

The following information was approved by the NDE Committee of Practitioners (10.23.2012). NDE added clarifying statements on 8.27.2013.

Federal Funds used for Prizes, Incentives or Rewards

The use of federal funds for prizes, incentives, or rewards is not detailed in law or guidance and this makes it open to interpretation by state and local auditors and monitors. Best advice:

1. Use funds from other sources for prizes, incentives or rewards unless a federal program's guidance specifically approves it.
2. If federal funds are used, include justification/rationale on the documentation submitted for payment.

OMB Circular A-87, Attachment A, Paragraph C.1 simply states that all federal costs must be necessary and reasonable for proper and efficient performance and administration of the program and must be authorized or not prohibited under state or local laws. To apply these rules to proposed costs ask these questions:

1. Is it necessary and reasonable?
 - a. Will it further the goals of the program? If a schoolwide project, will it support the strategies identified in the schoolwide plan?
 - b. Does it have a clearly demonstrative and legitimate purpose?
 - c. Is the cost nominal and prudent?
 - d. Is cost justifiable?
2. Could the proposed expenditure be interpreted as "paying" for participation (attendance) or for achievement (scores on tests)?
 - a. If the answer is yes, then federal funds cannot be used according to guidance from the U. S. Department of Education.
3. Is it supplementing, not supplanting district efforts?
 - a. Are funds (other than federal) used to provide this cost in other nonfederal programs or activities?

The following section is specific to Title I, Part A

NDE has determined that the following items are **not** "reasonable and necessary" Title I expenditures and will **not** be approved as allowable for purchase with Title I funds. **This is not a complete list, but rather a sampling of the types of items for which districts will not be reimbursed.**

- ⊗ Prizes and/or cash awards
- ⊗ Entertainment. Cost of entertainment, including amusement, diversion, and social activities and any costs directly associated with such costs (such as tickets to shows or sports events, meals, lodging, rentals, transportation, and gratuities). (per OMB Circular A-87)
- ⊗ Cake, balloons, crowns, leis, cowboy hats, dog tags, bracelets, t-shirts, hats, rings, tattoos, whistles, candy, ice cream, soda pop, trinkets, and other items having questionable educational value (This is not a complete list, but rather a sampling of the types of items for which districts will not be reimbursed.)
- ⊗ Conference attendance that doesn't support the Title I program/plan

- ⊗ Prepaid gift / cash cards—i.e. Amazon, I-tunes, Wal-Mart, convenience stores etc. because non-educational items could be purchased. Direct purchases from these companies will be considered if the item(s) are appropriate to support the Title I program, but using gift cards to make purchases will not be allowed. (Very difficult matching up the purchases of the gift-cards with the actual items that are purchased. Sometimes the gift cards are purchased in one grant period and not spent until the following grant period.)
- ⊗ Door prizes
- ⊗ Parent Involvement activities that don't actually involve the parents. i.e. reward ceremonies/celebrations in which parents are invited to attend are not allowed. Parent Involvement Activities **MUST** involve the parents. They cannot simply be in the audience—not participating
- ⊗ Food for Parent/Teacher Conferences

The following expenditure items **always** require supporting documentation.

- ⊗ Credit card purchases
- ⊗ Travel expenditures related to a conference requires adequate documentation (per OMB Circular A-87)
- ⊗ Food for Parent Involvement activities allows the provision of food for activities, but limits the food to “light refreshments” (i.e. fresh fruit and/or vegetables, cookies, lemonade, finger-foods, etc.) and requires an agenda or other supporting documentation. **(Title I funds cannot be used for purchasing candy.)**
- ⊗ Food for staff meetings will be allowed only if the meetings take place outside of the normally scheduled work day (i.e. The meeting starts at 7:00 a.m. and teachers’ normal work day begins at 8:00 a.m. A reasonable continental breakfast could be allowed.) Agendas or other supporting documentation required.
- ⊗ Petty-cash purchases
- ⊗ Reimbursement to individuals
- ⊗ Field trips always require adequate documentation which includes the educational value

NDE has concluded that the following Motivational-type items could be determined “reasonable and necessary” Title I expenditures and *may* be approved as allowable purchases with Title I funds.

- ⊗ Books, board games, recognition certificates, pencils, erasers, bookmarks, and other educational type of items

Before districts charge expenditures to Title I / Federal programs, the question should be asked, “Can we have an effective Title I program without these items?”

Contact the NDE Title I consultant for your district if you have questions.