# Supplemental Contracts for Managing School Funds

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**Summary:** School District Treasurer Supplemental Contracts for Managing School Funds

The management of federal and state grant funds at school districts presents many challenges to school finance. This may involve spending additional time monitoring federal and state requirements and completing specific tasks, such as preparing cash requests and Final Expenditure Reports and ensuring compliance with both fiscal and program requirements.

In spite of any additional duties in managing federal or state funds, federal and state law prohibits treasurers from receiving a supplemental contract for managing federal or state funds[1]. There are several Ohio statutes and the OMB Circular A-133 compliance supplement which require that position.

**Ohio Revised Code 3313.24 states, in part:**

> The board of education of each local, exempted village or city school district shall fix the compensation of its treasurer which shall be paid from the general fund of the district.
>
> The governing board of an educational service center . . . shall fix the compensation of its treasurer and pay its treasurer in the manner prescribed in the section for local, exempted village and city school districts.

**Ohio Revised Code 3311.19 (E) states, in part:**

> The joint vocational school district board of education shall appoint a treasurer. . . who shall be the fiscal officer for such district and who shall have all the powers, duties and authority vested by law in a treasurer of a board of education.

**Ohio Revised Code 3313.29 states, in part:**

> The treasurer of each board of education shall keep an account of all school funds of the district.

**Ohio Revised Code 3313.31 states, in part:**

> The treasurer shall be the chief fiscal officer of the school district and shall be responsible for the financial affairs of the district, subject to the direction of the district board of education.

[1] In addition to statutory references, the Ohio Supreme Court has called into question the ability for boards of education to enter into supplemental contracts with non-teaching employees (Hall v. Lakeview Local School District Board of Education, 63 Ohio St. 3d 380).

**OMB Circular A-133 Compliance Supplement (2004) Part 4 Education Cross Cutting Section H states, in part:**

> An LEA may use program funds only to supplement and, to the extent, practical, increase the level of funds that would, in the absence of the federal funds, be made available from non-federal sources for the education of participating students. In no case may an LEA use federal program funds to supplant funds from non-federal sources.[2]
>
> In the following instance, it is presumed that supplanting has occurred:
>
> a. The LEA used federal funds (except Bilingual) to provide services that the LEA was required to make available under other federal, state or local laws.

To ensure consistency of application, the Ohio Department of Education (ODE) considers all chief financial officers of educational entities, including but not limited to non-profit corporations, colleges and universities, to be similarly situated to treasurers of school districts. Additionally, as community schools discharge functions in a similar manner as school districts and community schools are considered local education agencies, as defined in 34 CFR parts 76 and 77, chief financial officers of community schools are treated as if they were treasurers of a traditional public school district.

Taking these sections together, it is clear that a presumption of supplanting exists in situations where a treasurer is awarded a supplemental contract to manage federal and state funds within a school district. Additionally, this same prohibition is present for direct charges to a federal grant for a portion of the treasurer's salary. Therefore, all compensation for managing federal and state grant funds must be included with the treasurer's contract with the board of education under authority of Ohio Revised Code 3313.22.

Recognizing that there is time devoted to managing federal programs, treasurers do have the option to apply for an indirect cost rate from ODE to offset a portion of these costs. Ohio's indirect cost plan is based on a restricted rate, which is wholly consistent with the basis principle of federal funds supplementing local and state funds rather than supplanting those funds. However, ODE only has authority to grant indirect cost rates for local education agencies, including community schools. Other entities must make application with their federal cognizant agency to obtain a restricted indirect cost rate. Further, as a reminder, all local entities may not incur indirect costs if an approved indirect cost allocation plan is not in place.

With regards to other employees of the treasurer's office which do not have specific duties outlined in statute, such as assistant treasurers or secretaries in the treasurer's office, districts

[2]The OMB Compliance Supplement March 2004 references numerous United States Code citations for specific programs. These references are from the No Child Left Behind Act. Additionally, assurance number twenty applies this requirement for all Department grant programs.

may charge a portion of the employee's salaries to the federal or state program, if the following conditions are met:

- Any salary which is paid from more than one funding source (i.e., federal, state or local source) must have time and effort documentation in accordance with OMB Circular A-87 or A-122 to be an allowable direct cost. Such documentation is an after-the-fact distribution of actual time spent working on the project. An estimate or budgeted amount charged as a direct cost to a grant program is not allowable.
- If an employee is included in an approved indirect cost allocation pool, then the entity may not charge direct costs in addition to indirect cost recovery for that employee.
- A district must continue to pay employee costs which have been paid for in the past by local funds. Otherwise, a presumption of supplanting exists for those employee costs.

Questions surrounding these issues should be directed to ODE's Office Grants Management at (614) 752-1483.