

A. Administration of Funds Received from Federal Awards

- (1) The Board of Education will abide by the Cash Management Investment Act (CM14) which requires that the Board makes expenditures prior to requesting federal reimbursement.
- (2) The Board of Education will not seek the advance of federal funds from any federal sources prior to incurring the cost.
- (3) The school system will follow MSDE procedures for grant reimbursements and use MSDE established systems for grant reimbursements.

B. The Allowability of Costs Related to Federal Awards

- (1) The considerations for charging a cost to a federal award shall include an evaluation as to whether or not the cost is necessary, reasonable, and allocable to the federal award. Consideration shall also be given to the issue of supplementing as opposed to supplanting costs if that issue is a required consideration for the federal award. (For example: Title I). Unless prohibited by Federal or State law, the greater of the Federal indirect cost rate or the approved MSDE indirect cost rate for the district will be allocated to ACPS administrative costs. Such allocation will be charged to the grant upon receipt of said grant.
- (2) The Allegany County Public School Grant Manager shall assure compliance with the cost considerations described above.
- (3) The Allegany County Public School Finance Department will review cost allocations within grant applications and conduct periodic reviews of grants.
- (4) 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.
- (5) When determining how ACPS 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 statute and associated regulations, as well as the standards outlined in the uniform grant guidance 2 CFR Part 200. The grant manager, his/her staff, the grant accountant must consider these factors when making an allowability determination. The proposed cost must:
 - a. **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.
 - i. When determining reasonableness, consideration may be given to:
 - (1) Whether the cost is a type generally recognized as ordinary and necessary for ACPS and is necessary for the proper and efficient performance of the federal award;
 - (2) Sound business practices, arm's length bargaining, other federal and state requirements and local policies and procedures have been followed;
 - (3) The terms and conditions of the grant award;
 - (4) Market prices for goods or services in the geographic area;
 - (5) Whether the individuals involved in the expenditure acted with prudence in the circumstances;
 - (6) Whether this expenditure is a deviation from established ACPS policies and practices.

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- ii. 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 and consistent with the goals outlined in the program statute. Consideration should be given to:
 - (1) Whether the cost is needed for the proper and efficient performance of the grant program;
 - (2) Whether the cost is identified in the approved budget/application for funds;
 - (3) Whether the cost aligns with specific needs identified in a needs assessment;
 - (4) Whether the cost addresses program goals and objectives based on data.
 - b. **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.
 - i. When determining allocability, consideration must be given to:
 - (1) Whether the cost is incurred specifically for the federal award;
 - (2) If the cost benefits both the federal award and other work of ACPS, the cost must be distributed in a proportion that may be approximated using reasonable methods.
 - c. **Be adequately documented.** All costs charged to a federal award must be sufficiently documented to provide assurance of control over the accountability for all funds, property, and other assets and to assure that they are used solely for authorized purposes.
 - d. **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.
- (6) Federal Uniform Guidance Cost Principles must be considered when federal grant funds are expended. Federal rules require state and ACPS-level rules and policies regarding expenditures be followed as well. The more narrow or strict requirements must prevail. For example, certain types of incentives may be allowable under the federal program but are not allowable under ACPS policy. Thus, grant funds cannot be expenses for this item.
- (7) **Selected Items of Cost** – Federal Uniform Guidance 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 Federal regulation, 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 costs 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.

ACPS 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, ACPS and program-specific rules may determine that a cost is unallowable and ACPS staff must adhere to these rules as well.

C. Procurements to Implement Federal Awards

ACPS follows the Annotated Code of Maryland, the Education Article, and Board Policy DJB (Purchasing of Goods and/or Services) with respect to procurement. When using federal funds, the grant manager should take the following steps as prescribed under the Uniform Grants Guidance with respect to procurement.

- a. Category I: \$3,500 or less – competition is recommended, but at the discretion of the Superintendent or designee and fall under the rule of micro-purchases within the Uniform Guidance.
- b. Category II: \$3,501 to \$25,000 – two (2) written or oral quotes must be acquired
- c. Category III and IV: \$25,001 or more – competitive sealed bid/proposal process should be followed.
- d. Category V: Noncompetitive proposals or Sole source procurements – This option may only be used when the item is available only from a single source, the public exigency or emergency will not permit a delay resulting from competitive solicitation, federal awarding agency or pass-through entity expressly authorizes its use in response to a written request, or after solicitation of a number of sources competition is determined inadequate. Justification of the use of noncompetitive proposal must be documented and retained and research on availability of multiple sources must be documented and retained. Lastly, any initial solicitations from multiple sources which are concluded to be inadequate, and such reasoning, must be documented.

Purchases from federal funds exceeding \$3,500 but less than \$150,000 fall under the federal small procurement rules. Purchases from federal funds in excess of \$25,000 will require competitive bidding as a result of the school district's policy of \$25,000 being lower than the federal standard.

D. The Identification and Avoidance of: (1) Conflicts of Interest Related to the Administration of Federal Awards; and (2) The Use of Vendors on the Federal Debarment List.

- (1) All grant managers shall avoid conflicts of interest in the administration of federal awards. They shall also avoid the appearance of a conflict of interest. Grant managers shall comply with and be subject to:
 - a. The conflicts of interest provisions found in policy BCA-B1.
 - b. The financial disclosure provisions found in policy BCA-B3.
 - c. The lobbying provisions of policy BCA-B4.
 - d. All other ACPS policies applicable to all employees concerning conflicts of interest including but not limited to policy BCC and BDH.
- (2) Before entering into a contract with a vendor, the grant manager shall inquire with the vendor as to whether or not the vendor has been suspended or debarred from participating in federal grants. The grant manager shall also perform an independent investigation of a proposed vendor's suspension or debarment by consulting www.sam.gov.

Board Reviewed
08/13/2019

Superintendent Approved
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