30 days after the ending date of the grant). You may want to alert Region 10 staff that an amendment requesting retroactive approval has been submitted so that it can be processed before your final expenditure report is processed.

Note: If the employee does *not* perform essentially the same duties as would have been performed had it been a contracted position, it is a different "position." It would *not* be approved retroactively in this instance. In this case, the position would be effective on the date the amendment was submitted to Region 10 in substantially approvable form.

## **H. Administrative Requirements**

### **H.1. What administrative requirements apply to our organization and where do I find them?**

*Part I – Uniform Administrative Requirements Applicable to All Federal Education Grants* of the [Compliance Handbook](#) outlines the administrative requirements that apply to every LEA receiving federal education funds. This significant resource outlines requirements in federal law such as civil rights laws; presidential executive orders; the *General Education Provisions Act* (GEPA); and federal regulations contained in Title 34 of the *Code of Federal Regulations* (CFR); Title 2 CFR, Part 200; and in EDGAR (Education Department General Administrative Regulations).

Even though the program or fiscal manager may not be directly responsible for ensuring the organization's compliance with these requirements, program managers and fiscal managers are encouraged to review these requirements to gain at least a cursory understanding of them. **Noncompliance** with some of the key requirements, especially those pertaining to civil rights, nondiscrimination, and certain provisions in GEPA, **could render the LEA ineligible to receive any federal education funds, including McKinney-Vento**. Many of the provisions call for the development of policies and possibly even procedures. If you familiarize yourself with the mandatory provisions, you can coordinate with the assigned office in your LEA to ensure your LEA is in compliance and that your federal dollars are not at risk.

### **H.2. How do we know which OMB Circulars and which parts of EDGAR apply to our organization? Can you help sort that out for us?**

For **grants awarded prior to December 26, 2014**, there were 6 different OMB Circulars pertaining to federal grants (3 pertaining to federal cost principles, 2 pertaining to uniform administrative requirements, and 1 pertaining to audits). School districts, ESCs, and open-enrollment charter schools were only covered by 3 of them. Refer to the *Appendix* entitled *Summary of OMB Grants Management Circulars (Effective for Grants Awarded Prior to December 26, 2014)* in the [Compliance Handbook](#) for a list of the documents that applied to grants awarded prior to December 26, 2014.

For **grants awarded on or after December 26, 2014**, the provisions and requirements in [2 CFR Part 200](#) apply to all types of entities receiving federal funds. This significantly simplifies things.

All executive orders, OMB circulars, and regulations are mandatory and binding on grantees (unless the *program* statute or regulations exempt grantees from a particular requirement), take the full force and effect of law, and are uniformly applied and enforced throughout the 50 states and territories.

## Grant Records

### **H.3. How long are we required to retain program and fiscal records for the grant?**

Both program records and fiscal records must be retained for 5 years after the ending date of the grant, or 5 years after submitting the final expenditure report, whichever is later. This requirement is stated in TEA's [General Provisions and Assurances](#) for all state and federal grants administered by TEA. The same requirement is included in Schedule #13A: Provisions and Assurances for the TEXSHEP grant.

Failure to produce a program or fiscal record for an auditor or monitor during the 5-year retention period will most likely result in an audit or monitoring finding and the repayment of funds for the missing documentation.

### **H.4. What constitutes a “record” that must be retained?**

In general, records document the use of funds, compliance with program and fiscal requirements, and the performance of the grant. A *record* is any recorded information that documents school business; it serves as evidence that an activity, event, decision, or transaction occurred. A record must be retrievable at a later date (i.e., for 5 years after the ending date of the grant).

Not every piece of paper or every piece of data is an official *record*. Materials used for *reference* are just that – reference materials; they are not records. Grantee personnel must use some judgment in determining whether a record constitutes an “official business record” by looking at the content of the record to determine its value in serving as evidence. A good place to start is by consulting your organization's *Records Management Officer* and *Records Management Policy*.

Local governments in Texas, including all school districts, open-enrollment charter schools, and ESCs, are required to implement a *Records Management Policy*, designate a *Records Management Officer* to oversee the policy, and comply with a *Records Retention Schedule*. The [Texas State Library and Archives Commission](#) (TSLAC) administers the records management requirements pursuant to the *Local Government Records Act, Local Government Code, Chapters 201-205*, and *Chapter 441, Subchapter J*, published as [Local Government Bulletin D](#) on TSLAC's website.

Records are created by the grantee to support grant activity and they are retained as evidence of that activity. Records may come in a variety of different forms and may be *created* by the grantee or *received* by the grantee in any medium, including hard copy paper or electronic, audio or video. Whether you *create* it, or *receive* it from someone outside the organization, if it *documents school operations*, it's a *record* and must be retained according to the records retention schedule.

Most e-mails are records; telephone messages can be records. The record can be on your computer's hard drive, on a USB, on a DVD, in a filing cabinet, or on your desk. Even if the record contains confidential information and may be exempt from release

under a Public Information Request (PIR), it is still a record and must be retained using proper security procedures to safeguard the confidential data.

Records generally include but are not limited to

- General correspondence, including letters and e-mail
- Handwritten notes and electronic notes
- Completed forms and reports and the data used to complete the reports
- Personnel documentation
- Websites created by the grantee
- Audio tapes and video tapes
- Final, complete, and signed (if applicable) documents
- Plans, photographs, or drawings
- Data in spreadsheets and databases
- Financial records, including but not limited to budgets, accounting ledgers, all supporting documentation for expenditures, copies of checks, bank statements, etc.

Records do NOT include

- Convenience copies (extra identical copies created only for convenience of reference or research)
- Drafts of documents
- Copies of documents furnished to the public to fulfill a PIR
- Blank forms/stocks of publications (keep at least one copy for archives to demonstrate compliance or proof of program activities)
- Library or museum materials
- Dispute resolution *working* files (the *final* written finding or report is a record)
- Personal or junk e-mail
- ccs of e-mails (or letters) or convenience copies of e-mails (or letters) (the recipient in the "To" line is the keeper of the official record)

Refer to *Part II Fiscal Requirements, Maintenance of Grant Records, Records Retention, and Access to Records* in the [Compliance Handbook](#) for more information regarding the types of records to retain pertaining to the use of funds, records that demonstrate program and fiscal compliance, and records that document program performance, including records of significant project experiences and results.

**H.5. We are running out of room to store all of our hard copy grant records. Can records be kept electronically and not just in hard copy so we can reduce records storage space?**

It is becoming more common to store records electronically to conserve storage space. And storing records electronically is acceptable and encouraged under 2 CFR § 200.335 as long as the records are stored in open, machine-readable formats rather than in closed formats. This means electronic records must be easily accessible and retrievable. The retention period is the same whether the record is paper or electronic. However, a few precautions must be put in place.

It is permissible to scan hard copies of records and then store them electronically. Your organization must comply with *Electronic Records Standards and Procedures*

([Local Government Bulletin B](#) on TSLAC's website) when scanning records. Your organization's designated *Records Management Officer* should be aware of these standards.

Prior to scanning, you must ensure that the original document has not been altered in any way. It is permissible to have *additional* hand-written notes on an original record, but the hand-written notes cannot obscure the contents of the original document in any way.

When scanning records, you must conduct *visual quality control* on each page of each document to ensure the scan is high quality and that it is *entirely* legible. Even one illegible line, word, or number on a scanned document can render the scanned document as unacceptable by auditors, monitors, and other oversight agencies.

Once you have scanned the original and you have conducted a thorough visual quality control on each page of each document, the scanned version becomes the official record and you can destroy the originals. However, before destroying any documents, be sure to check with your organization's designated *Records Management Official*. He or she may wish to confer with legal counsel or the auditor. There may be legal reasons for not destroying the originals. Also before destroying the originals, you will want to consider if there is any historical value to retaining the original, and if so, perhaps retain the original for historical purposes.

You must also ensure that scanned versions can be preserved over the long term as technology becomes obsolete. You may want to consider archival quality microfilm for some records.

You must also ensure that each scanned document is properly indexed (labeled) so that you can easily search and retrieve a specific document at a moment's notice. Failure to properly index a scanned document can result in the inability to retrieve it in a timely manner for audit or monitoring purposes, which could ultimately result in an audit or monitoring finding and the repayment of grant dollars.

Records that are available only in electronic format should be backed up on a regular schedule (such as nightly) in another physical location. If the original electronic records are destroyed or lost due to any reason, the backup location will have a duplicate copy of the records.

#### **H.6. Who has access to the records?**

All grant records are government records and are the property of the grantee *organization*; they are *not* the *personal property* of an individual. Records should be easily accessible by all personnel in the organization who may need to refer to the documentation for program management, accounting, compliance, audit or monitoring purposes. With the exception of confidential personnel hiring records, proprietary information of contractors, and confidential student information, all grant information is public information.

In addition, all program and fiscal records must be readily available for your independent auditor, your internal auditor, TEA auditors and monitors, Office of Inspector (OIG) personnel, US General Accountability Office (GAO) personnel, the

Texas State Auditor's Office, the Texas Attorney General's Office, and US Department of Education staff or their contracted monitors. In the case of the McKinney-Vento Homeless Education subgrants, Region 10 ESC personnel and their designees and THEO also have access to all program and fiscal records.

Failure to cooperate or to provide records in a timely manner as requested could result in the grantee being identified as a high-risk grantee or other sanctions, including more in-depth auditing or monitoring, as well as findings and the recovery of funds.

#### **H.7. When and how can we dispose of records?**

Because records establish compliance with the use of funds and with program and fiscal requirements, failure to retain the proper records or to dispose of them prematurely can result in monumental problems for the grantee, including the repayment of all funds associated with the activity, event, decision, or transaction for which the records are missing. In addition, destroying or disposing of a record improperly or prematurely constitutes a Class A Misdemeanor under state law.

You cannot destroy any record that is involved in an ongoing

- Litigation
- Claim
- Negotiation
- Public information request (PIR)
- Audit or investigation
- Administrative review or hearing

As stated in H.3., all grant records, including program records and fiscal records, must be retained for 5 years after the ending date of the grant, or 5 years after submitting the final expenditure report, whichever is later. Your organization's *Records Management Policy* should include policy and procedures for *disposing* of records. Records can only be destroyed in accordance with the [Records Retention Schedule](#) adopted by your organization. Records that are not on the *Records Retention Schedule* may require written permission from the TSLAC prior to disposing. Procedures should include maintaining a "records disposition log" that identifies the disposition date and method of disposal of each record.

According to [Local Government Code, §202.003](#), *confidential* records must be *burned, shredded, or pulped*. *Open* records can be *burned, shredded, pulped, recycled, or buried in a landfill*. If a contractor is hired to destroy records, the contractor must comply with all of the state and local government laws pertaining to the destruction of records as if it were the local government.

**Reminder:** Always check with your organization's *Records Management Officer* prior to disposing of any records to ensure you are in compliance with your policy, procedures, retention schedule, and disposition requirements.