

Creating Documented Policies and Procedures



To ensure compliance with the federal rules around documenting internal processes, CDE recommends LEAs begin by documenting their current process at a level of detail that would describe all the steps needed from start to finish to accomplish a task (e.g. – make a purchase, document time and effort, receive and track capital, etc.). Once developed, an LEA should then identify what internal controls or compliance requirements may be missing and adjust the process and/or procedure accordingly.

An LEA should develop their process to ensure it works at their entity and may choose to have more controls or be more restrictive than the federal guidance. However, an LEA must follow their internal process, so they should avoid adding steps to a process unless they are prepared to follow them.

To help facilitate this internal process documentation, CDE has compiled some rules and guidance an LEA should incorporate. An LEA will need to determine how best to fit these required elements into their documented processes.

Policy vs Procedure

When an LEA undertakes the task of documenting an internal process or refining an existing documented process, it is helpful to distinguish between policies and procedures.

Policy

A policy is a guiding principle used to set direction in an organization.

- Changes infrequently
- States generally who, what, when, or why
- Is broad and general

Procedure

A procedure is a series of steps to be followed as a consistent and repetitive approach to accomplish a result.

- Continuously changes and improves
- States specifically who, what, when, and how
 - CDE recommends using titles rather than names when documenting the “Who”
- Offers a detailed description of activities

Procurement Procedures [2 CFR §200.318, 319, and 320]

How the LEA utilizes or applies the various steps in its procurement process along the way will be unique to its situation; some portions may be more easily documented as a policy while others as a procedure. Note the documented processes developed and utilized by the LEA for procurement of goods and services must be applicable whether federal funds are involved in the transaction or not.

Some key elements from the federal guidance to incorporate when documenting the procurement process are:

- A description of the various methods of procurement/vendor selection used by the LEA
 - Shall include micro purchases, small purchases, sealed bids, competitive proposals, and non-competitive (sole source) proposals.
- Applicable approval thresholds (e.g. - dollar amounts for different employee levels, board approval requirements, etc.).
- Any sort of review process (may include additional reviews performed by IT, HR, Grants, Capital, Construction, etc.) and how that review/approval is documented.
- Proper segregation of duties (e.g., purchase approval by someone other than the requestor).

- Documented review of the suspension and debarment list at Sam.gov for applicable vendors (any contracts \$25K or greater and/or purchases of telecommunications and video surveillance services or equipment of any amount)
- Construction related contracts follow applicable rules such as Davis-Bacon requirements, real property reporting requirements, etc.
 - See the *Construction Guidance* summary posted on [Resources and Technical Assistance](#) portion of CDE's website for more detailed discussion of construction.
- Any sort of tagging and tracking of noncapital/walkable items (e.g., check in/out list).
 - This last one is not specifically required by the federal guidance but is strongly recommended to help bolster the control environment.

Capital Property and Equipment Procedures [2 CFR §200.313 and 439(b)]

While an LEA's documented procurement process will include purchases of capital property and equipment, the federal guidance has some specific required elements around tracking and inventory, such as:

- How does the entity define equipment?
 - Federal guidance says tangible personal property having a useful life greater than one year and a per unit acquisition cost at or exceeding the capitalization threshold for the entity or \$5K, whichever is less.
- Process performed when capital equipment is received (what type of capital equipment is tagged, what position/office performs the tagging, etc.).
- Process to adjust the inventory records in the event the property is disposed (sold, lost, stolen, decommissioned, cannot be repaired, etc.).
- Tracking mechanism in place with all the required elements from federal guidance (specifically [2 CFR 200.313\(d\)](#)) which are reconciled via a physical inventory at least once every two years.

Time and Effort Procedures [2 CFR §200.430, 431 and ED Cost Allocation Guide]

How the LEA utilizes or applies the various steps in its time and effort process along the way will be unique to its situation; some portions may be more easily documented as a policy while others as a procedure. Some key elements from the federal guidance to incorporate when documenting the time and effort process are:

- Instructions detailing:
 - Completion of time and attendance reporting (what types are used and when)
 - Approval cycle that is required (what, if any, signatures or documented approvals required)
 - Processing of personnel charges to federal awards, and
 - Internal review process that will be established to ensure effective internal control over the award (supervisor review, reconciliations, etc.)
- A sufficient level of detail to walk an employee through what they need to do if they are paid with federal funds from the point the time is worked to the point the time is recorded in the accounting records and charged to federal awards.

Time and effort reporting may be accomplished in a variety of ways such as Personnel Activity Reports (timesheets) or semi-annual certifications. Regardless of the style of report used, charges to federal awards for salaries and wages must be based on records that accurately reflect the work performed. At a minimum, they must

- Be supported by a system of internal controls
- Be incorporated into official records
- Reasonably reflect total activity for which an employee is compensated
- Encompass all activities (both federal and nonfederal)
- Comply with the LEA's documented time and effort process and accounting procedures
- Support distribution among specific activities or objectives

Note, if the LEA's time and effort reporting fails to meet these standards, the US Department of Education may require Personnel Activity Reports, including prescribed certifications or equivalent documentation that support the records.