

Federal Award Requirements	<p>BOT Approved: May 16, 2017 <i>Update to State bidding amounts in the procedures section on pg. 7 from \$25,000 to \$50,000 -9/18/2018; Title update 2/24/2020.</i></p>
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PURPOSE:

The Super Circular (or uniform grant guidance) has imposed a duty on a recipient of federal awards to establish written procedures to comply with federal requirements in order to receive federal awards. As to all federal awards, recipients are required to establish written procedures for: (1) requesting payment, (2) determining the allowability of costs, (3) regulating procurement, and (4) identifying and avoiding conflicts of interest.

Definitions:

Super Circular or Uniform Grant Guidance: The Uniform Administrative requirements, costs principles and audit requirements for federal awards which is found at 2 C.F.R. 200, et seq.

Federal Awards: Funds made available to Garrett College through the federal government, whether paid directly to Garrett College, or through an intermediary where Garrett College is a sub-recipient.

POLICY STATEMENT:

The college shall establish regulations to comply with the directives of the Super Circular related to: (1) The administration of funds received through federal awards. (2) The allowability of costs related to federal awards. (3) Procurement of goods and services to implement federal awards. (4) The identification and avoidance of conflicts of interest related to the administration of federal awards.

PROCEDURES:

1. Advance Payments and Reimbursements of Federal Awards:

This regulation is intended to satisfy section 200.302 and 200.305 of the Uniform Grants Guidance for the organization to have written procedures for obtaining payment of a federal award. Garrett College will follow the Cash Management Improvement Act. Garrett College will not seek cash advances of federal awards but will in turn seek reimbursement for allowable federal costs on a federal award. The reimbursement shall occur after Garrett College has spent allowable costs for a federal grant. For student financial aid, the Garrett College will not request an advance but will request funds from the federal government only after the funds have been disbursed.

If Garrett College does receive a cash advance of a federal award, Garrett College will minimize the time between the receipt of federal funds and the disbursement of federal funds by first preparing an estimate of when funds will be disbursed in order for the estimate to be used when to request an advance. Garrett College disburses non payroll payments on a weekly basis and payroll on a semi monthly basis.

2. Determining Allowability of Costs:

Expenditures of federal grant funds must be aligned with an approved budget. Any changes or variations from the approved budget (above the identified percentage limit) require prior written approval from the funder.

When determining how Garrett College will expend grant funds, the designated grant manager will review the proposed cost to determine whether it is an allowable use of federal funds *before* obligating and spending funds on the proposed good or service. All costs supported by federal funds must meet the requirements articulated in the federal enacting statute and associated regulations, as well as the standards outlined in the uniform grant guidance 2 CFR Part 200. The grant manager must consider these factors when making an allowability determination. The proposed cost must:

- **Be necessary and reasonable for the performance of the federal award.** A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time. *Reasonable* means that sound business practices were followed and the cost is comparable to market prices.
 - When determining reasonableness, consideration must be given to:
 - Whether the cost is a type generally recognized as ordinary and necessary for Garrett College and is necessary for the proper and efficient performance of the federal award;
 - Sound business practices, arm's length bargaining, other federal and state requirements and local policies and procedures have been followed;
 - The terms and conditions of the grant award;
 - Market prices for goods or services in the geographic area;
 - Whether the individuals involved in the expenditure acted with prudence in the circumstances;
 - Whether this expenditure is a deviation from established Garrett College policies and practices.
 - When determining if a cost is necessary, the needs of the program must be the determining factor. Specifically, the expenditure must be necessary to achieve an important program objective, consistent with the goals outlined in the program statute. Consideration should be given to:
 - Whether the cost is needed for the proper and efficient performance of the grant program;
 - Whether the cost is identified in the approved budget/application for funds;
 - Whether the cost aligns with specific needs identified in a needs assessment;
 - Whether the cost addresses program goals and objectives based on data.
- **Be allocable to the federal award.** A cost is allocable to a federal award if the goods or services involved are chargeable or assignable to that federal award in accordance with the relative benefits received.
 - When determining allowability, consideration must be given to:
 - Whether the cost is incurred specifically for the federal award;
 - If the cost benefits both the federal award and other work of Garrett College, the cost must be distributed in a proportion that may be approximated using reasonable methods.

- **Be adequately documented.** All costs charged to a federal award must be sufficiently documented to provide assurance of control over and accountability for all funds, property, and other assets and to assure that they are used solely for authorized purposes.
- **Be net of all applicable credits.** Applicable credits refer to those receipts or reduction-of-expenditure-type transactions that offset or reduce expense items allocable to the federal award. Examples include purchase discounts, rebates, and adjustments of overpayments. To the extent that these credits relate to a cost incurred under the federal award, they must be credited to the federal award.
- **Not be used to meet cost-sharing or matching requirements.** An eligible cost to a federal award by definition cannot be used to the cost-sharing or matching requirements of any other federal financed program.

2 CFR Part 200, Subpart E-Cost Principles must be considered when federal grant funds are expended. Federal rules require state and Garrett College rules and policies regarding expenditures be followed as well. The more narrow or strict requirements whether they be federal, state, or Garrett College rules will prevail when determining costs for cost-sharing or matching requirements.

Selected Items of Cost: 2 CFR Part 200, Subpart E-Cost Principles examines the allowability of 55 specific cost items (commonly referred to as Selected Items of Cost). These items of cost are listed in the chart below, along with the citation where the item is discussed. Do not assume that an item is allowable because it is specifically listed; it may be unallowable despite its inclusion in the Selected Items of Cost section. The expenditure may be unallowable for a number of reasons, including the express language of the statute and associated regulations state that it is unallowable; the terms and conditions of the grant award deem the item unallowable; state and/or local restrictions dictate that the item is unallowable. The item may also be unallowable because it does not meet one of the cost principles of reasonable and/or necessary. If an item is unallowable for any of these reasons, federal funds cannot be used to support the costs.

Garrett College staff responsible for overseeing the expenditure of federal grant funds and for determining allowability must be familiar with and follow the Selected Items of Cost section of the uniform grant guidance. In addition, state, local, Garrett College and program-specific rules may determine that a cost is unallowable and Garrett College staff must adhere to these rules as well http://www.ecfr.gov/cgi-bin/text-idx?tpl=/ecfrbrowse/Title02/2cfr200_main_02.tpl

Selected item of Costs (in alphabetical order):

Citation of Allowability 2 CFR	Item of Cost
§200.421	Advertising and public relations.
§200.422	Advisory councils.
§200.423	Alcoholic beverages.
§200.424	Alumni/ae activities.
§200.425	Audit services.
§200.426	Bad debts.
§200.427	Bonding costs.
§200.428	Collections of improper payments.
§200.429	Commencement and convocation costs.
§200.430	Compensation—personal services.
§200.431	Compensation—fringe benefits.
§200.432	Conferences.
§200.433	Contingency provisions.
§200.434	Contributions and donations.
§200.435	Defense and prosecution of criminal and civil proceedings, claims, appeals and patent infringements.
§200.436	Depreciation.
§200.437	Employee health and welfare costs.
§200.438	Entertainment costs.
§200.439	Equipment and other capital expenditures.
§200.440	Exchange rates.
§200.441	Fines, penalties, damages and other settlements.
§200.442	Fund raising and investment management costs.
§200.443	Gains and losses on disposition of depreciable assets.
§200.444	General costs of government.
§200.445	Goods or services for personal use.
§200.446	Idle facilities and idle capacity.
§200.447	Insurance and indemnification.

§200.448	Intellectual property.
§200.449	Interest.
§200.450	Lobbying.
§200.451	Losses on other awards or contracts.
§200.452	Maintenance and repair costs.
§200.453	Materials and supplies costs, including costs of computing devices.
§200.454	Memberships, subscriptions, and professional activity costs.
§200.455	Organization costs.
§200.456	Participant support costs.
§200.457	Plant and security costs.
§200.458	Pre-award costs.
§200.459	Professional service costs.
§200.460	Proposal costs.
§200.461	Publication and printing costs.
§200.462	Rearrangement and reconversion costs.
§200.463	Recruiting costs.
§200.464	Relocation costs of employees.
§200.465	Rental costs of real property and equipment.
§200.466	Scholarships and student aid costs.
§200.467	Selling and marketing costs.
§200.468	Specialized service facilities.
§200.469	Student activity costs.
§200.470	Taxes (including Value Added Tax).
§200.471	Termination costs.
§200.472	Training and education costs.
§200.473	Transportation costs.
§200.474	Travel costs.
§200.475	Trustees.

If the Garrett College grant manager is still unsure of a cost allowability, the grant manager should inquire of the grantor, other community college grant managers of the same grant, and/or external financial auditors in order to gain perspective, common grant practice, and authoritative guidance on cost eligibility.

Garrett College Allowability of Costs

Legal Authority: Program statute; Uniform Grant Guidance at 2 CFR 200 Subpart E; Garrett College policies and procedures.

All costs charged to a federal grant must be viewed from the lens as *necessary, reasonable, and allocable*, and *supplement not supplant* if applicable

First level expenditure review – Garrett College manager and grant staff



Second level expenditure review – Garrett College financial reporting staff

- 1. Procurement:** Garrett College will be using a 2-year deferral period of the new procurement guidelines of the Uniform Grants Guidance which impacts grants starting after July 1, 2017. Garrett College follows Maryland Community College law with respect to procurement. Purchases over \$50,000 generally require competitive sealed bids. When using federal funds, the Garrett College grant manager should take the following steps as prescribed under the Uniform Grants Guidance with respect to procurement. Purchases under \$3,000 fall under the rules of micro purchases which require no competitive bidding if the grant manager determines the costs/prices are necessary and reasonable. Purchases from federal funds exceeding \$3,000 but less than \$150,000 fall under the federal small procurement rules. The Garrett College grant manager is not required to use competitive bidding but must secure an adequate number of price quotations from qualified sources. Purchases from federal funds in excess of \$50,000 will require competitive bidding because of procurement rules for Maryland Community Colleges as specified by state government because the state standard is lower than the federal standard.

In all cases the Garrett College grant manager should ascertain that vendors are not suspended or disbarred from federal contracts. A required part of any purchase order, sales order, or contract is to require the vendor to notify the Garrett College grant manager if the vendor has been or will be suspended or disbarred from federal contracts. Garrett College grant managers will use www.sam.gov in order to determine if vendors are disbarred or suspended from federal contracts.

- 2. Conflict of Interest:** Executive management employees at Garrett College are required to follow the State of Maryland ethics policy. Annual financial disclosures and ethics acknowledgement is

required. For the purpose of federal procurement, Garrett College personnel who have a family relationship in the management of a potential vendor shall not be involve in a procurement decision involving federal dollars. A family relationship is defined as spouse, child, parent, grand parent, step child, uncle, aunt, or first cousin. Furthermore, a Garrett College employee should not be involved in a federal procurement decision if they have more than a 5% ownership in a potential vendor. Furthermore, a Garrett College employee should not be involved in a federal procurement decision if more than 5% of the Garrett College's associate total personal assets are in a potential vendor. Such a conflict of interest of the Garrett College employee should be reported to the Chief Financial Officer (CFO) at Garrett College.

Any vendor wishing to appeal a federal procurement decision shall notify the CFO. The CFO shall make a decision within 15 working days of receiving a written complaint. Written documentation of the complaint and decision will be maintained by the college for a period of 3 years. If the potential vendor is not satisfied with the decision of the CFO, the decision may be appealed to the President of Garrett College who has 30 days to respond to the complaint. If the vendor is still not satisfied, the decision can be appealed to the Board of Trustees.