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INTRODUCTION

Background on Grants Management

Grants management has undergone significant changes over the past few decades. The most recent substantive change has come with the implementation of the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, located at 2 CFR Part 200 and released by the federal Office of Management and Budget (OMB) on December 26, 2014. These consolidated regulations are also known as the Uniform Grant Guidance. This guidance streamlines and supersedes the requirements in previous OMB circulars: A-21, A-50, A-87, A-102, A-110, A-122, and A-133. The streamlined guidance was implemented in an effort to make government more efficient, effective, and transparent, with a focus on improving performance and outcomes while reducing the risk of waste, fraud, and abuse.

Over the past several decades, federal and state governments have continued to refine monitoring of grant recipients to ensure that funds are being spent appropriately and that grantees are abiding by the regulations that govern the expenditure of public funds. In recent years, organizations have also seen greater enforcement of penalties assessed for not abiding by laws and regulations through the payback of misspent funds. The federal government holds state governmental agencies more accountable for the funds that flow through their organizations, and subsequently state governmental agencies have been engaged in more robust subrecipient monitoring to hold their grantees, e.g. Baltimore County Public Schools (BCPS), more accountable for how grant funds are spent. The onus is now on all levels of grantees to ensure that they are fully compliant with laws and regulations.

With increased focus on performance, accountability, and outcomes, this environment of heightened scrutiny is here to stay, especially for organizations that receive funds from the United States Department of Education (USDE). It is no longer sufficient for a grantee to demonstrate success solely through quantitative or process measures. The success of programs supported by federal education grant dollars is demonstrated through measurable qualitative change for students and, in some instances, educators.
Role of the Grant Manager

BCPS expends tens of millions of dollars in grant funds annually. The grants BCPS receives are either formula grants or discretionary grants. Formula grants are noncompetitive awards that the system receives based on a predetermined formula – primarily based on student demographics. Discretionary grants are awards that BCPS applies for through a proactive, competitive application process.

A designated *grant manager* is identified for every grant that BCPS receives. This person, a BCPS staff member at a supervisor level or higher within the organization, has the ultimate authority for oversight of both the programmatic and fiscal components of the grant. Depending on size and complexity, there may be additional staff assigned to support the grant program.

**BCPS grant managers are responsible for operating their programs in full compliance with applicable federal, state, and local laws and regulations, as well as BCPS policies and procedures.** Failure to comply with all levels of rules associated with grant funds could result in audit findings, questioned costs, and potential repayment of disallowed costs. Further, non-compliance related to grants may cause increased scrutiny of other BCPS grant programs, the potential loss of future funding, and distraction from system priorities.

In addition to grant managers and grant staff, BCPS provides central office support for compliance related to federal grants through various offices within the Department of Fiscal Services (Payroll, Purchasing, Accounts Payable, Financial Reporting, Grant Accounting) and through the Department of Human Resources.

Effective grant management is an ongoing responsibility and can be challenging. In particular, federal regulations may be found in a variety of locations, making it difficult for grant managers to know precisely where to look when a compliance issue arises. The Uniform Grant Guidance provides a streamlined resource located in a single location in Code of Federal Regulations (CFR). Federal agencies may update and change their policies associated with funding and/or regulations pertaining to specific grants. Also, as many regulations are grant-specific, even if a grant manager has experience overseeing federally-funded projects, each new grant may bring a new set of regulations that must be
followed. Grant managers will also find that regulations are often written in very general terms and without sufficient clarity or specificity, so that they may be left to their own interpretation of the application of these regulations. Thus, even experienced grant managers may interpret a regulation incorrectly, causing a compliance error.

A grant manager’s job is generally organized into six different categories:

- Fiscal management
- Programmatic management
- Documentation management
- Communication management
- Personnel management
- Compliance management

**Fiscal Management** - Grant managers must ensure that all funds are spent on appropriate expenditures and within the timeframe allotted. Every grant has identified programmatic goals as well as regulations that govern how the money can be spent to attain those goals. Grant managers must understand the overall purpose of the grant program and the detailed regulations to ensure that funds are only spent on allowable items. When grant managers authorize expenditures, they are essentially saying:

1) The purchase is in compliance with pertinent laws regarding allowable expenditures for that specific grant;
2) The costs are being charged to appropriate expenditure categories; and
3) The expenditure is being processed according to BCPS policies and procedures.

In order to obtain grant funds, BCPS submits a proposal to the funding agency that outlines how the organization intends to spend the money during the funding period. Once the funding agency approves the proposal, BCPS must spend the grant dollars on the activities specified. Throughout the program, the grant manager must continuously check that purchases align to the approved program activities.

Occasionally during the course of the grant, the program focus may change or items may cost more or less than originally anticipated. If required, the grant manager, in partnership with the grant accountant, will submit an amendment to the funding agency asking for approval to modify how the funds will be
spent. Once the funding agency approves the request, the grant may begin supporting those new activities.

Just as every grant has regulations regarding what the funding may be used for, there are also regulations governing the time period in which BCPS must expend the funds. Each grant has a beginning and ending date. Expenditures must occur between these two dates to be allocable to the grant program. Grant managers must be cognizant of the fiscal deadlines associated with their grants to ensure that all funds are spent in accordance with BCPS procedure and before the end of the grant period. In some instances, if funding remains at the end of the grant period it may be “carried over;” other times, it must be returned to the funding agency.

Programmatic Management – Grant managers are responsible for the performance of grant-supported activities, including the achievement of all articulated goals and objectives. Every activity and purchase that the grant funds should be leading BCPS toward the achievement of the grant’s goals and objectives. Additionally, grant activities should not duplicate other services that are already in existence at the school or district level. Grant funds must always be used to supplement the initiatives for which the system is statutorily responsible. Funding must be used to provide something new, different, or in greater quantity than what is required of BCPS by law. The exception to this rule is the various stimulus grants that were awarded pursuant to the COVID-19 pandemic; there was no “supplement not supplant” provision attached to these funds. The grant manager must also ensure that activities are aligned with the BCPS strategic plan and system priorities.

In order to reach program goals and objectives, grant managers must establish appropriate timelines for the achievement of grant milestones. All grants require some level of programmatic reporting that details the outcomes of the initiative. These reports are generally submitted mid-way through the year, at the end of the year, and/or at the end of the grant. Programmatic grant reports must always be submitted to the funding agency according to established deadlines. Grant managers must know how success will be measured so they can gauge progress during the program period.

Documentation Management – Grant managers are responsible for maintaining accurate records for all activities and expenditures associated with their grant(s). This can be a substantial undertaking for the
office where the grant is housed. Successful documentation management often depends on the organizational skills of the grant manager and her/his support staff. All hard copies of grant records should be organized in a logical way and should be accessible to program staff. Electronic files, including emails, should also be saved on a shared drive so they can be accessed if needed. During an audit of a grant program, these documents are used to measure how compliant the grant was with all relevant rules and regulations.

BCPS policy requires the retention of all federal grant documents for a minimum of five (5) fiscal years after the end of the grant period. If any litigation, claim, negotiation, audit, or other action involving the grant has been initiated before the expiration of the 5-year period, the records must be retained until completion of the action and resolution of all issues which arise from it, or until the end of the regular 5-year period, whichever is later.

Grant managers are also responsible for all facets of program evaluation and reporting. The types of reports that must be filed are outlined in the requirements of the grant application and/or the grant award. Grant managers should review the reporting requirements so they can establish a process to gather data while the program activities are occurring. The data in all reports must be supported by original source documents. Grant managers must ensure that documentation related to program data and reporting is maintained in an appropriate fashion.

Communication Management – It is very important for grant managers to communicate effectively about their program to all individuals associated with their grant. The most frequent communication will go to staff who help manage or implement the grant program. Communication can be manifested in multiple forms: formal meetings, informal meetings, emails, written summaries, trainings, conversations, etc. Ongoing communication is key to keeping grant activities on track for completion and within grant regulations. Additionally, it is the grant manager’s responsibility to ensure that her/his staff are kept abreast of changes with grant laws and regulations.

Throughout the program, grant managers will also be communicating with the state and/or federal staff responsible for monitoring BCPS’ program. This individual(s) can answer programmatic questions, provide key information about compliance, and assist if a problem arises with the grant. This same
person may also be responsible for monitoring the compliance of the grant program and will often provide technical assistance during the proposal writing and program implementation phases of the grant.

**Personnel Management** – In many instances, BCPS uses grant funds to pay for the salaries and benefits of the individuals who implement the grant program. Many times the grant manager has direct oversight responsibility for these individuals because they work in the grant manager’s office. In other cases, the grant supports the salary of individuals who provide services to students, teachers, or administrators across the district. In both cases, the grant manager is responsible for ensuring that staff whose salary is paid with grant funds understand how the work they perform relates to the goals and objectives of the grant.

A large percentage of BCPS’ grant funds are used to support payroll expenses and many grant managers spend a large percentage of their time facilitating the personnel management activities associated with their programs. Grant funding can only be used to pay for individuals’ activities that are allowable under the provisions of the grant and are supplemental in nature.

**Compliance Management** – Grant managers must have awareness of and ensure compliance with all applicable regulations associated with their programs. None of the other management areas mentioned above can be implemented properly if the grant manager does not know and understand the terms and conditions that effect the grant funding. Funding agencies expect BCPS to comply with these requirements as a condition of accepting the grant funds.

The primary way that grant managers ensure compliance with regulations is by implementing internal controls. Internal controls are processes and procedures established to ensure compliance during the implementation of the grant program. Internal controls are also tested during audits and program reviews to make certain that they are effective.

This grants compliance manual is a comprehensive source of grant administrative requirements to help grant managers effectively operate their grants and will provide access to the information needed to operate compliant grant programs. Although much of this manual is specifically addressed to managers
of federal grants, individuals responsible for non-federally funded programs will also find this information valuable.

This manual provides an overview of the requirements grant managers must be aware of and the various methods for addressing grants management-related problems. It includes information on:

- Location of federal and state grant regulations
- Information and resources to prepare for audits, monitoring visits, and program reviews
- BCPS time and effort certification and procedures
- BCPS equipment management and inventorying procedures
- Certification process to verify that vendors are not suspended or debarred from federal awards
- Management of grant funds and services to nonpublic schools
- Development of internal controls to support grant compliance
- Financial administration of grants
- Online resources

It is impossible to write a manual that would address every compliance issue or concern that a grant manager may face. If any issues arise for which you require guidance that is not found in this manual, please contact Roe Davis, the BCPS grants specialist at 443-809-9400 or rdavis9@bcps.org.
Chapter 1: Federal, State, and Local Regulations

When identifying the regulations that affect the proper management of any type of grant, it is important to understand that these rules and regulations are found in a variety of places. Regulations can be found at any or all of the locations described in this chapter. It is the grant manager’s responsibility to locate, read, and understand the regulations associated with their grant so they can operate fully compliant grant programs.

Additionally, BCPS has system policies and rules, as well as specific office procedures, related to its general business operations. Grant managers must also be familiar with and follow BCPS’ policies and procedures when operating their grant programs.

Federal, state, and BCPS regulations can be found online. A list of commonly used grant compliance Web sites is provided throughout this manual.

Federal Laws

All federal grant money that BCPS receives is authorized by federal law. The majority of these grants are funded through three specific pieces of legislation: the Elementary and Secondary Education Act or ESEA (reauthorized in December 2015 as the Every Student Succeeds Act or ESSA) the Individuals with Disabilities Education Act (IDEA), the Richard B. Russell National School Lunch Act, and the Workforce Investment Opportunity Act. While there are other types of information provided by the federal government through regulatory guidance, non-regulatory guidance, OMB circulars, etc., federal law always provides the foundation for grant compliance.

![Figure 1 Regulatory Hierarchy]
**Federal Agencies**

The best place to find information related to federal grant programs is the federal agency where the grant funds originate. The majority of BCPS’ federal awards come from the United States Department of Education (USDE). However, BCPS also receives funding through the United States Department of Agriculture, the United States Department of Labor, the United States Department of Health and Human Services, and the United States Department of Justice.

For most large federal grants, the agency that oversees the program will have developed a specific area on their web site that provides detailed grant information. Most federal grant-specific web sites have information organized under the following types of categories or headings:

The *Purpose* section summarizes all of the critical information about the grant program. This section will list the program office that oversees the grant, the grant’s Catalog of Federal Domestic Assistance (CFDA) number and will indicate if the grant may be referred to by another name. This section also provides a general program description and tells what types of projects can be funded through the grant.

It should be noted here that CFDA numbers are also now referred to as *assistance listings and/or program numbers*. Because there is not yet consistency in terminology across governmental entities, this manual will still include the term “CFDA number” for now.

The *Eligibility* section details the types of organizations that are able to apply for the grant. The site will list the category of agency that can apply e.g., state education agencies, local education agencies, non-profit entities, etc. There will also be a more detailed description of the types of agencies that typically receive these grant awards.

*Applicant Info* identifies the type of application that is used to apply for funding. Additionally, the agency will list the timelines associated with the application cycle and the mechanism for grant submittal. Increasingly, applications for federal discretionary (competitive) awards must be submitted online, through grants.gov.
In the *Awards* section, the agency will provide a list of the organizations that have previously received grants through the funding source.

The *Performance* section will list any results or data that have been gathered pertaining to this program. The US government’s performance reports are often provided in multiple formats including narratives, charts, graphs, spreadsheets, etc. The data may be summarized or disaggregated. The specificity of information also varies by grant type. Some programs require grantees to submit very detailed reports, others only summative data.

*Funding Status* provides historical information on how the grant has been funded in the past and may include information on how much was awarded in total, how many recipients received funds, the average award amount, etc. If an amount has been preliminarily allocated but has not been approved, that information may also be listed.

The *Laws, Regs & Guidance* section may be the most important for BCPS grant managers to review. Here grant managers will find links to the legislative and policy documents that form the foundation of the grant’s rules. There are links to where the grant is codified by law, guidance documents that have been issued by the federal agency, and *Federal Register* notices where regulations have been published. While some compliance information related to federal grants is written generally and applies to a variety of programs, the information found here is very specific. Grant managers are expected to read and understand the information provided in this area.

*Resources* may be any other information that the federal agency feels could be helpful for recipients of these funds. This section may contain links to webcasts, policy letters, reports, related websites, data, etc.

*FAQs*, or frequently asked questions, are lists of questions that organizations have posed to the federal agency. The agency gathers these questions together and responds with answers. FAQs are shared with other organizations so the agency does not need to answer the same questions multiple times.
Contacts will provide names, addresses, phone numbers, and email addresses for persons who work at the office that oversees the grant program. In most cases, the office will also provide a general office phone number in case a grant manager is not sure to whom they need to speak about an issue.

Because the grant-specific web site is so comprehensive, it is a good place for a new grant manager to become familiar with all aspects of the program.

**Office of Management and Budget Uniform Grant Guidance**

The most recent substantive change to grant compliance has come with the implementation of the *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, released by the federal Office of Management and Budget (OMB) on December 26, 2014. Also known as the *Uniform Grant Guidance*, this streamlined guidance was implemented in an effort to make government more efficient, effective, and transparent - with a focus on improving performance and outcomes while reducing the risk of waste, fraud, and abuse.

The uniform grant guidance is an administrative policy document issued by the OMB that gives instruction to federal agencies and their subrecipients on a variety of topics, including uniform administrative requirements, cost principles, and audit requirements for federal awards. The guidance is codified at 2 CFR Part 200. There are five subparts: Subpart A - Acronyms and Definitions; Subpart B – General Provisions; Subpart C – Pre-Federal Award Requirements and Contents of Federal Awards; Subpart D – Post Federal Award Requirements; Subpart E – Cost Principles; and Subpart F – Audit Requirements. There are also a number of appendices, including Appendix XI, Compliance Supplement.

Subpart E is particularly important to grant managers. It establishes principles and standards for determining allowable costs for Federal awards carried out through grants, cost reimbursement contracts, and other agreements with State and local governments. Information that can be found in Subpart E includes: general principles for determining allowable costs, how to determine indirect costs vs. direct costs, a list of allowable/unallowable expenditures, and regulations associated with compensation, including time and effort certification.
Subpart F identifies compliance requirements that the Federal government expects to be considered as part of BCPS’ annual Single Audit of its federal grant programs. Each year, the federal government updates these requirements through a “Compliance Supplement.” Grant managers should refer to the most recent version of the compliance supplement to identify the audit requirements related to their program(s).

**Catalog of Federal Domestic Assistance (CFDA) (aka Assistance Listing)**

The *Catalog of Federal Domestic Assistance* (CFDA), also known as *Assistance Listings*, is a government-wide library of federal programs, projects, services, and activities that provide assistance or benefits to any domestic or international agency. It contains detail on financial and non-financial assistance programs administered by the departments and agencies of the federal government. (https://sam.gov/content/home) The General Services Administration (GSA) maintains the federal assistance information database from which the CFDA/Assistance Listing is published.

The primary purpose of the CFDA/Assistance Listing is to assist potential applicants in identifying programs which meet their specific objectives and to provide general information on federal assistance programs. Every federal grant program is assigned a specific identifier number. On the CFDA/Assistance Listing web site, a grant manager can search by the program number or key word from the title of the grant and find a summary of related information. The summary is a comprehensive snapshot of key details about the grant. This summary may also contain links to other web sites related to the grant program.
The Federal Register is the federal government’s journal of regulatory actions and official notices. It is published daily except for weekends and holidays. (http://www.gpo.gov/fdsys/browse/collection.action?collectionCode=FR). It is the official publication for rules, proposed rules, and notices of federal agencies and organizations, as well as executive orders and other presidential documents.

The Federal Register publishes legal documents as well as rules and regulations for implementing federally funded grant programs and is where the federal government publishes:

- Proposed new rules and regulations
- Final rules and regulations
- Changes to existing rules and regulations
- Notices of applications for new awards
- Notices of meetings and adjudicatory proceedings

The Code of Federal Regulations (CFR) is the codification of the general and permanent rules published in the Federal Register by the executive departments and agencies of the federal government. (https://www.ecfr.gov/). It is divided into 50 titles that represent broad areas subject to federal regulation. Each volume of the CFR is updated once each calendar year on a staggered basis. The CFR serves as a compilation of all final regulations issued by federal agencies.

Grant managers are likely to use the CFR associated with the federal agency that provides their funding. For instance, USDE’s chapter or title in the CFR is Title 34. Within Title 34 of the CFR, a grant manager could search for administrative rules and regulations associated with their programs. As mentioned previously, Title 2 of the CFR contains the administrative regulations pertaining to grants and agreements.
Many of the federal awards BCPS receives are “pass through” awards. Pass through awards are grants that federal agencies provide to a state agency, which in turn are distributed by the state to local entities, e.g. the local school system. The Maryland State Department of Education (MSDE) is the pass through agency (also known as cognizant agency) for BCPS and plays a vital role in our application for and management of federal grant funds.

Not only do the funds pass through MSDE for administrative purposes, but because BCPS receives more than $50 million per year in federal funds, we are required to have a cognizant agency oversee our grant activities for the purposes of the Single Audit. BCPS’ cognizant agency is the federal awarding agency that provides the district with the majority of its federal funding. BCPS receives a majority of its funds through the United States Department of Education so our cognizant agency is MSDE.

As the cognizant agency, MSDE is responsible for a wide variety of responsibilities including: monitoring, providing technical assistance, approving budgets/amendments, collecting data on program progress, ensuring the resolution of audit findings, etc. Additionally, because MSDE is ultimately responsible for the funds that flow through that agency, it has the responsibility for putting processes and procedures in place that all districts in the state are required to follow. These state level regulations and policies are often more specific or require a more detailed course of action than what the federal government requires. Many of these policies are articulated in the Financial Reporting Manual for Maryland Public Schools.


With so much responsibility for the grant activities taking place at BCPS, it is easy to see why MSDE is such an important contact when it comes to managing federal grants. It is important for grant managers to maintain good relationships with their program contacts at MSDE. Grant managers should also participate in any trainings or meetings that MSDE provides in relation to their grants so they can be kept abreast of any current or upcoming administrative, programmatic, and fiscal updates.
**BCPS Policies and Rules**

The Education Article of the Annotated Code of Maryland requires county boards of education to "determine the educational policies of the county school system." (Md. Code Ann., Educ., §4-108) Moreover, all local boards are required to "adopt, codify and make available to the public, bylaws, rules, and regulations not inconsistent with State law, for the conduct and management of the county public schools." In Baltimore County, the *Policy Manual of the Board of Education of Baltimore County* contains all policies adopted by the Board of Education and rules issued by the Superintendent of Schools. [https://go.boarddocs.com/mabe/bcps/Board.nsf/Public](https://go.boarddocs.com/mabe/bcps/Board.nsf/Public)

As articulated on [https://www.bcps.org/system/board_policies_and_superintendent_s_rules](https://www.bcps.org/system/board_policies_and_superintendent_s_rules), “A policy is a statement of the vision, goals, principles or position of the Board of Education to guide and direct the Superintendent and the staff.” Additionally, as established in the BCPS Policies and Rules, *8000 Series, Internal Board Operations*, policies are utilized as tools to establish concrete mechanisms for the Board's self-governance.

The policy manual is divided into eight 'series': community relations, administration, business, personnel, students, instruction, new construction, and internal board operations. Policies are adopted by the Board at one of its regular meetings in accordance with the procedures set forth in Policy 8130.

A rule “is issued by the Superintendent of Schools to implement the policies of the Board of Education and to establish the manner in which Board policies are to be executed. Rules of the Superintendent are presented to the Board for information purposes, and do not require Board approval for their enactment.” Grant managers must be familiar with BCPS’ policies and rules and conduct their business operations in full compliance with these rules.

Also, when a grant regulation affects many programs across the district, BCPS may institute an organization-wide policy or procedure to assist grant managers with maintaining compliance. BCPS’ grant-specific procedures are based upon the federal regulations for that specific area of compliance.
The important thing for grant managers to remember is that not following all of the rules and regulations associated with their grant can cause a variety of negative effects for the system as a whole. All federal programs are subject to review by both the federal and state agencies that oversee them. BCPS is also required to have an audit of its federal grant programs annually through the *Single Audit* process, discussed in more detail in Chapter 2.
Chapter 2: Audits

All grant programs are subject to audits, programmatic reviews, and fiscal reviews by the granting agency. Further, because BCPS spends over $750,000 annually in federal grant funds, the district must have a *single audit* conducted each year. This chapter details the single audit process and explains the other different types of audits that grant managers may experience.

The Single Audit

Prior to the passage of the *Single Audit Act in 1984*, each federal agency was responsible for auditing its own programs. There was no coordinated effort on behalf of the federal government to ensure that these audits were performed to a specific set of standards. Additionally, it was a great administrative challenge for both the federal agencies conducting the audits and the grantees who were the subject of multiple federal audits at one time. The program-specific audit process provided inconsistent results and an inadequate environment for grant compliance.

The *Single Audit Act of 1984* was passed by Congress to improve the auditing and management of federal funds provided to grant recipients. The Act created a single organization-wide financial and compliance audit for state and local governments expending a specific amount of federal funds in any fiscal year. This is the legislative authority that requires BCPS to have an annual audit of its federal programs, which is designed to meet the needs of all federal grantor agencies.

To qualify as a *single audit*, the auditors must conduct specific tests that meet the criteria outlined in 2 CFR 200.500-520, Subpart F, specifically:

1) The audit must be conducted in accordance with Generally Accepted Government Auditing Standards (GAGAS). The audit must cover the entire operations of BCPS, and the financial statements and schedule of expenditures of federal awards must be for the same audit period.

2) The auditor must determine whether the financial statements are presented fairly in all material respects and in accordance with generally accepted accounting principles (GAAP).
The auditor must also determine whether the schedule of expenditures of federal awards is stated fairly in all material respects in relation to the auditee's financial statements as a whole.

3) The auditor must perform procedures to obtain an understanding of BCPS’ system of internal controls over federal programs. The audit will be planned in a way that assumes and supports a low level of risk of noncompliance.

4) The auditor must plan and perform the testing of internal controls relevant to the compliance requirements for each major program. The auditor must report a significant deficiency or material weakness, assess the related control risk at the maximum/higher level of risk, and consider whether additional compliance tests are required because of ineffective internal controls.

5) In addition to the requirements of GAGAS, the auditor must determine whether the auditee has complied with federal statutes, regulations, and the terms and conditions of federal awards that may have a direct and material effect on each of its major programs.

6) The auditor must follow-up on prior audit findings, perform procedures to assess the reasonableness of the summary schedule of prior audit findings prepared by the auditee, and report as a current year audit finding when the auditor concludes that the summary schedule of prior audit findings materially misrepresents the status of any prior audit finding. The auditor must perform audit follow-up procedures regardless of whether a prior audit finding relates to a major program in the current year.

7) The auditor must complete and sign specified sections of a data collection form.

Also outlined in this section are the processes for selecting an auditor, submitting the audit report, and performing corrective actions as necessary. Other information includes: how programs are selected for audit; criteria for determination of program “risk;” guidelines for auditors’ testwork; and cognizant agencies’ responsibilities.

According to Subpart F, BCPS has essentially four responsibilities as an “auditee:”

1) Procure or otherwise arrange for the audit and ensure it is properly performed and submitted when due;

2) Prepare appropriate financial statements, including the schedule of expenditures of federal awards;
3) Promptly follow up and take corrective action on audit findings, including preparation of a summary schedule of prior audit findings and a corrective action plan;
4) Provide the auditor with access to personnel, accounts, books, records, supporting documentation, and other information as needed for the auditor to fulfill the audit requirements.

A second document, 2 CFR Part 200, Appendix XI, Compliance Supplement, is perhaps the one that is more useful to grant managers. Organized into seven sections, this part of the circular provides auditors with guidelines for testing 12 different areas of compliance that are applicable to federal grant programs. Grant managers can utilize the compliance supplement to review their grants against the standards the auditors will use to evaluate the compliancy of their programs.

The compliance supplement is updated annually in order to keep current with the ongoing changes that occur within federal grant programs. The new supplement is usually available in the late spring. Grant managers should use the most recent version of the document available. The information in the following pages refers to the most recent compliance supplement available for the current fiscal year.

The Compliance Supplement

The purpose of the annual compliance supplement is to provide a “roadmap” to assist auditors in performing the Single Audit for agencies who expend $750,000 annually in federal funds. The use of this supplement by the auditors is mandatory.

The compliance supplement is organized into seven parts and nine appendices:

- Part 1 – Background, Purpose, and Applicability
- Part 2 – Matrix of Compliance Requirements
- Part 3 – Compliance Requirements
- Part 4 – Agency Program Requirements
- Part 5 – Clusters of Programs
- Part 6 – Internal Control
- Part 7 – Guidance for Auditing Programs Not Included
Appendix I - Federal Programs Excluded from the A-102 Common Rule and Portions of 2 CFR Part 200

Appendix II - Federal Agency Codification of Certain Governmentwide Requirements and Guidance for Grants and Cooperative Agreements

Appendix III - Federal Agency Single Audit, Key Management Liaison, and Program Contacts

Appendix IV - Internal Reference Tables

Appendix V - List of Changes for the XXXX Compliance Supplement

Appendix VI - Program-Specific Audit Guides

Appendix VII - Other Audit Advisories

Appendix VIII - Examinations of EBT Service Organizations

Appendix IX - Compliance Supplement Core Team

The summaries that follow will focus on the compliance rules and requirements that are most significant to BCPS grant managers.

Part 1 – Background, Purpose and Applicability

The Single Audit Act of 1984 established requirements for audits of local governments that administer federal financial assistance programs. The Single Audit Act Amendment of 1996 revised various provisions of 1984 Act. OMB Circular A-133 was originally issued in 1997 and was subsequently modified in 2003. On December 26, 2013, OMB Circular A-133 was superseded by the issuance of 2 CFR Part 200, Subpart F. Among other things, these changes increased the audit threshold to $750,000 for auditee fiscal years beginning on or after December 26, 2014, and made changes to the major program determination process. The compliance supplement is based on the requirements of the 1996 amendments and revisions to OMB Circular A-133/2 CFR Part 200, Subpart F, which provide for the issuance of a compliance supplement to assist auditors in performing the required audits. The compliance supplement serves to identify existing important compliance requirements that the federal government expects to be considered as part of an audit required by the 1996 Amendments. Without the supplement, auditors would need to research many laws and regulations for each program under audit to determine which compliance requirements are important to the federal government and could have a direct and material
effect on a program. Providing the supplement is a more efficient and cost-effective approach to performing this research

**Part 2 – Matrix of Compliance Requirements**

Part 2 - Matrix of Compliance Requirements are charts which grant managers can use to identify the areas of compliance that are applicable to their programs. Each federal grant program is assigned a specific program number. The program number is comprised of a two-digit prefix which identifies the granting federal agency and a unique three digit code for each authorized program. Grant managers can find the program number (also referred to as CFDA number and/or Assistance Listing) for their grant program on the Notice of Grant Award provided by MSDE or by searching the sam.gov web site.

In the left hand column of the matrix are the programs numbers. Across the top row are the twelve areas of compliance tested during the single audit. For each program, there is a “Y” in the box if that area of compliance is applicable to the grant program. If it is not applicable, the box under the compliance area is shaded gray. Grant managers should locate their program on this chart and identify the relevant compliance areas.

In some cases, smaller programs cannot be found on the matrix of compliance requirements. In these instances, auditors and grant managers are directed to read through all of the compliance requirements and determine which are applicable to the program they are reviewing. Further guidance is provided on this in Part 7 – Guidance for Auditing Programs Not Included.

**Part 3 – Compliance Requirements**

During the Single Audit, the auditor will be testing twelve different areas of compliance. The compliance areas are categorized by letters A-N and are briefly described in the paragraphs that follow. For a thorough more description, please read 2 CFR 200.500
A. Activities Allowed or Unallowed
The specific requirements for activities allowed or unallowed are unique to each federal program and are found in the laws, regulations, and the provisions of contracts or grant agreements pertaining to the program. This type of compliance requirement specifies the activities that can or cannot be funded under a specific program. Some grant programs provide specific descriptions of allowable and non-allowable activities. However, more frequently, the regulations are more general in nature and it is left up to the discretion of the grant manager to determine the appropriateness of particular expenditures. While testing this requirement, the auditors will be evaluating disbursements to ensure that expenditures charged to the grant were only for allowable activities that support the specific purpose, goals, and objectives of the program.

B. Allowable Costs/Cost Principles
The cost principles associated with allowable expenditures of federal grant funds relate to specific goods or services that have been purchased. The compliance supplement references 2 CFR 200, Subpart E - Cost Principles, directly. In summary, the cost principles provide guidelines related to an individual expenditure that may be charged to the grant.

The cost principles provide a list of fifty-five specific expenditures that are allowed or not allowed to be supported with grant funds. The cost principles also require that BCPS have a procurement system in place to facilitate open competition. All costs charged to the grant must be reasonable, necessary, and documented. Reasonable relates to the amount of money spent on the specific good or service. Necessary is whether the good or service is needed for the program to be implemented.

During the Single Audit, the auditor will select a sample of expenditures that have been charged to the grant. Then they will thoroughly review these expenditures and the associated supporting documentation to ensure that the grant staff followed all of BCPS’ procurement processes and the expenditure is allowable under the grant.

If grant funds are used to support payroll expenses, time and effort documentation is required. Subpart E provides guidelines pertaining to the frequency and type of documentation that must
be collected when federal funds are used to pay for salaries, benefits, stipends, approved leave, hourly wages, and any other type of payroll. BCPS has developed its own set of procedures associated with time and effort certification, to be found in Chapter 3.

C. Cash Management
Cash management pertains to regulations that govern how and when federal grant funds are disbursed and received. Specifically, funds must be made available either on a reimbursement basis or, if funds are advanced, the time between receipt by BCPS and disbursement for program expenditures must be minimized. In cases where BCPS receives federal grant funds from MSDE, the cash management requirements pertain to that state agency. For federal grants that BCPS receives directly (i.e., no pass-through entity), cash management is handled by the Office of Grants Accounting. During the audit, this office will need to explain to the auditors how they manage the cash flow associated with the grant. As BCPS works mainly on a reimbursement basis, this is seldom an issue for the system.

E. Eligibility
Eligibility refers to criteria for determining who can participate in a federal program and how much service they can receive. Eligibility can apply to an individual (student or staff member) or an entire school building (Title I). Eligibility requirements are specific to each federal program. The grant manager must know and understand the eligibility requirements associated with the grant. Additionally, a very important aspect of determining eligibility is documentation verification and retention. Any information that is used to confirm the eligibility of an individual or group should be reviewed for accuracy and retained for auditor review.

F. Equipment and Real Property Management
Any time BCPS uses federal funds to purchase equipment, regulations for the tagging and tracking of these items apply. Equipment must be clearly labeled as purchased with federal funds and can only be used for the benefit of the program for which it was purchased. Specific information about the equipment must be kept on an inventory sheet and the grant manager must conduct a physical inventory at least once every two years. More detailed information about the tracking and labeling of equipment purchased with grant funds can be found in Chapter 4.
G. Matching, Level of Effort and Earmarking

The specific requirements for matching, level of effort, and earmarking are unique to each federal program and are found in the laws, regulations, and the provisions of contract or grant agreements pertaining to the program.

Matching or cost sharing refers to a grant-specific provision that may require BCPS to provide a certain amount of financial support for an identified program from non-federal sources. Usually, the match consists of a specified percentage of the overall award. BCPS can provide for the match in two ways: as a cash match or in-kind match. A cash match is when BCPS sets its own funds aside to contribute to the program. An in-kind match is when BCPS pays for salaries, equipment, supplies, etc. that are then used by the program. If matching applies, the grant manager is responsible for determining the value of and tracking expenditures that are being used to meet a matching requirement on the federal grant.

Values used to identify and calculate an in-kind match must be measured against the same standards for allowable costs: Is this expenditure a reasonable amount for the good or service? Is this expenditure necessary for the implementation of the grant program? Would I be allowed to charge this expense to the grant if I was paying for it directly? Do I have adequate documentation supporting this as an in-kind contribution?

Level of Effort regulations relate to two specific aspects of compliance: Maintenance of Effort and Supplement not Supplant.

Maintenance of Effort requires that BCPS maintain a certain amount of its own financial contributions to a program or population from one year to the next. For example, there is a requirement that the district spend at least the same amount this year on the special education program as it spent last year. Every year, the district must complete a calculation proving that it is spending an appropriate amount of funds on these services. If a district does not meet the maintenance of effort requirement, future allocations may be reduced or it may not be eligible to receive certain federal grant funds in the upcoming grant year.
Supplanting means that BCPS may be using federal grant funds to pay for something that it should be paying for from non-federal resources. There are three key questions that auditors ask when they are testing for supplanting:

1) Did BCPS use non-federal funds to pay for this same good or service last year?
2) Is BCPS required to provide this good or services under federal, state or local law?
3) Does the district provide this same good or service to other students/staff/schools using non-federal funds?

If the answer to any of these questions is “yes,” it is presumed that BCPS may have supplanted with federal funds. The district must always use non-federal funds to pay for statutorily-required fundamental public education obligations, and federal funds must always be used as a supplement or enhancement to this.

In some instances the answer to one of the above questions is “yes,” but through hard documentation (i.e. budget documents or Board of Education meeting minutes), BCPS may demonstrate that it did not supplant federal funds.

Earmarking refers to grant-specific regulations that would require BCPS to spend a minimum or maximum amount of a federal grant on a particular activity. For example, a grant might require that a minimum of 10% of the award is spent on an external evaluation of the program. In this case, the grant manager would need to ensure that an external evaluator was procured appropriately and that the contract was for a minimum of 10% of the grant award. In the case of a maximum requirement, the grant manager would need to put a tracking system in place to ensure that all of the expenditures in that category did not exceed the upper limit set forth in the grant regulations. Earmarking requirements are specific to each federal grant and can be found within the grant regulations.
H. Period of Performance
Every federal grant designates a time period during which federal funds may be spent. BCPS’ federal grants always have a specific start date indicating when activities can begin to be charged to the grant. Grants also have an end date which indicates when BCPS can no longer charge expenditures. Funds that are obligated before the end of the grant period must be “liquidated” (spent down) within sixty (60) days after the end of the grant. Grant managers must be aware of these dates and plan program activities appropriately to ensure that all funds are spent within the required time frame. Funds that are not expended by the end of the grant period are often required to be returned to the funding agency. Returning funds may be a signal to an auditor that the grant is not being effectively managed.

I. Procurement and Suspension and Debarment
The federal government requires that all grant funds are spent in a compliant manner and with appropriate vendors. Procurement regulations are designed to ensure that BCPS uses fair contracting procedures, awards contracts only to responsible vendors, allows for full and open competition on goods/services, and has effective internal controls in place related to procurement.

Additionally, BCPS is prohibited from contracting with vendors who have been suspended or debarred from receiving federal funds. Grant managers/staff must check the suspended/debarred status of a vendor if they are anticipating spending more than $25,000 with the vendor during the year. The specific procedure to check the status of vendors to ensure that they are not suspended or debarred can be found in Chapter 5.

J. Program Income
In some cases, BCPS may earn income as a result of the implementation of a federal grant. Program income is gross income earned that is directly generated by the federally funded project during the grant period. Program income includes, but is not limited to, income from fees for services performed and/or the sale of commodities or items fabricated under a grant agreement.
If a program does earn income, there are specific requirements for how the funds can be used to ensure that the federal government receives its fair share of the profits. The majority of the grant programs at BCPS do not generate program income, so this is rarely a tested compliance area. The revenue generated by Food Services through the National School Lunch Program (free and reduced-price meals) is handled and tracked in a very specific manner.

L. Reporting
All federal grants require some type of programmatic and financial reports to be completed during and/or after the completion of the grant. As a grantee, BCPS is required to submit all reports by the due dates established by the funder. In most instances this is MSDE, but occasionally funds are awarded directly to BCPS from the federal government. BCPS must ensure that the information submitted in these reports is accurate and can be corroborated by original data or source documents. Submitting reports late or containing errors can potentially result in audit findings.

M. Subrecipient Monitoring
Federal funds are often awarded to MSDE and then “passed through” to BCPS in the form of a subgrant or subaward. In some cases, BCPS may subaward the funds further to another agency, for instance, an institution of higher education. Whenever federal grant funds are subawarded, it is responsibility of the immediate funder to monitor the entity receiving funds to ensure they are spending funds compliantly. Thus, USDE must monitor MSDE. MSDE must in turn monitor BCPS, and BCPS must then monitor any agency it awards funds to. When auditors test this compliance requirement, they are looking to see if BCPS adequately monitored any agency receiving subawarded funds.

N. Special Tests and Provisions
The specific requirements for Special Tests and Provisions are unique to each federal program and are found in the laws and regulations pertaining to the program. Each grant manager should review the requirements and regulations associated with their program to determine if any special tests or provisions are applicable.
**Part 4 – Agency Program Requirements**

While *Part 3* of the Compliance Supplement provides general guidance to auditors for the testing of the twelve areas of compliance for the Single Audit, *Part 4* presents compliance information that is specific to each federal program. Every program that is listed on the matrix found in *Part 2* has a program-specific compliance outline in *Part 4*. Grant managers need to use both *Part 3* and *Part 4* together to determine the nature and scope of the auditor’s work. *Part 4* is organized into sections according to the granting federal agency and then further into individual programs according to CFDA/Assistance Listing number.

While most of the agencies’ sections begin by listing the program with the lowest CFDA/Assistance Listing number first, the section provided by USDE is set up a bit differently. USDE’s area of the supplement begins with a *Cross-Cutting Section*. Because so many of the USDE programs are established through the Elementary and Secondary Education Act (ESEA, aka, Every Student Succeeds Act, ESSA), many areas of compliance pertain to multiple programs. Instead of repeating the same information under all of the applicable programs, USDE provides the compliance information once and lists the programs to which it is applicable.

Because the information found in this part is specific to each program, it is not covered in this manual. If a grant manager requires assistance understanding the compliance information found in this section, he/she should contact Roe Davis, the BCPS Grant Compliance Specialist at 443-809-9400, rdavis9@bcps.org.

**Part 5 – Clusters of Programs**

Certain federal grant programs are considered to be *Clusters of Programs*. A cluster of grant programs are those that have different CFDA/Assistance Listing numbers, but are closely related and share similar compliance requirements. *Part 5* of the Compliance Supplement provides a list of the programs that are considered to be clustered and provides the compliance requirements for the two most prominent clusters: Research and Development Programs and Student Financial Assistance Programs.
Although BCPS does not receive funding through either of those two programs, the district does have grants that are considered to be clustered, namely the Child Nutrition Cluster, WIOA Cluster, and Special Education Cluster (IDEA). Because each of these programs’ compliance requirements are already provided in Part 4 of the supplement, the only notable distinction that BCPS’ cluster programs have over other federal grant programs is that during the single audit, the entire cluster will be tested at the same time.

**Part 6 – Internal Controls**

A robust system of internal control is expected to provide BCPS with a reasonable assurance that objectives relating to compliance with federal statutes, regulations, and the terms and conditions of the federal grant award will be achieved. The uniform grant guidance (2 CFR 200.1) specifies that:

*“Internal controls* for non-Federal entities means:

1. Processes designed and implemented by non-Federal entities to provide reasonable assurance regarding the achievement of objectives in the following categories:
   1. Effectiveness and efficiency of operations;
   2. Reliability of reporting for internal and external use; and
   3. Compliance with applicable laws and regulations.

2. Federal awarding agencies are required to follow internal control compliance requirements in OMB Circular No. A-123, Management’s Responsibility for Enterprise Risk Management and Internal Control.”

As stated in 2 CFR 200.303 and again in Part 6 of the Compliance Supplement, internal controls should also be consistent with the “Standards for Internal Control in the Federal Government”, issued by the Comptroller General of the United States (Green Book) or the “Internal Control Integrated Framework,” issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Both are organized around five components of internal control:
Part 6 provides additional guidance on characteristics of effective internal controls:

A. **Control Environment.** The foundation for an internal control system. It provides the discipline and structure to help an entity achieve its objectives.

B. **Risk Assessment.** Assesses the risks facing the entity as it seeks to achieve its objectives. This assessment provides the basis for developing appropriate risk responses.

C. **Control Activities.** The actions management establishes through policies and procedures to achieve objectives and respond to risks in the internal control system, which includes the entity’s information system.

D. **Information and Communication.** The quality of information management and personnel communicate and use to support the internal control system.

E. **Monitoring.** Activities management establishes and operates to assess the quality of performance over time and promptly resolve the findings of audits and other reviews.

Developing and adhering to internal controls is perhaps the aspect of a grant manager’s job that has the most significant effect on grant compliance. These processes and procedures relating to the federal grant
are put into place to ensure the effective, efficient, and compliant operation of the grant program and they should be found in all components of the organization that have a role in the distribution or management of grant funds.

**Part 7 – Guidance for Auditing Programs Not Included**

For programs that are not specifically included in the Compliance Supplement (usually smaller dollar amount programs), auditors must understand all of the twelve areas of compliance and identify those that are applicable to the program selected for audit. Grant managers are urged to do the same. If their program is not listed in the supplement, they need to evaluate their program against the applicable compliance areas.

**History of the Single Audit at BCPS**

Because BCPS receives more than $750,000 in federal funds in a given year, a Single Audit must be conducted. This audit is performed by an external auditing firm secured through a competitive procurement process. Each year, these auditors will select which grant programs they will test as part of the single audit process. In order to meet the required threshold for dollars audited, either one or more of the three largest programs – Child Nutrition Cluster, Special Education Cluster or Title I - will be selected. If there are findings identified in an audit, the program in which there were findings will be audited the subsequent year as well. Each year, the auditors select several grant programs to review.

While BCPS has had few Single Audit findings for several years, there have been a variety of compliance issues identified through the single audit process in the past. In our worst year, we had a qualified audit opinion, with twelve findings and $426,527 in questioned costs. This led to a strengthened focus on and commitment to compliance throughout the organization. This “culture of compliance” has yielded significant improvement in the outcomes of audits and monitoring visits.
The Single Audit Process at BCPS

The single audit process usually begins in the spring, in March/April, with an entrance conference involving select members of the external audit group, and staff from the Department of Fiscal Services. This meeting covers the general scope and timeline of the audit.

Once the programs are selected for audit, the auditors communicate that information to staff in the Office of the Controller - more specifically, the financial reporting group - and the grants compliance specialist then notifies the applicable grant managers that their grant programs have been selected for audit.

Once the entrance conference is concluded, the auditors will begin conducting the compliance testing for the program. They will test any of the twelve areas of compliance identified in 2 CFR 200, Subpart F that are relevant to the identified grant program. They will select a sample of transactions/reports/pieces of equipment etc. to review to determine whether the applicable compliance requirements have been met and are adequately documented.

The auditors begin this process by submitting a “Provided by Client” (PBC) list for each program to financial reporting staff. Any reports and/or documentation that can be gathered centrally will be provided to the auditors immediately. The grants compliance specialist will contact the grant manager and grant staff for any documentation that resides with the grant program. The audit is generally conducted in two phases - the first phase in the spring, and the second phase in the summer, after the end of the fiscal year.

As questions arise or issues are identified, they will be communicated to the grants compliance specialist and fiscal supervisor for financial reporting. All efforts will be made to resolve any identified issues before they are brought to the attention of the grant manager. The grant manager will then have the opportunity to produce further documentation or explanation as clarification. If the issue still cannot be resolved through further investigation, it will be communicated to the auditors and may become a potential audit finding.
The auditors will then complete a preliminary draft of the audit report, generally available in September, which will be reviewed by members of the accounting/financial reporting group. Additionally, grant managers who have findings within their programs will be asked to help craft a “management response” to the finding that explains their position on the finding and how they will correct it for the next fiscal year. After review and approval through the external audit agency, the single audit report will be finalized and subsequently presented to the Board of Education’s Audit Committee.

If grant managers receive a finding in their program, they will also be asked to complete a corrective action plan. This plan is more detailed than the management response and will include an assignment of responsibilities and a timeline for completion of the corrective action steps will. This corrective action plan will also be sent to MSDE for its use in monitoring BCPS as a subrecipient. Grant managers will also be responsible for discussing the findings and their corrective actions during an Audit Committee meeting.

**USDE Program Reviews**

Occasionally, the federal agency providing the funds for the program (in many instances, USDE) will conduct a monitoring visit with MSDE, which will include reviews of various local education agencies across the state. Although it may not be a formal audit, reviews conducted by USDE should be considered as important as an audit because they will likely follow a similar format and result in similar issues.

For example, most USDE reviews follow a specific rubric which outlines the compliance areas that are to be reviewed. Staff from USDE would work with MSDE to facilitate a site visit at BCPS, where interviews and perhaps school visits will be conducted. Any potential compliance issues will be addressed through MSDE and communicated to BCPS. BCPS will then be responsible for writing a corrective action plan, including individuals’ responsibilities and timelines to address any noted issues.
**MSDE Site Visits**

MSDE site visits can take a variety of forms and may vary in intensity and emphasis depending on the office conducting the review. Some programs may have very specific and thorough evaluations of their programs on a regular cycle. Others may be reviewed infrequently and have very informal visits to confirm compliance. Additionally, some reviews may focus more on programmatic issues while others focus more specifically on fiscal issues.

No matter what form they take, all MSDE site visits should be considered important. As our cognizant agency, it is important for BCPS to maintain good working relationships with our contact personnel at MSDE and use these visits to make programmatic and compliance improvements.

**Common Areas of Audit Findings**

Most common audit findings are those that are applicable to a wide variety of federal grant programs, such as time and effort certification, adequate documentation, proper review and approval of expenditures, and/or reporting.

Time and effort documentation is applicable to almost every federal grant program. Any time a grant manager uses federal funds to compensate employees for their services, compliance surrounding time and effort certification applies. Time and effort can be complicated, especially in the case of an employee working on more than just the federal grant program and who may need to complete personnel activity reports (PARs). The auditors have identified instances of missing time and effort certifications, late certifications, inaccurate certifications, incomplete certifications, and inconsistent certifications.

Another area of common audit findings related to time and effort is the lack of supporting documentation for miscellaneous payrolls. Miscellaneous payroll requests must be accompanied by detailed sign-in sheets, agendas, timesheets, etc., which are necessary to ensure that the payroll expenditures can be charged to the grant. A full description of time and effort compliance requirements, processes and procedures can be found in Chapter 3.
Inadequate documentation is another area of compliance that affects all programs and often results in audit findings. Documentation findings have been associated with payroll, expenditures, equipment inventories, employees’ files related to highly qualified status, and earmarking. Grant managers and their staff must always be aware of the need to adequately document and justify all actions related to their federal programs. All documentation must be in writing and must been maintained for a minimum of five years after the end of the grant period.

Proper approval of all financial transactions for federal grants is another key compliance component. Grant managers are ultimately responsible for the expenditure of federal funds associated with their grants and must approve all purchases related to their grants. Failure to authorize transactions will result in an audit finding.

Reporting errors can be related to either timeliness or accuracy. Grant managers are urged to schedule calendar reminders to provide them with notice that a report is coming due. This will also allow for proper review of the information to ensure it is complete and correct, and filed timely.

**Preparing for Audits and Program Reviews**

In order to prepare for audits and program reviews, grant managers must first understand which areas of compliance pose the most risk to their grant. They can accomplish this by reading the rules, regulations, and requirements associated with their grants. Increasingly, as funding decisions are made, federal agencies are focusing on performance, a framework for evaluating risk, and the history of compliance of grantees and subgrantees. Grant managers can review 2 CFR 200, Subpart F – Audit Requirements (www.ecfr.gov/current/title-2/subtitle-A/chapter-II/part-200#subpart-F), as well as the most current *Compliance Supplement*, to better understand which areas are tested during the single audit. If a grant manager’s program has been audited before, she/he can review the results and corrective actions (if any) associated with that audit. Grant managers can also consult with the grant compliance specialist to gain additional insight into the regulations that are most likely to impact their program. By understanding their grant programs and the associated compliance elements, grant managers are more likely to fare well during audits and program reviews.
Having strong internal controls in place is part of the continual process of compliance, and thus of preparation for audit. Internal controls are the processes and procedures a grant manager puts into place to ensure programmatic and fiscal compliance. Internal controls should always be in writing and should demonstrate the effective and efficient operation of the program. Internal controls should be developed based on the laws and regulations associated with the grant. They should provide the auditors with a reasonable assurance that all funds, property and assets are properly identified and accounted for.

All information and communications related to the grant should be documented in writing. Emails should be archived in case auditors need them as proof of decisions made or actions taken on the grant. Grant managers should also keep records of meetings and trainings where grant related information was discussed or shared with others. Maintaining adequate documentation will assist the grant staff during programmatic or fiscal reviews by outside parties.

Organization is the key to successful audits and program reviews. Documentation should be maintained for all expenditures and should be readily accessible. Documentation should be kept in a centralized location, and more than one person should understand where to locate information should it be needed. Not only can disorganization make a request for backup information tedious, it can heighten the auditor’s focus on additional details/elements of the grant program.

Finally, grant managers should take program reviews and audits seriously and prepare appropriately. All of the suggestions listed above are associated with the continual effort it takes to maintain grant compliance. However, when notified that an audit/program review will be occurring in the near future, it is recommended that grant managers put extra effort forward to prepare for the event. If errors are caught and corrected during the course of program implementation, it demonstrates strong internal controls and minimizes the likelihood that these errors will result in audit findings.

**Monitoring by Financial Reporting**

Members of the financial reporting group, in conjunction with the grants compliance specialist, conduct regular compliance reviews of all federal grant programs. The frequency of these reviews may vary based upon the program’s size and complexity. When conducting these compliance reviews, 2 CFR 200
and the Compliance Supplement are used as a framework for testing. Expenditure and payroll reports are run for identified grants and a random sample of items is selected for review. BCPS’ system of internal controls focuses on ongoing training and support of federal grant managers, and compliance reviews are another way that the district provides support and assistance to those who need it.
Chapter 3: Time and Effort Certification

If grant funds are used to support any type of payroll expenses, time and effort certification is required. OMB’s Uniform Grant Guidance provides the guidelines associated with the frequency and type of documentation that must be collected when federal funds are used to pay for salaries, benefits, stipends, approved leave, hourly wages, and any other type of payroll. BCPS has developed the following set of procedures associated with *time and effort certification*.

**BCPS Time and Effort Certification Procedures**

1. **Purpose and Scope**
The federal government requires time and effort certification to be completed when individuals are compensated by or have agreed to contribute time (in kind/match) to a federally-funded program or project. These procedures provide an overview of time and effort certification, including BCPS’ requirements for the process as defined by the *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, Subpart E - Cost Principles* (2 CFR 200.430-431).

2. **Definitions**

   2 CFR Part 200 – This is the location in the Code of Federal Regulations that contains Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. Subpart E – *Cost Principles* includes regulations identifying and defining costs that are allowable and allocable to federal grants. Additionally, they include regulations on the maintenance of time and effort certification for all persons who are fully or partially compensated for personnel services (i.e., wages) with federal grant funds.

   **Cost Objective** – “...means a program, function, activity, award, organizational subdivision, contract, or work unit for which cost data are desired and for which provision is made to accumulate and measure the cost of processes, products, jobs, capital projects, etc. A cost objective may be a major function of the non-Federal entity, a particular service or project, a Federal award, or an indirect (Facilities & Administrative (F & A)) cost activity…” (2 CFR 200.1)
Examples include:

Title I, Part A – This cost objective would include a set of work activities allowable under the terms and conditions of Title I, Part A regulations. There may be more than one cost objective associated with a single federal program. For instance, “parent and family engagement” is its own cost objective within Title IA and associated funds must be tracked separately.

Special Education – The special education cost objective would include activities that are allowable under the terms and conditions of a specific grant that serves students identified as students with disabilities.

Multiple Cost Objectives – An employee is considered to be working on multiple cost objectives if:

▪ the employee is paid partially with federal grant funds, and
▪ works on activities allowable under the terms and conditions of the federal grant, and also
▪ works on activities not allowable under the terms and conditions of the federal grant.

Or if the employee’s salary is comprised of:

▪ more than one federal grant, or
▪ a federal grant and a non-federal award, or
▪ an indirect cost activity and a direct cost activity, or
▪ two or more indirect activities which are allocated using different allocation bases, or
▪ an unallowable activity and a direct or indirect cost activity.

Office of Management and Budget (OMB) – OMB is the business division of the Executive Office of the President of the United States that administers the federal budget and oversees the performance of federal agencies. The OMB is accountable for evaluating the quality of federal agency programs, policies, and procedures to ensure they align with the president's budget and administration policies. The OMB is also responsible for managing the associated financial, information technology, and compliance-related operations.
Personnel Activity Report (PAR) – A type of time and effort certification used by an employee working on multiple cost objectives. The PAR records and calculates the difference between the employee’s budgeted allocation of effort to be spent on activities allowable under the terms and conditions of a federal grant award and the employee’s actual effort spent on activities allowable under the federal grant.

Semi-Annual Certification – A type of time and effort certification used for an employee working on a single cost objective that confirms his/her effort has been spent solely on activities allowable under the terms and conditions of an identified federal grant.

Single Cost Objective – An employee is considered to be working on a single cost objective if:

- the employee is paid fully or partially with federal grant funds, and
- works solely on activities allowable under the terms and conditions of a specific federal grant.

A September 7, 2012 letter from USDE to the Chief State School Officers, entitled Actions to Ease the Burden of Time-and-Effort Reporting, attempts to clarify single cost objective. The letter states, “A ‘single cost objective,’ therefore, can be, for example, a single function or a single grant or a single activity. …it is possible to work on a single cost objective even if an employee works on more than one Federal award or on a Federal award and a non-Federal award. The key to determining whether an employee is working on a single cost objective is whether the employee’s salary and wages can be supported in full from each of the Federal awards on which the employee is working, or from the Federal award alone if the employee’s salary is also paid with non-Federal funds.” [emphasis added]

Variance Report – A BCPS report used by grant managers to record and track the information on their employees’ PARs on an ongoing basis throughout the course of the fiscal year. Variance reports are compiled quarterly and illustrate when/if the federal grant has been over- or under-charged.
3. Requirements Regarding Time and Effort Certification

The *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, Subpart E - Cost Principles. (2 CFR 200.4XX)* are the federal government’s cost principles that are applicable to BCPS federal grant programs. These principles define what costs are allowable and allocable to federal grants. These principles also set forth criteria for acceptable methods of charging salaries and wages to federally-funded programs. These regulations require that non-federal entities develop a process and system of internal controls to provide reasonable assurance that compensation charges are accurate, allowable, and properly documented, and reflect the total activity (100%) for which the employee is being compensated. Failure to adequately document employees’ time and effort related to federal funds could result in audit findings, questioned costs consisting of salaries, wages, and related benefits, and/or potential repayment of disallowed costs from the BCPS operating costs.

4. Time and Effort Certification Procedures

4.1 Determining Grant-funded Employee Position(s)

At the beginning of each fiscal - or school year, as appropriate - each grant manager will review the positions that are funded by the federal grant(s) and determine whether the identified employees will be working on a single cost objective or multiple cost objectives. While there is no standard employee position form that should be completed, each grant manager is encouraged to gather sufficient information for tracking purposes. This may include:

- Employee Name
- Employee identification number
- Full-time or part-time status
- Funding source(s) for the position
- The percentage that each funding source is charged for the position
- Job responsibilities
- Whether the employee works on a single or multiple cost objectives
- Notes
Additionally, throughout the course of the year, the grant manager will determine the cost objective status and collect necessary information for any new employee, or any employee whose salary allocation has been modified to be paid fully or partially from the federal grant.

### 4.2 Employees Working on a Single Cost Objective

Employees who work solely on a single cost objective will have their time and effort confirmed twice annually through the use of a *Semi-Annual Certification*. The supervisor with first-hand knowledge of the employee’s work will certify that all time and effort expended in the prior six-month period was in accordance with the cost objective identified on the form.

*Semi-Annual Certifications* will include the names and employee identification numbers of all individuals paid through a specified federal grant who have worked on a single cost objective in the previous six month period. These certifications will be distributed for verification twice annually for the time period of July 1st – December 31st and January 1st – June 30th. The forms must be signed by the supervisor with first-hand knowledge of the employee(s) work.

At the beginning of January and July of each year, the grant manager is responsible for seeing that the forms are completed in their office and then distributed to the appropriate principals/office heads for signature. Multiple employees may be certified on one form as long as they have the same supervisor who has first-hand knowledge of how the employees spent their time over the previous six month period. The dates on the forms must allow for certification of the entire period for which the certificate is valid. Forms certifying July 1st – December 31st must be signed and dated December 31st or later. Forms certifying January 1st – June 30th must be signed and dated June 30th or later. The *Semi-Annual Certifications* will be collected and reviewed by the appropriate grant manager in a timely fashion and maintained in the grant office.

An alternative to using the *Semi-Annual Certification* is to include a certification statement (either stamped or typed) on the employee’s *Request for Miscellaneous Payroll* form. This method may be used for hourly and/or temporary employees, or employees receiving a stipend whose time is charged to the actual funding source in the payroll records for that specific time.
period. The grant manager will make the decision of the method to be used based on the nature of the work and the nature of the pay.

If at any time the employee and/or supervisor becomes aware that the employee’s duties are no longer solely committed to a single cost objective, the employee will immediately be determined to be working on multiple cost objectives and will begin following the process listed in section 4.3 below to document her/his time and effort.

4.3 Employees Working on Multiple Cost Objectives

Grant managers are encouraged to minimize the number of employees whose salaries are split between multiple cost objectives, but sometimes it is unavoidable. Employees who work on multiple cost objectives will be required to confirm their time and effort bi-weekly through the use of a PAR (as defined previously). The PAR will certify how an employee’s time and effort was spent on the prior two weeks’ duties. The PAR parallels the employee’s associated pay period.

PARs will be distributed by the grant manager at the beginning of each fiscal or school year, as appropriate. The grant manager is responsible for ensuring that the PARs are set up accurately and provided to the employees who will need to complete them. Additionally, grant managers should ensure that the employees on PARs have a thorough understanding of what they are used for and how to complete them. Often, meetings or training sessions are helpful in this regard. Any grant manager having difficulty in setting up their forms should contact the BCPS grants compliance specialist.

The forms will be completed by the employee after the work has been undertaken and must reflect all of the hours for which the employee was compensated. The PAR will then be signed by the employee, as well as supervisor with first-hand knowledge of the employee’s work, and submitted to the grant manager on or about the end of each month.
If an employee is on leave and is being compensated through vacation, sick, urgent business, family illness or other type of paid leave, the effort reported on the PAR for that time will be documented in direct proportion to their previously-determined salary split.

On a quarterly basis, the grant manager will document any variance between the amount of time an employee was budgeted to work on a designated cost objective and the amount of time the employee actually spent working on that cost objective, through the completion of the BCPS Time and Effort Variance Report (Variance Report). The Variance Report calculates the amount of salary the individual was paid for each cost objective and compares it to the amount of effort indicated on the PAR for the employee. It also provides the net fiscal impact if the payroll and effort do not support each other.

If the Variance Report reveals that the grant has been overcharged, the grant manager will reconcile the variance by completing a journal voucher to move the appropriate amount of funds (to include associated fringe benefits) from the grant to the other funding source or sources through which the employee is paid. If the Variance Report reveals that the grant has been undercharged, the grant manager will contact the supervisor of the other funding source or sources through which the employee is paid to determine an appropriate course of action. All variances must be reconciled.

If the Variance Report reveals a continuous variance (two quarters) for any employee, the grant manager will contact the supervisor of the employee and the supervisor of the other funding source or sources through which the employee is paid to determine if a position allocation change should be completed, or if the employee’s job duties should be modified.

A sample template of the PAR and the Variance Report has been included in the Appendices of this manual.
4.4 Special Circumstances

Any employee whose job function does not clearly conform to the system described herein shall be classified appropriately at the discretion of the grant manager in consultation with the grant specialist, in accordance with the alternate process and provisions outlined in 2 CFR 200.430.

5. Electronic Submission

The implementation of the Uniform Grants Guidance has prompted discussion about the potential loosening of regulations pertaining to documentation required to support using federal grants funds for salaries/compensation, i.e., time and effort certification. Within BCPS, the decision has been made to continue to document time and effort certification in a conservative and historically compliant manner. Semi-annual certifications will continue to be used for employees working on a single cost objective and paid with federal grant funds. Personnel activity reports (PARs) and the associated variance reports will continue to be used for employees working on multiple cost objectives. Templates of these certification forms can be found on the Controller’s Office webpage.

Paper copies of the forms must be completed and signed in a timely manner by the supervisory staff member who has first-hand knowledge of the employee’s workday activities. The completed and signed documents should then be scanned and sent to the appropriate grant office to be saved and maintained. If scanning is not possible, the form identifying the employee (s) whose work is supporting the grant may be attached to an email, to be sent to the applicable grant office by the supervisory staff member with first-hand knowledge of the employee’s workday activities, along with a statement certifying/affirming the level of effort provided toward the grant by the identified employee(s).

Time and effort records must be accessible to be made available auditors and monitors upon request.

6. Documentation Retention

All documentation associated with the administration of federal grants (including but not limited to compensation documentation such as PARs, Semi-Annual Certifications, Variance
Reports, Requests for Miscellaneous Pay) shall be retained for a minimum of five (5) fiscal years after the end of the grant period. If any litigation, claim, negotiation, audit or other action involving the records has been started before the expiration of the 5-year period, the records must be retained until completion of the action and resolution of all issues which may arise from it, or until the end of the regular 5-year period, whichever is later.

**Common Mistakes with Time and Effort**

There are a few errors that are common with time and effort certification:

- missing forms;
- having the forms, but missing the signatures;
- having the signature, but having an inappropriate date; and
- having PARs that are not completed properly.

Each grant manager should establish the internal controls necessary to ensure that these errors are caught in a timely fashion and that applicable corrective actions are taken.

Another error that occurs often is the lack of payroll review for positions whose salaries are hitting the grant. Without reviewing payroll on a regular basis, there is no way for the grant manager to ensure that the grant is being charged appropriately and that the time and effort documentation is accurate. Any errors in payroll can affect the accuracy and completeness of a grant’s time and effort certifications. Monitoring payroll not only ensures time and effort compliance, but also ensures that the correct charges are hitting the grant.

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The following excerpt is taken directly from *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, Subpart E - Cost Principles* (2 CFR 200.430), the section of federal regulations that speaks to the certification of employees’ time and effort:

“§200.430 Compensation—personal services.

(a) General. Compensation for personal services includes all remuneration, paid currently or accrued, for services of employees rendered during the period of performance under the Federal
award, including but not necessarily limited to wages and salaries. Compensation for personal services may also include fringe benefits which are addressed in §200.431 Compensation—fringe benefits. Costs of compensation are allowable to the extent that they satisfy the specific requirements of this part, and that the total compensation for individual employees:

(1) Is reasonable for the services rendered and conforms to the established written policy of the non-Federal entity consistently applied to both Federal and non-Federal activities:

(2) Follows an appointment made in accordance with a non-Federal entity's laws and/or rules or written policies and meets the requirements of Federal statute, where applicable; and

(3) Is determined and supported as provided in paragraph (i) of this section, when applicable.

(b) 

Reasonableness. Compensation for employees engaged in work on Federal awards will be considered reasonable to the extent that it is consistent with that paid for similar work in other activities of the non-Federal entity. In cases where the kinds of employees required for Federal awards are not found in the other activities of the non-Federal entity, compensation will be considered reasonable to the extent that it is comparable to that paid for similar work in the labor market in which the non-Federal entity competes for the kind of employees involved.

(c) Professional activities outside the non-Federal entity. Unless an arrangement is specifically authorized by a Federal awarding agency, a non-Federal entity must follow its written non-Federal entity-wide policies and practices concerning the permissible extent of professional services that can be provided outside the non-Federal entity for non-organizational compensation. Where such non-Federal entity-wide written policies do not exist or do not adequately define the permissible extent of consulting or other non-organizational activities undertaken for extra outside pay, the Federal Government may require that the effort of professional staff working on Federal awards be allocated between:

(1) Non-Federal entity activities, and

(2) Non-organizational professional activities. If the Federal awarding agency considers the extent of non-organizational professional effort excessive or inconsistent with the conflicts-of-
interest terms and conditions of the Federal award, appropriate arrangements governing compensation will be negotiated on a case-by-case basis.

(d) Unallowable costs.

(1) Costs which are unallowable under other sections of these principles must not be allowable under this section solely on the basis that they constitute personnel compensation.

(2) The allowable compensation for certain employees is subject to a ceiling in accordance with statute. For the amount of the ceiling for cost-reimbursement contracts, the covered compensation subject to the ceiling, the covered employees, and other relevant provisions, see 10 U.S.C. 2324(e)(1)(P), and 41 U.S.C. 1127 and 4304(a)(16). For other types of Federal awards, other statutory ceilings may apply.

(e) Special considerations. Special considerations in determining allowability of compensation will be given to any change in a non-Federal entity's compensation policy resulting in a substantial increase in its employees' level of compensation (particularly when the change was concurrent with an increase in the ratio of Federal awards to other activities) or any change in the treatment of allowability of specific types of compensation due to changes in Federal policy.

(f) Incentive compensation. Incentive compensation to employees based on cost reduction, or efficient performance, suggestion awards, safety awards, etc., is allowable to the extent that the overall compensation is determined to be reasonable and such costs are paid or accrued pursuant to an agreement entered into in good faith between the non-Federal entity and the employees before the services were rendered, or pursuant to an established plan followed by the non-Federal entity so consistently as to imply, in effect, an agreement to make such payment.”
Chapter 4: Equipment and Supplies Management

Most federal grants allow for the purchase of supplies and/or equipment to be used to the benefit of the program. Grant managers should read their grant-specific regulations to ascertain the allowability of these expenditures. Equipment and supplies that are purchased with federal funds are to be used within the program for which they were purchased.

Uniform Grant Guidance 2 CFR part 200.300

The Uniform Grant Guidance codified at 2 CFR Part 200 Subpart D – Post Federal Award Requirements identifies specific considerations related to the management of equipment, such as:

- Who owns equipment once it has been purchased;
- Who can use the equipment;
- How equipment must be recorded and inventoried;
- How equipment must be replaced or disposed of.

These areas will be discussed in detail in the sections that follow.

Purchasing Equipment and/or Supplies with Federal Funds

In order to properly manage equipment and supplies purchased with federal funds, it is imperative that the grant manager first understand how equipment and supplies are differentiated by the federal government. 2 CFR 200.1 states: “Equipment means tangible personal property (including information technology systems) having a useful life of more than one year and a per-unit acquisition cost which equals or exceeds the lesser of the capitalization level established by the non-Federal entity for financial statement purposes, or $5000.” These requirements are in effect if the item has a total acquisition cost of $5,000 or greater. Any item with less than a $5,000 value will be considered a supply for the purposes of managing equipment purchased with federal funds according to federal rules. However, MSDE imposes stricter limits on grantees whose funding runs through that state agency. Specifically, in the 2014 Financial Reporting Manual for Maryland Public Schools, Appendix F stipulates that “‘Capital equipment’ means an article of nonexpendable, tangible personal property having a useful life of more than one year and an acquisition cost that equals the lesser of:
(a) the capitalization level established by the grantee for financial statement purposes, or

(b) $1,000. [emphasis added]

Capital equipment also includes sensitive items…having a **unit acquisition cost of $500 or more and a useful life of one year or more.**” [emphasis added]

2 CFR 200.313 notes that “title to equipment acquired under a Federal award will vest upon acquisition in the non-Federal entity.” This means that BCPS holds the title to the piece of equipment and is responsible for its maintenance once it is purchased with federal grant dollars.

Equipment is to be used within the program for which it was originally purchased. For example, if the Department of Special Education used federal funds to purchase a piece of equipment, that equipment should be used within the special education program to benefit students with disabilities “…as long as needed, whether or not the project or program continues to be supported by the Federal award…..” Even if the special education federal funds are no longer available to BCPS, that piece of equipment can still be used for the continuation of that program. “When no longer needed for the original program or project, the equipment may be used in other activities supported by the Federal awarding agency…. (2 CFR 313 (c)(1) ) The regulations also state that BCPS can make this equipment available to other programs that are or were supported with federal funds as long as it does not interfere with the program for which it was originally purchased.

**Property Records for Equipment Purchases**

Once equipment is purchased, it must be recorded on an inventory sheet that is to be developed by the grant manager. A template form has been provided in the Appendices of this manual for reference purposes. This inventory sheet must contain the following information:

- Description of the item purchased
- Source (name of vendor)
- Who holds title (always BCPS)
- Acquisition date and cost
- ID or Serial Number (or both)
- Percentage of cost supported with federal funds
- Location (should know where to find item)
- Condition (new, good, fair, etc.)
- Disposition information (disposal, sales price, market value)

Additionally, in order to keep track of the use of the equipment, a permanent label should be affixed to the item (or permanent marker used), noting the federal program funds that were used to make the equipment purchase. This step, known as “tagging,” is significant for future identification of the equipment as the grant manager is completing the inventory requirements outlined below.

The grant manager is responsible for ensuring that the equipment is safeguarded from loss, damage, or theft. If loss, damage, or theft occurs, it must be investigated to the best of the grant manager’s ability. Equipment theft should always be documented via a police report as soon as the person overseeing the equipment determines that it has been stolen. Equipment must also be adequately maintained. Maintenance agreements in effect should be adhered to and all equipment should be treated appropriately to assist in the prevention of damage.

**Inventorying Equipment**

A physical inventory must be conducted by the grant manager or his/her designee at least once every two years. Grant managers whose grants support a large dollar amount of equipment expenditures may want to consider conducting inventories more frequently to minimize the risk associated with equipment loss or damage.

A physical inventory involves the grant manager or a representative going to the offices or schools where the equipment is located and physically verifying each piece of equipment on the inventory sheet. The individual conducting the inventory should be checking to see that the piece of equipment:

- Is tagged/labeled appropriately
- Is being used within the program for which it was purchased
- Is in good condition
- Is in the location indicated on the inventory sheet
- Has not been disposed of, stolen, damaged, lost, etc. without the necessary documentation.
Each item should be verified through a system that the grant manager puts into place. The inventory sheet should have a column where the person conducting the physical inventory can mark her/his initials, and the date of the inventory. A sample inventory record template is included in the Appendices section of the manual. Any discrepancies between the physical inventory and the information on the inventory sheet must be rectified through the reconciliation process outlined below.

**Reconciling Equipment Inventory Records**

After the inventory of the equipment is conducted, the grant manager must reconcile the results with the information contained on the inventory sheet. Reconciliation involves updating the inventory sheet to accurately reflect what the grant manager found during the physical review of the property. The equipment inventory sheet should reflect, to an auditor or outside party, the true condition of the property, where it is being used, if it has been lost/stolen/damaged, and the circumstances under which it was disposed of (if applicable).

**Disposal of Equipment**

Once an item is no longer needed in the program for which it was purchased, it can be disposed of in several ways. If the piece of equipment is currently valued at less than $5,000, BCPS can keep, sell or dispose of the equipment with no responsibility to the Federal awarding agency. If the item has a current market value of $5,000 or greater, it can be kept and used within:

1) The program for which it was purchased
2) Another program funded by the same federal agency
3) Another program funded by a different federal agency

If the item has a current fair market value of $5,000 and is sold, “the Federal awarding agency is entitled to an amount calculated by multiplying the current market value or proceeds from sale by the Federal awarding agency's percentage of participation in the cost of the original purchase.” Fair market value is generally determined by seeking valuations of the item in its current condition from external parties.
All grant programs must also follow BCPS’ procedures for equipment disposition.

**Record Retention**

Documentation of equipment inventories should be maintained in accordance with BCPS record retention procedures. All federal grant documents shall be retained for a minimum of five (5) fiscal years after the end of the grant period. If any litigation, claim, negotiation, audit, or other action involving the records has been initiated before the expiration of the 5-year period, the records must be retained until completion of the action and resolution of all issues which arise from it, or until the end of the regular 5-year period, whichever is later.
Chapter 5: Procurement and Suspended and Debarred Vendors

Federal procurement regulations at 2 CFR 200.317-325 establish that BCPS must have procurement processes and procedures in place. These rules also require BCPS to have a contracting process in place that allows for free and open competition when federal funds are used. All federally-funded purchases are to be treated the same as purchases that are made with BCPS general funds.

BCPS has a comprehensive procurement and contracting system in place that meets or exceeds federal and state requirements. It is the grant manager’s responsibility to ensure that BCPS’ procurement processes and procedures are followed with all federal grant purchases. These are located on the BCPS Office of Purchasing webpage.
https://businessservices.bcps.org/departments/fiscal_services/purchasing

A word of caution: when federal funds are used for purchases that exceed the federally determined Simplified Acquisition Threshold (currently $250,000), a cost or price analysis must be performed and profit must be negotiated separate from the price (200.323(b)). Purchasing staff is available to assist with this. Please see Appendix section for complete federal Procurement Standards regulations.

In addition to ensuring open competition through procurement processes, recipients of federal funds must assure that these funds are not distributed to vendors, contractors, and/or consultants who have been suspended or debarred from conducting business with the federal government. BCPS grant managers and grant staff are ultimately responsible for confirming that vendors paid with federal funds are not suspended and/or debarred. These responsibilities are discussed in detail below.

2 CFR Part 180 and Part 3485

The federal regulations located at 2 CFR Parts 180 and 3485 underscore that BCPS is prohibited from entering into a “covered transaction” with a vendor or subgrantee who has been suspended or debarred from receiving federal funds. Vendors (companies or individuals) can be suspended or debarred when they have not fulfilled their obligations to the federal government in a previous circumstance.
This covered transaction provision applies to BCPS in two key situations:

1) Any time BCPS would be awarding a subaward to another party
2) When BCPS is contracting with a vendor and the amount to be expended is expected to equal or exceed $25,000.

It is important to note that the $25,000 limit does not necessarily apply to one single purchase order of $25,000 or greater. If a grant manager expects to make multiple purchases with a particular vendor that will total $25,000 or more, these rules apply. It is also important to note that it is BCPS policy that any purchase of $25,000 or more must follow purchasing procedures and be approved by the Board of Education before the system can utilize them as a vendor. Because grant staff may not always be aware of others within BCPS using the same vendor, the total expenditures with that vendor may exceed the $25,000 threshold, even though not within a specific grant. It is recommended that grant managers consider implementing a procedure whereby a suspension and debarment check is run as a matter of standard practice each time a purchase requisition is created.

2 CFR Part 180 specifies that BCPS can fulfill its obligations for checking the status of a suspended and debarred vendor in one of three ways:

- By checking the System for Award Management website (www.sam.gov) to see if a vendor has been suspended or debarred
- By collecting a self-certification from the party that they are not suspended or debarred
- By adding a clause to the contract that certifies they are not suspended, debarred or otherwise excluded from receiving federal funds

It is the expectation within BCPS that the grant manager/grant staff will check www.sam.gov to see if a vendor has been suspended or debarred from conducting business with the federal government. Since the same vendor could be used on multiple grants, we recommend checking www.sam.gov for any vendor prior to completing any purchase requisition, regardless of the amount of the purchase.

A reminder: grant managers must approve/sign-off on all purchases that are charged to their grant, unless a designee has been appointed in writing to authorize charges in the grant manager’s absence.
System for Award Management – sam.gov

If a grant manager will be or anticipates making multiple purchases from a vendor, and the amount of the purchases are expected to equal or exceed $25,000, the grant manager is responsible for following appropriate procurement procedure and verifying the suspended/debarred status of the vendor before entering into the covered transaction. It is recommended that the vendor status is checked by the appropriate grant staff at the time that a purchase requisition is being created, before grant funds are expended.

Step-by-step process to verify vendor status:

1. Access the federal System of Award Management website: www.sam.gov Click on the “Entity Information” link on the Home page.
2. Click “Exclusions” on the “All Entity Information” dropdown menu.

3. Type the vendor name in the search bar. Use asterisks if the exact name is known. Click on the magnifying glass. If the exact name is not known, results may pop up for several entities with similar names.
4. “No matches found” is what you are looking for. Print this screen and attach it to your copy of the purchase requisition/purchase order documentation and maintain this in your records.

5. If a vendor is suspended or debarred from doing business with the Federal government, an Exclusion indication will appear next to the person’s/entity’s name. In this instance, grant staff should promptly inform the director of the Purchasing Office; BCPS cannot do business with this vendor using federal grant funds.

Once a grant staff has completed this process for a vendor, they have fulfilled their obligation under these regulations. Again, all screens should be printed and scanned and retained in the grant files as documentation that the rules for suspended and debarred vendors have been fulfilled. If a grant manager
needs further assistance throughout this process, please contact the Grant Compliance Specialist at rdavis9@bcps.org or 443-809-9400
Chapter 6: Equitable Services to Private Schools

The majority of BCPS’ grant programs funded through USDE are subject to the equitable services provisions for private schools. In short, BCPS must ensure that private schools located within Baltimore County’s borders receive the information they need to determine whether they would like to participate in each BCPS federal program. If they choose to participate, BCPS has an obligation to ensure that they receive an ‘equitable’ or “proportionate share” amount of services/benefit as compared to the services/benefit that public school students and/or instructional staff receive. The details pertaining to equitable services for private school students are outlined in this chapter.

ESSA– Title VIII – General Provisions

The requirements for equitable services to private schools can be found in both Title I, Part A, Section 1117 and Title VIII – General Provisions of the Every Students Succeed Act (ESSA). As reflected in ESSA, children attending private schools – and in some instances instructional staff – may receive benefits from the federal grant programs that BCPS administers. These benefits are referred to as “equitable services.” The formula grant programs for which private school children and teachers may be eligible are:

- Title I, Parts A and C;
- Title II, Part A;
- Title III, Part A;
- Title IV, Parts A and B.

The regulations specific to Title IA and the provision of equitable services are located at Sec. 1117 (a) and (b) and equitable services regulations for all other ESSA programs are located in Title VIII. Currently, BCPS receives funding for four of the programs mentioned above: Title IA, Title IIA, Title IIIA, and Title IVA.

USDE has also released non-regulatory guidance, dated November 21, 2016, titled Fiscal Changes and Equitable Services Requirements under the Elementary and Secondary Education Act of 1965 (ESEA), as amended by the Every Student Succeeds Act (ESSA). This guidance highlights changes in the provision of equitable services under the new law.

Updated non-regulatory guidance pertaining specifically to equitable services and Title IA was issued on October 7, 2019.


**Individuals with Disabilities Education Act (IDEA)**

In addition to ESSA, the *Individuals with Disabilities Education Act* (IDEA) also includes sections to ensure the provision of a level of service to students with disabilities who are placed by their parents in a private school. Specifically, IDEA and the regulations located at 34 CFR §§300.130-144 require that the local education agency (LEA), after timely and meaningful consultation with private school representatives, conduct a thorough and complete child find process to determine the number of parentally placed children with disabilities attending private schools located within the LEA, regardless of where those students live. These requirements clarify the LEA’s obligation to spend a proportionate amount of IDEA Part B funds to provide services to children with disabilities enrolled by their parents in private schools located within its borders. USDE has published helpful “Questions and Answers” pertaining to this issue on its website: idea.ed.gov/explore/view/p/,root,dynamic,QaCorner,1,.html

**Equitable Services – Participation by Private School Children and Teachers**

Title VIII, Sec. 8501 of ESSA says this about equitable services and the participation of private school children and teachers:

“(a) PRIVATE SCHOOL PARTICIPATION-

(1) IN GENERAL- Except as otherwise provided in this Act, to the extent consistent with the number of eligible children in areas served by a… local educational agency… who are enrolled in private elementary schools and secondary schools in areas served by such agency… the agency… shall, after timely and meaningful consultation with appropriate private school officials provide to those children and their teachers or other educational personnel, on an equitable basis, special educational services or other benefits that address their needs under the program.
(2) SECULAR, NEUTRAL, AND NONIDEOLOGICAL SERVICES OR BENEFITS -
Educational services or other benefits, including materials and equipment, provided under this section, shall be secular, neutral, and non-ideological.

(3) SPECIAL RULE -
(A) IN GENERAL. - Educational services and other benefits provided under this section for private school children, teachers, and other educational personnel shall be equitable in comparison to services and other benefits for public school children, teachers, and other educational personnel participating in the program and shall be provided in a timely manner.

(B) OMBUDSMAN. – To help ensure equitable services are provided to private school children, teachers, and other educational personnel under this section, the State educational agency involved shall direct the ombudsman identified under section 1117 to monitor and enforce the requirements of this section.

(4) EXPENDITURES. –
(A) IN GENERAL. - Expenditures for educational services and other benefits provided under this section for eligible private school children, their teachers, and other educational personnel serving those children shall be equal, taking into account the number and educational needs of the children to be served, to the expenditures for participating public school children.

(B) OBLIGATION OF FUNDS – Funds allocated to a local educational agency for educational services and other benefits to eligible private school children shall be obligated in the fiscal year for which the funds are received by the agency.

(C) NOTICE OF ALLOCATION – Each State educational agency shall provide notice in a timely manner to the appropriate private school officials in the State of the allocation of funds for educational services and other benefits under this subpart that the local educational agencies have determined are available for eligible private school children.

(5) PROVISION OF SERVICES - An agency…may provide those services directly or through contracts with public and private agencies, organizations, and institutions.”

In order to comply with this directive, each office that receives federal funds governed by these regulations must develop a process and procedures to ensure that the services/benefit the private school
receives are equitable. In many cases, program offices accomplish this by calculating a per pupil allocation that is the same for both public and private school students. Grant managers must have written procedures outlining how they came up with their calculations, so that an outside party could understand how equitability was determined. For IDEA, a “proportionate share” of funds must be expended for private school students with disabilities. This amount is calculated and identified as a separate line on the grant award notice.

ESSA and IDEA regulations also stipulate that even though the private schools are to receive the services or benefit, the federal funds always remain in control of the local education agency. Money is never given to the school through an allocation, nor can BCPS reimburse a school for expenditures. Funding must always remain in BCPS’ control.

Additionally, supplies, materials and equipment purchased for private schools with federal funds are, and remain, property of BCPS. The grant manager should have a system in place to account for and label these goods as they are purchased throughout the year. If these supplies, materials, or equipment are no longer needed, the private school must contact the appropriate grant office to determine an appropriate course of action for return or disposal.

The equitable provision of services only occurs if the LEA engages in “timely and meaningful” consultation with the private schools. The purpose of consultation between the public and private schools is to ensure that the services/benefit provided through federal programs meet the needs of the students, teachers and/or other educational personnel at the private schools in the district. Both ESSA (Title VIII) and IDEA provide guidance as to what must happen to ensure that the consultation between the public school district and the private school is both timely and meaningful.

**Timely Consultation**

According to the regulations found in ESSA, consultation must occur “before the agency, consortium, or entity makes any decision that affects the opportunities of eligible private school children, teachers, and other educational personnel to participate in programs under this Act, and shall continue throughout the implementation and assessment of activities under this section.” This component has two distinct facets: 1) that consultation occurs before any decision is made as to how the money will be spent and 2) that
consultation continues throughout the year as activities are occurring. It is also necessary for all consultation to be documented, so when the program is audited, a record exists proving that the consultation was timely and meaningful.

In order to meet the first part of the requirement, BCPS begins the consultation process approximately four months before the beginning of the fiscal year in which the funds are to be expended. Each year in January or February, the grants compliance specialist invites all of the MSDE-identified private schools in the district to attend a meeting where they receive information from each of the grant managers about the services and/or benefits private school students and/or instructional staff can receive from participating in their specific federal programs. The private schools are identified through MSDE’s lists of “approved” and “church exempt” schools, published on its website and updated regularly.

If a private school official believes that BCPS has not engaged in consultation that was meaningful and timely, has not given due consideration to the views of the private school official, or has not made a decision that treats private school students equitably, then that official shall have the right to file a formal complaint with MSDE. This complaint must be in writing and include:

- A statement that BCPS has violated a requirement of a Federal statute or regulation that applies to a program requiring equitable participation;
- The facts on which the statement is based and the specific statutory or regulatory requirement allegedly violated; and
- The signature of the complainant.

Formal complaints shall be submitted to:
Maryland State Ombudsman for Equitable Services
200 W. Baltimore Street
Baltimore, MD 21201
barbara.scherr@maryland.gov

At the initial consultation meeting, each private school receives an “Intent to Participate Form,” wherein they indicate their interest in specific BCPS federal programs. Schools that are unable to attend this meeting have other opportunities to indicate their desire to participate. All forms are returned to the
grants compliance specialist who tracks the private schools that have elected to participate in the various federal programs.

After this information is collected, this list is then sent out to grant managers so they know which schools have expressed interest in participation in their programs. Some schools choose to participate in only one program, others choose to participate in all of the programs. The initial consultation activities occur well before the start of the fiscal year, and before any decisions are made about how the funds will be expended.

At this point, grant managers begin the process of their individual communications to the private schools. Each grant manager handles this communication differently, but most use a combination of emails, meetings, and phone conversations to ensure that communication occurs throughout the program and fiscal years. It is recommended that a variety of communication methods be used to ensure that all schools receive multiple types of messages from the individual grant managers. The grant manager should have written documentation of the approaches used and the results achieved.

It should be noted that participation of private schools in the special education program is driven by the identification and assessment of needs of a student with a disability. Similar to ESSA, IDEA guidance states, “Each LEA …must consult, in a timely and meaningful way, with private school representatives and representatives of parents of parentally placed private school children with disabilities during the design and development of special education and related services for parentally placed private school children. Timeliness is critical to effective consultation and requires collaboration between the LEA and private school officials in developing a timeline and selecting dates for consultation.” The key difference is that private schools’ participation in the special education program is driven by the identification and assessed needs of a student with a disability.

**Meaningful Consultation**

USDE’s non-regulatory guidance states “Meaningful consultation provides a genuine opportunity for all parties to express their views, to have their views seriously considered, and to discuss viable options for ensuring equitable participation of private school students, teachers, and other educational personnel.”
In order to be ‘meaningful,’ consultation must meet criteria established by the federal government. According to Title VIII of ESSA, consultation should include information on the following:

(A) how the children’s needs will be identified;
(B) what services will be offered;
(C) how, where, and by whom the services will be provided;
(D) how the services will be assessed and how the results of the assessment will be used to improve those services;
(E) the size and scope of the equitable services to be provided to the eligible private school children, teachers, and other educational personnel, the amount of funds available for those services, and how that amount is determined;
(F) how and when the agency, consortium, or entity will make decisions about the delivery of services, including a thorough consideration and analysis of the views of the private school officials on the provision of services through potential third-party providers; and
(G) whether the agency, consortium, or entity shall provide services directly or through a separate government agency, consortium, or entity, or through a third-party contractor; and
(H) whether to provide equitable services to eligible private school children—
    (i) by creating a pool or pools of funds with all of the funds allocated under subsection (a)(4)(C) based on all the children from low-income families in a participating school attendance area who attend private schools; or
    (ii) in the agency’s participating school attendance area who attend private schools with the proportion of funds allocated under subsection (a)(4)(C) based on the number of children of children from low income families who attend private schools.

In short, the consultation should include all information necessary for a private school representative to determine if they feel the federal program is something in which their school would want to participate.

IDEA guidance on consultation in large part mirrors Title VIII, with the additions of:
- The child find process and how parentally placed private school children suspected of having a disability can participate equitably, including how parents, teachers, and private school officials will be informed of the process;
• The determination of the proportionate share of federal funds available to serve parentally placed private school children with disabilities, including the determination of how the proportionate share of those funds was calculated.

Additionally, consultation should provide a mechanism through which the private schools communicate their needs and wishes to the public school district. Although the ultimate decision on what services/benefit will be provided to the private schools is a BCPS decision, that decision should not be made without considering the needs of the private schools located in the district. If the private school disagrees with the decision made by the district, BCPS must provide them with a written explanation of why the decision was made. An ombudsman at the State level is an additional assurance that equitable services are provided, where applicable.

In all instances, the services funded through BCPS federal grant programs must be secular, neutral, and non-ideological.
Chapter 7: Developing Effective Internal Controls

According to the regulations found in the *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, Subpart E – Cost Principles*, 2 CRF Part 200.400, all federal funds are provided to BCPS based on the fundamental premises that:

“(a) The non-Federal entity is responsible for the efficient and effective administration of the Federal award through the application of sound management practices.

(b) The non-Federal entity assumes responsibility for administering Federal funds in a manner consistent with underlying agreements, program objectives, and the terms and conditions of the Federal award.

(c) The non-Federal entity, in recognition of its own unique combination of staff, facilities, and experience, has the primary responsibility for employing whatever form of sound organization and management techniques may be necessary in order to assure proper and efficient administration of the Federal award.”

In essence, the federal government assumes that BCPS will implement the processes necessary to ensure that funds are spent to accomplish the overall goals and objectives of the federal program. These processes and procedures are known as internal controls. All internal controls should give the auditor, monitor, or any other outside party reasonable assurance regarding the achievement of the following objectives for Federal awards:

(a) Transactions are properly recorded and accounted for, in order to:

   (1) Permit the preparation of reliable financial statements and Federal reports;

   (2) Maintain accountability over assets; and

   (3) Demonstrate compliance with Federal statutes, regulations, and the terms and conditions of the Federal award;
(b) Transactions are executed in compliance with:

(1) Federal statutes, regulations, and the terms and conditions of the Federal award that could have a direct and material effect on a Federal program; and

(2) Any other Federal statutes and regulations that are identified in the [annual] Compliance Supplement; and

(c) Funds, property, and other assets are safeguarded against loss from unauthorized use or disposition.

Each recipient or subrecipient of grant funds should put in place the processes and procedures needed to ensure that funds are spent compliantly. Internal controls become more detailed as the funding gets closer to the actual recipient of the services funded through the grant. For example, the federal government provides general guidance on what is or is not an allowable expenditure for a federal grant program. If these funds flow through MSDE, the state has the authority to develop criteria that more specifically define how the LEAs can spend these grant funds. After reviewing both the federal and state requirements, BCPS may decide that, based on organization needs, the district will use the funds even more narrowly than what the state requires. As the funding gets closer to the program, internal controls become more targeted - but can never contradict regulations developed at the federal or state levels.

The number of elements of internal controls related to a grant will vary based upon the complexity of the program. Generally, the larger the grant award, the more comprehensive and rigorous the requirements that regulate it, and thus the more detailed the internal controls need to be to ensure compliance. Smaller grant awards may not require the level of in-depth processes that a more complicated grant would.

No matter how detailed they are, it is necessary for processes and procedures to be put into writing and to be accessible. Appropriate staff must be aware of the processes and procedures and be able to demonstrate an understanding of them. During any audit or programmatic review, the reviewers will often ask to see the program’s internal controls. Much of the auditor’s testwork of the program will be determined by the written processes that are in place to ensure compliance for the various aspects of the program.
Besides being written and accessible, all effective internal controls contain five components that should reasonably assure compliance with the requirements of federal laws, regulations, and program requirements:

1. Control environment
2. Risk assessment
3. Control activities
4. Information/communication
5. Monitoring activities

**Control Environment**

Control environment is the foundation upon which all the other areas of internal control are based. Control environment specifically relates to the organization and the people who manage the grant. An organization with a good control environment is knowledgeable about its responsibility to grant funds and committed to operating these programs compliantly; there is a “culture of compliance” within the organization. This includes hiring/assigning grant managers who have adequate knowledge and accountability to fulfill their responsibilities, and a commitment that staff operating grants will be adequately trained on the elements of compliance. Audits of grant programs are taken seriously and when corrective action is required, management is involved and supports the process.

At BCPS, the district as a whole has a responsibility for providing the overall control environment for funds received. There is a positive and supportive attitude toward internal control and conscientious management of grant funds. The organization is committed to competence and has an organizational structure with clear lines of authority.

BCPS has a demonstrated commitment to operating compliant grant programs and has devoted a grant compliance specialist position entirely to this function. The grant compliance specialist provides training to grant managers and staff, participates in proactive grant reviews, provides ongoing consultation on general matters concerning compliance, and assists grant managers during audits and implementation of any necessary corrective action.
Each office or department that manages a grant also has a responsibility to ensure that the control environment close to the grant is sufficient. The staff working on the grant should understand the compliance requirements associated with the program. Everyone associated with the grant should understand that they are working within a set of federal guidelines that determine what they can work on and how the funds can be spent. **The grant manager is ultimately responsible for ensuring that the control environment associated with her/his specific grant is adequate.**

**Risk Assessment**

Risk assessment refers to the grant manager’s understanding of where their program is likely to become non-compliant if not properly administered. The objective of a risk assessment is to attain a reasonable level of assurance that the organization’s programmatic, financial, and compliance goals will be achieved.

Grant managers have a responsibility to fully understand the regulations under which their program operates. Additionally, they need to be able to understand the implications if the different compliance regulations are not adhered to. For example, if 80% of a specific grant is used to pay for employee salaries, then the regulations pertaining to documentation for these salaries is key to the compliant operation of the grant program. Grant managers need to conduct a self-assessment and mitigate areas of risk through strict internal controls. Generally, the perception of increased risk may be associated with rapid growth of a program; new funding; new and/or increased activities under a program; changes in the regulatory environment; and new personnel.

**The following questions may be helpful for grant managers in understanding where their grant programs are most at risk for noncompliance:**

- How are we spending the majority of our grant funds? What are the compliance areas associated with these categories of spending?
- What assets have we purchased that we need to protect?
- How do we ensure that the data or information associated with the grant is accurate?
- Who needs to have access to the different types of information collected for the grant?
- What grant-related activities are the most complex? What could go wrong with these activities? What processes can be put into place to make these activities more manageable?
- How could someone bypass a process or procedure? What would the result be if this process were bypassed?
- Where have we had audit problems in the past? Have these issues been recently monitored?
- Who is new within the group? Do new personnel require additional training and/or support to be able to understand their role as it relates to the grant?
- Are there any new regulations associated with the grant that have not been tested during an audit or programmatic review? What can we do to check on these regulations before a formal review is conducted?

All grant managers must keep abreast of changes in the law or interpretations of the law and modify their programs to maintain compliance. An area of common risk is ensuring that the staff who assist with the operation of the grant program are adequately trained and supervised. Although the grant manager is ultimately responsible for compliance, any staff who assist also play a major role. All staff who work with the grant need to understand the regulations that apply to their specific job duties. The internal controls the grant manager puts into place will directly affect the work the staff perform. However, the support staff will only be effective if they understand the regulations that the internal controls are addressing.

**Control Activities**

Control activities are the actual steps within the internal control that ensure compliance. Essentially the control activities answer the question, “who does what, and how does this make the program more compliant?”

For example, all grants have some requirements associated with the accurate reporting of programmatic data. Each grant manager must establish internal controls related to the accurate and timely submission of this data. The control activities for this internal control will likely relate to putting a system in place to collect the data, confirming that the data has been analyzed correctly, working to summarize the data into the format requested, and submitting the data within the timeline established.
If grant funds are used for the purchase of equipment, the following are examples of control activities that would be associated with equipment management:

- Accurate records are maintained on all acquisitions and dispositions of property acquired with federal awards.
- Property tags are placed on equipment.
- A physical inventory of equipment is conducted at least every two years and compared to property records.
- Property records contain description (including serial number or other identification number), source, who holds title, acquisition date and cost, percentage of federal participation in the cost, location, condition, and disposition data.
- Procedures are established to ensure that the federal awarding agency is appropriately reimbursed for dispositions of property acquired with federal awards, if applicable.
- Policies and procedures are in place for responsibilities of recordkeeping and authorities for disposition.

One of the aspects of control activities that applies to all processes and procedures is the segregation of duties. Related to the implementation of each process and procedure, more than one individual should have responsibility for the action. For instance, if one individual compiles data for a report, another should double check that it is correct. There should always be a designated staff person(s) who prepares the documentation related to a grant-funded expenditure before the grant manager approves the transaction. With more difficult or complicated issues, more than two people may be needed in a tiered review to maintain adequate segregation. Control activities ensure that there is adequate segregation of duties between performance, review, and recordkeeping of a grant-related task or activity.

**Information and Communication**

Information and communication refers to the identification, capture, and exchange of information pertaining to a federal grant in a form and time frame that enable people to carry out their responsibilities. Specifically, *information* relates to the ways in which BCPS accounts for programmatic and fiscal data related to federal grants. Financial information associated with federal grants is stored electronically in our fiscal database (CGI) and - at present, still - in hard copy, although BCPS is moving increasingly to cloud-based storage. Both hard and soft information needs to be accurate and thorough.
enough to substantiate that the program was operated compliantly. Additionally, there should be clear and regular lines of communication and information sharing between programmatic and fiscal staff.

Having reliable information also speaks to the backup documentation that is retained to support expenditures associated with the grant. For example, if employees are paid stipends to attend a professional development activity, there should be a sign in sheet and agenda to support the salary costs on the miscellaneous payroll form. Specifically, all the individuals who are being paid should have signed in on the sign-in sheet and the agenda should contain information related to the date and time of the training, related to the hours for which the employees are to be paid.

*Communication* is the way in which the grant manager shares information up and down the chain of command with internal and external stakeholders. The grant manager is ultimately responsible for communicating with all parties regarding the rules and regulations associated with the grant. The grant manager needs to put processes in place for ongoing meetings, trainings, and/or written correspondences to keep all parties informed about key programmatic and fiscal issues. The grant manager is also responsible for the follow up actions that need to take place as a result of communications that are shared. A grant manager may need to use multiple methods of communication to ensure that all stakeholders are reached in a manner that is appropriate to them.

**Monitoring Activities**

Monitoring is perhaps the most important aspect of all internal controls. Without adequate monitoring, the grant manager has no idea if the internal controls are accomplishing the goals they were designed to address. Each grant manager should monitor the various compliance aspects of their grant on a regular basis.

Monitoring can take many forms, including: paperwork review, payroll review, inventoring of equipment, gathering feedback from staff, reviewing time and effort certifications, etc. If grant managers wait until just before an audit or review to begin monitoring their grants, it is unlikely that they will have time to take the corrective action necessary to ensure that any instances of noncompliance do not wind up as findings – potentially with questioned costs attached.
If an audit or program review does result in an audit finding or issue, corrective action will be necessary to ensure that steps are taken to modify the area of noncompliance. In this case, monitoring will be necessary throughout the year to follow up on the corrective action steps. The grant manager and/or other BCPS staff will need to monitor the corrective action consistently to ensure that the proper steps are taken according to the established timeline. If corrective action is not monitored effectively, it may result in the same issue in the following year that the program is audited or reviewed, which is an indicator of risk to the funding entity.

It is important to keep in mind what internal controls can and cannot do for an organization. Good internal controls can help achieve goals and objectives, limit the loss of resources, and limit the risk of non-compliance. However, even the best internal controls cannot provide absolute assurance that every program will be operated in 100% compliance or change the nature of human error

**Conclusion**

This manual is a resource for BCPS staff. It identifies foundational information on common elements of grant compliance. However, creating and maintaining a culture of compliance within BCPS requires the shared commitment and dedicated effort of all who manage and utilize federal funds. A joint responsibility for compliance will assure that funders have confidence in BCPS and its ability to use public funds for the greatest benefit to our students and other stakeholders.
Appendices
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 BCPS 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, staff, and the grant accountant must consider these factors when making an allowability determination. The proposed cost must:

- **Be reasonable and necessary 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 necessary for the proper and efficient performance of the federal award and is a type generally recognized as ordinary and necessary for BCPS;
    - Sound business practices, arm’s length bargaining, 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 BCPS 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.
  o When determining allocability, 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 BCPS, 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.

2 CFR Part 200, Subpart E-Cost Principles must be considered when federal grant funds are expended. Federal rules require state and BCPS-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 BCPS policy. Thus, grant funds cannot be expended for this item.

**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; 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.

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

General Provisions for Selected Items of Cost

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<tr>
<th>Citation of Allowability 200 CFR</th>
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Time and Effort
Semi-annual certification sample form

Baltimore County Public Schools
Support of Salaries/Wages Funded by Federal Grants
Semi-Annual Certification for Employees Working on a Single Cost Objective
Effective July 1, 2021

Certification for the six month period ending: December 31, 2021
Location:

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</tr>
</tbody>
</table>

I certify that:
1) I have first hand knowledge of the work performed by the employee(s) listed on this form.
2) The person(s) listed above worked solely (100%) on the single federal cost objective identified.
3) The work performed complies with the applicable federal program requirements.

Supervisor’s Name (printed): ___________________________ Title: ___________________________
Supervisor’s Signature: ___________________________ Date: ___________________________
# Time and Effort

## Personnel Activity Report sample form

**Baltimore County Public Schools**

Support of Salaries/Wages Funded by Federal Grants

Personnel Activity Report (PAR) for Employees Working on Multiple Cost Objectives

Effective July 1, 2021

<table>
<thead>
<tr>
<th>Name</th>
<th>Employee ID #</th>
<th>Position(s)/Title(s)</th>
<th>Date(s)</th>
<th>Worksite(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>1/22-2/4</td>
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<td></td>
<td></td>
<td></td>
<td>Saturday</td>
<td>Friday</td>
</tr>
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</table>

<table>
<thead>
<tr>
<th>Name of Cost Objective #1</th>
<th>0</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Time</strong></td>
<td><strong>% Effort Budgeted</strong></td>
</tr>
<tr>
<td>0</td>
<td>0.00%</td>
</tr>
<tr>
<td><strong>Hours Spent on CO#1</strong></td>
<td>0</td>
</tr>
<tr>
<td>Saturday</td>
<td>Sunday</td>
</tr>
<tr>
<td>Dates: 1/22</td>
<td>1/23</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Name of Cost Objective #2</th>
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</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Time</strong></td>
<td><strong>% Effort Budgeted</strong></td>
</tr>
<tr>
<td>0</td>
<td>0.00%</td>
</tr>
<tr>
<td><strong>Hours Spent on CO#2</strong></td>
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</tr>
<tr>
<td>Saturday</td>
<td>Sunday</td>
</tr>
<tr>
<td>Dates: 1/22</td>
<td>1/23</td>
</tr>
</tbody>
</table>

I certify that I have accurately documented my hours for the designated cost objectives.

Employee's Signature: ____________________ Date: __________

I certify that I have first hand knowledge of the work performed by the employee listed on this form and that she/he worked the documented hours for the designated cost objectives.

Supervisor's Signature: ____________________ Date: __________
# Time and Effort

## Variance sample form

---

**Baltimore County Public Schools**  
Support of Salaries/Wages Funded by Federal Grants  
Variance Report for Employees Working on Multiple Cost Objectives  
Effective July 1, 2021

### Employee’s Name: ____________________________  
Grant Manager Review: ____________________________

#### Employee’s ID #: ____________________________

#### Name of Cost Objective #1: ____________________________  
1st Quarter Review: ____________________________

#### 2 to be Changed to Cost Object: ____________________________

#### Name of Cost Objective #2: ____________________________  
2nd Quarter Review: ____________________________

#### 3rd Quarter Review: ____________________________

#### 4th Quarter Review: ____________________________

---

### Payroll Data  
**$ Paid w/CO #1**  
**$ Paid w/CO #2**  
**$ Effort Worked on PAO**  
**$ Am of Variance**  
**$ Am of Variance**  
**Comment**

<table>
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<tr>
<th>Date</th>
<th>Total Hours</th>
<th>$ Paid w/CO #1</th>
<th>$ Paid w/CO #2</th>
<th>$ Effort Worked on PAO</th>
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<th>Comment</th>
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</tbody>
</table>

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85
Time and Effort
Miscellaneous Payment sample form

Regardless of funding source, permanent employees MUST be paid rates agreed to by the Board and its Bargaining Units. Pay rates for "contractual", "temporary", or "miscellaneous" employees MUST be approved IN ADVANCE by the Department of Human Resources' Office of Temporary Services at 410-296-4191. Administrators MUST contact the Office of Temporary Services PRIOR to making any salary commitments to a prospective employee.

(Sponsoring School/Office) (Activity) (Date of Activity)

Instructions: Complete columns A - F and certification.

(A) (B) (C) (D) (E) (F)

EMPLOYEE # PDH EVENT PAY TOTAL AMT TO BE PAID 5 DIGIT PDH EMPLOYEE'S MANIDATE EMPLOYEE'S INDEX
LAST FIRST APPROVE DATE EARNED IN OR PDHs HOURS
TOTALS

10

(Optionalal Comments)

WE MAY NOT PAY AN EMPLOYEE AUTHORIZED A PAYMENT TO HIMSELF. INCOMPLETE FORMS WILL BE RETURNED.
THIS MAY DELAY THE PAYMENT.

TIME DECIMAL

| 0.00 | 0.00 |
| 0.10 | 0.25 |
| 0.15 | 0.35 |

(Paid By) (Date) (Phone) (Certifying Administrator's Signature and Title) (Date)

PAYMENT WILL BE 2 WEEKS IN ARREARS

BALTIMORE COUNTY PUBLIC SCHOOLS Office of Payroll 414-809-1240 Fax: 410-887.7610

Temporary, Contractual or Miscellaneous Payment Form

Payments for "contractual", "temporary", or "miscellaneous" employees MUST be approved IN ADVANCE by the Department of Human Resources' Office of Temporary Services at 410-296-4191.

Administrators MUST contact the Office of Temporary Services PRIOR to making any salary commitments to a prospective employee.

(Sponsoring School/Offices) (Activity) (Date)

<table>
<thead>
<tr>
<th>Week One</th>
<th>Week Two</th>
</tr>
</thead>
<tbody>
<tr>
<td>SAT</td>
<td>SUN</td>
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<tr>
<td>0.00</td>
<td>0.00</td>
</tr>
</tbody>
</table>

Example: hour/0.00 0.00

IMPORTANT NOTES

- Enter hours as TIME and not DECIMAL
- Increment of 0.05 minute or 0.001 decimal point
- Total paid column shows TOTAL HOURS multiplied together to a decimal for the calculation of TOTAL EARNED

I certify that the above employee(s) work(s) spent 100% of their time on this program.

(Paid By) (Phone) (Certifying Administrator's Signature and Title) (Date)

PAYMENT WILL BE 2 WEEKS IN ARREARS

86
### Equipment Inventory sample form

<table>
<thead>
<tr>
<th>Date of Acquisition</th>
<th>Description of Item</th>
<th>Name of Vendor</th>
<th>Cost</th>
<th>Source(s) of Funding</th>
<th>% of Grant Funds Used Toward Purchase</th>
<th>Program Generated ID Number</th>
<th>Serial Number</th>
<th>Location of Equipment Building</th>
<th>Location of Equipment - Room #</th>
<th>Condition of Equipment</th>
<th>Disposition Data</th>
<th>Last Updated</th>
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### Equipment Management - Uniform Grant Guidance

2 CFR Part 200.313

* The title to equipment purchased with federal funds vests with the non-Federal entity (BCPS).

* Equipment is defined as tangible, nonexpendable property having a useful life of more than one year and an acquisition cost of:
  * $5,000 or more for Federally-funded programs OR a sensitive item with an acquisition cost of $500 or more e.g. cameras, notebook computers, recording devices, etc. that are concealable and/or prone to theft.

* Subrecipients of states who are local governments (this includes Baltimore County Public Schools) must also follow state laws and procedures for equipment acquired under a subgrant from a State. The dollar threshold may be lower.

* Generally, equipment purchased must be used in the program for which it was acquired.

Inventory records should contain:
* description
* serial number and/or other ID number
* source (name of vendor)
* who owns/holds title (always BCPS)
* acquisition date and cost
* % of federal participation in the cost (usually 100%); can put this information in a footer:
  * "Federal funds were used to cover 100% of the cost of the items listed above."
* location (name of school/office and room)
* condition (new, good, fair, poor)
* disposition data (if applicable - date of disposal, sales price, method of calculating value)

* Equipment must be permanently labeled with information indicating that federal program funds were used to make the purchase.

* Equipment records must be maintained and a physical inventory must be taken at least once every two years to reconcile these records. Grant managers must know where equipment is located.

* Control systems must be in effect to safeguard equipment to prevent loss, theft or damage. Equipment must be adequately maintained. Consider "sign-out" procedure for small sensitive items.
Transfer Requisition for equipment disposition

sample form

https://businessservices.bcps.org/departments/facilities_management/facilities_operations/logistics

1. Schools and offices are required to maintain records of disposed assets. See Board of Education Policy/Rule 3646.
2. Use a separate transfer requisition for each action needed.
3. Requests for removal of certain assets, other than assets purchased with BCPs general funds, require approval from the funding source. If it is known, list the funding source.
4. For assets over $1,000, the BCPs asset tag number must be listed above. Logistics will forward a copy to the Office of Accounting.
5. Completed transfer requisition forms with approval signature by the office head should be scanned and sent electronically to logistics@bcps.org when the request is ready to be picked up by Logistics. Unsaged requests by the Principal, Dept. Head or Dept. Chair, will not be processed by Logistics. Do NOT fax.

For Logistics Use Only – Asset Disposal Approval Routing (if applicable):

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<tr>
<th>Date</th>
<th>Coordinator, Career &amp; Technology Signature</th>
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<td>Executive Director, Facilities Management Signature</td>
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<td>Executive Director, School Safety Signature</td>
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<td>Manager, Logistics Signature</td>
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Revised: 7/25/2019
§200.317 Procurements by states.

When procuring property and services under a Federal award, a state must follow the same policies and procedures it uses for procurements from its non-Federal funds. The state will comply with §200.322 Procurement of recovered materials and ensure that every purchase order or other contract includes any clauses required by section §200.326 Contract provisions. All other non-Federal entities, including subrecipients of a state, will follow §§200.318 General procurement standards through 200.326 Contract provisions.

§200.318 General procurement standards.

(a) The non-Federal entity must have and use documented procurement procedures, consistent with State, local, and tribal laws and regulations and the standards of this section, for the acquisition of property or services required under a Federal award or subaward. The non-Federal entity’s documented procurement procedures must conform to the procurement standards identified in §§200.317 through 200.327.

(b) Non-Federal entities must maintain oversight to ensure that contractors perform in accordance with the terms, conditions, and specifications of their contracts or purchase orders.

(c)(1) The non-Federal entity must maintain written standards of conduct covering conflicts of interest and governing the actions of its employees engaged in the selection, award and administration of contracts. No employee, officer, or agent may participate in the selection, award, or administration of a contract supported by a Federal award if he or she has a real or apparent conflict of interest. Such a conflict of interest would arise when the employee, officer, or agent, any member of his or her immediate family, his or her partner, or an organization which employs or is about to employ any of the parties indicated herein, has a financial or other interest in or a tangible personal benefit from a firm considered for a contract. The officers, employees, and agents of the non-Federal entity may neither solicit nor accept gratuities, favors, or anything of monetary value from contractors or parties to subcontracts. However, non-Federal entities may set standards for situations in which the financial interest is not substantial or the gift is an unsolicited item of nominal value. The standards of conduct must provide for disciplinary actions to be applied for violations of such standards by officers, employees, or agents of the non-Federal entity.

(2) If the non-Federal entity has a parent, affiliate, or subsidiary organization that is not a state, local government, or Indian tribe, the non-Federal entity must also maintain written standards of conduct
covering organizational conflicts of interest. Organizational conflicts of interest means that because of relationships with a parent company, affiliate, or subsidiary organization, the non-Federal entity is unable or appears to be unable to be impartial in conducting a procurement action involving a related organization.

(d) The non-Federal entity's procedures must avoid acquisition of unnecessary or duplicative items. Consideration should be given to consolidating or breaking out procurements to obtain a more economical purchase. Where appropriate, an analysis will be made of lease versus purchase alternatives, and any other appropriate analysis to determine the most economical approach.

(e) To foster greater economy and efficiency, and in accordance with efforts to promote cost-effective use of shared services across the Federal Government, the non-Federal entity is encouraged to enter into state and local intergovernmental agreements or inter-entity agreements where appropriate for procurement or use of common or shared goods and services. Competition requirements will be met with documented procurement actions using strategic sourcing, shared services, and other similar procurement arrangements.

(f) The non-Federal entity is encouraged to use Federal excess and surplus property in lieu of purchasing new equipment and property whenever such use is feasible and reduces project costs.

(g) The non-Federal entity is encouraged to use value engineering clauses in contracts for construction projects of sufficient size to offer reasonable opportunities for cost reductions. Value engineering is a systematic and creative analysis of each contract item or task to ensure that its essential function is provided at the overall lower cost.

(h) The non-Federal entity must award contracts only to responsible contractors possessing the ability to perform successfully under the terms and conditions of a proposed procurement. Consideration will be given to such matters as contractor integrity, compliance with public policy, record of past performance, and financial and technical resources. See also § 200.214.

(i) The non-Federal entity must maintain records sufficient to detail the history of procurement. These records will include, but are not necessarily limited to the following: rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price.

(j)(1) The non-Federal entity may use a time and materials type contract only after a determination that no other contract is suitable and if the contract includes a ceiling price that the contractor exceeds at its own risk. Time and materials type contract means a contract whose cost to a non-Federal entity is the sum of:

(i) The actual cost of materials; and

(ii) Direct labor hours charged at fixed hourly rates that reflect wages, general and administrative expenses, and profit.
(2) Since this formula generates an open-ended contract price, a time-and-materials contract provides no positive profit incentive to the contractor for cost control or labor efficiency. Therefore, each contract must set a ceiling price that the contractor exceeds at its own risk. Further, the non-Federal entity awarding such a contract must assert a high degree of oversight in order to obtain reasonable assurance that the contractor is using efficient methods and effective cost controls.

(k) The non-Federal entity alone must be responsible, in accordance with good administrative practice and sound business judgment, for the settlement of all contractual and administrative issues arising out of procurements. These issues include, but are not limited to, source evaluation, protests, disputes, and claims. These standards do not relieve the non-Federal entity of any contractual responsibilities under its contracts. The Federal awarding agency will not substitute its judgment for that of the non-Federal entity unless the matter is primarily a Federal concern. Violations of law will be referred to the local, state, or Federal authority having proper jurisdiction.

§200.319 Competition.

(a) All procurement transactions for the acquisition of property or services required under a Federal award must be conducted in a manner providing full and open competition consistent with the standards of this section and § 200.320.

(b) In order to ensure objective contractor performance and eliminate unfair competitive advantage, contractors that develop or draft specifications, requirements, statements of work, or invitations for bids or requests for proposals must be excluded from competing for such procurements. Some of the situations considered to be restrictive of competition include but are not limited to:

1. Placing unreasonable requirements on firms in order for them to qualify to do business;
2. Requiring unnecessary experience and excessive bonding;
3. Noncompetitive pricing practices between firms or between affiliated companies;
4. Noncompetitive contracts to consultants that are on retainer contracts;
5. Organizational conflicts of interest;
6. Specifying only a “brand name” product instead of allowing “an equal” product to be offered and describing the performance or other relevant requirements of the procurement; and
7. Any arbitrary action in the procurement process.

(c) The non-Federal entity must conduct procurements in a manner that prohibits the use of statutorily or administratively imposed state, local, or tribal geographical preferences in the evaluation of bids or proposals, except in those cases where applicable Federal statutes expressly mandate or encourage geographic preference. Nothing in this section preempts state licensing laws. When contracting for architectural and engineering (A/E) services, geographic location may be a selection
criterion provided its application leaves an appropriate number of qualified firms, given the nature and size of the project, to compete for the contract.

(d) The non-Federal entity must have written procedures for procurement transactions. These procedures must ensure that all solicitations:

(1) Incorporate a clear and accurate description of the technical requirements for the material, product, or service to be procured. Such description must not, in competitive procurements, contain features which unduly restrict competition. The description may include a statement of the qualitative nature of the material, product or service to be procured and, when necessary, must set forth those minimum essential characteristics and standards to which it must conform if it is to satisfy its intended use. Detailed product specifications should be avoided if at all possible. When it is impractical or uneconomical to make a clear and accurate description of the technical requirements, a “brand name or equivalent” description may be used as a means to define the performance or other salient requirements of procurement. The specific features of the named brand which must be met by offers must be clearly stated; and

(2) Identify all requirements which the offerors must fulfill and all other factors to be used in evaluating bids or proposals.

(e) The non-Federal entity must ensure that all prequalified lists of persons, firms, or products which are used in acquiring goods and services are current and include enough qualified sources to ensure maximum open and free competition. Also, the non-Federal entity must not preclude potential bidders from qualifying during the solicitation period.

(f) Noncompetitive procurements can only be awarded in accordance with § 200.320(c).

§200.320 Methods of procurement to be followed.

The non-Federal entity must have and use documented procurement procedures, consistent with the standards of this section and §§ 200.317, 200.318, and 200.319 for any of the following methods of procurement used for the acquisition of property or services required under a Federal award or subaward.

(a) Informal procurement methods. When the value of the procurement for property or services under a Federal award does not exceed the simplified acquisition threshold (SAT), as defined in § 200.1, or a lower threshold established by a non-Federal entity, formal procurement methods are not required. The non-Federal entity may use informal procurement methods to expedite the completion of its transactions and minimize the associated administrative burden and cost. The informal methods used for procurement of property or services at or below the SAT include:

(1) Micro-purchases -

(i) Distribution. The acquisition of supplies or services, the aggregate dollar amount of which does not exceed the micro-purchase threshold (See the definition of micro-purchase in § 200.1). To the
maximum extent practicable, the non-Federal entity should distribute micro-purchases equitably among qualified suppliers.

(ii) **Micro-purchase awards.** Micro-purchases may be awarded without soliciting competitive price or rate quotations if the non-Federal entity considers the price to be reasonable based on research, experience, purchase history or other information and documents it files accordingly. Purchase cards can be used for micro-purchases if procedures are documented and approved by the non-Federal entity.

(iii) **Micro-purchase thresholds.** The non-Federal entity is responsible for determining and documenting an appropriate micro-purchase threshold based on internal controls, an evaluation of risk, and its documented procurement procedures. The micro-purchase threshold used by the non-Federal entity must be authorized or not prohibited under State, local, or tribal laws or regulations. Non-Federal entities may establish a threshold higher than the Federal threshold established in the Federal Acquisition Regulations (FAR) in accordance with paragraphs (a)(1)(iv) and (v) of this section.

(iv) **Non-Federal entity increase to the micro-purchase threshold up to $50,000.** Non-Federal entities may establish a threshold higher than the micro-purchase threshold identified in the FAR in accordance with the requirements of this section. The non-Federal entity may self-certify a threshold up to $50,000 on an annual basis and must maintain documentation to be made available to the Federal awarding agency and auditors in accordance with § 200.334. The self-certification must include a justification, clear identification of the threshold, and supporting documentation of any of the following:

(A) A qualification as a low-risk auditee, in accordance with the criteria in § 200.520 for the most recent audit;

(B) An annual internal institutional risk assessment to identify, mitigate, and manage financial risks; or,

(C) For public institutions, a higher threshold consistent with State law.

(v) **Non-Federal entity increase to the micro-purchase threshold over $50,000.** Micro-purchase thresholds higher than $50,000 must be approved by the cognizant agency for indirect costs. The non-federal entity must submit a request with the requirements included in paragraph (a)(1)(iv) of this section. The increased threshold is valid until there is a change in status in which the justification was approved.

(2) **Small purchases** -

(i) **Small purchase procedures.** The acquisition of property or services, the aggregate dollar amount of which is higher than the micro-purchase threshold but does not exceed the simplified acquisition threshold. If small purchase procedures are used, price or rate quotations must be obtained from an adequate number of qualified sources as determined appropriate by the non-Federal entity.
(ii) **Simplified acquisition thresholds.** The non-Federal entity is responsible for determining an appropriate simplified acquisition threshold based on internal controls, an evaluation of risk and its documented procurement procedures which must not exceed the threshold established in the FAR. When applicable, a lower simplified acquisition threshold used by the non-Federal entity must be authorized or not prohibited under State, local, or tribal laws or regulations.

(b) **Formal procurement methods.** When the value of the procurement for property or services under a Federal financial assistance award exceeds the SAT, or a lower threshold established by a non-Federal entity, formal procurement methods are required. Formal procurement methods require following documented procedures. Formal procurement methods also require public advertising unless a non-competitive procurement can be used in accordance with § 200.319 or paragraph (c) of this section. The following formal methods of procurement are used for procurement of property or services above the simplified acquisition threshold or a value below the simplified acquisition threshold the non-Federal entity determines to be appropriate:

1. **Sealed bids.** A procurement method in which bids are publicly solicited and a firm fixed-price contract (lump sum or unit price) is awarded to the responsible bidder whose bid, conforming with all the material terms and conditions of the invitation for bids, is the lowest in price. The sealed bids method is the preferred method for procuring construction, if the conditions.

   (i) In order for sealed bidding to be feasible, the following conditions should be present:

   (A) A complete, adequate, and realistic specification or purchase description is available;

   (B) Two or more responsible bidders are willing and able to compete effectively for the business; and

   (C) The procurement lends itself to a firm fixed price contract and the selection of the successful bidder can be made principally on the basis of price.

   (ii) If sealed bids are used, the following requirements apply:

   (A) Bids must be solicited from an adequate number of qualified sources, providing them sufficient response time prior to the date set for opening the bids, for local, and tribal governments, the invitation for bids must be publicly advertised;

   (B) The invitation for bids, which will include any specifications and pertinent attachments, must define the items or services in order for the bidder to properly respond;

   (C) All bids will be opened at the time and place prescribed in the invitation for bids, and for local and tribal governments, the bids must be opened publicly;

   (D) A firm fixed price contract award will be made in writing to the lowest responsive and responsible bidder. Where specified in bidding documents, factors such as discounts, transportation cost, and life cycle costs must be considered in determining which bid is lowest.
Payment discounts will only be used to determine the low bid when prior experience indicates that such discounts are usually taken advantage of; and

(E) Any or all bids may be rejected if there is a sound documented reason.

(2) **Proposals.** A procurement method in which either a fixed price or cost-reimbursement type contract is awarded. Proposals are generally used when conditions are not appropriate for the use of sealed bids. They are awarded in accordance with the following requirements:

(i) Requests for proposals must be publicized and identify all evaluation factors and their relative importance. Proposals must be solicited from an adequate number of qualified offerors. Any response to publicized requests for proposals must be considered to the maximum extent practical;

(ii) The non-Federal entity must have a written method for conducting technical evaluations of the proposals received and making selections;

(iii) Contracts must be awarded to the responsible offeror whose proposal is most advantageous to the non-Federal entity, with price and other factors considered; and

(iv) The non-Federal entity may use competitive proposal procedures for qualifications-based procurement of architectural/engineering (A/E) professional services whereby offeror’s qualifications are evaluated and the most qualified offeror is selected, subject to negotiation of fair and reasonable compensation. The method, where price is not used as a selection factor, can only be used in procurement of A/E professional services. It cannot be used to purchase other types of services though A/E firms that are a potential source to perform the proposed effort.

(c) **Noncompetitive procurement.** There are specific circumstances in which noncompetitive procurement can be used. Noncompetitive procurement can only be awarded if one or more of the following circumstances apply:

(1) The acquisition of property or services, the aggregate dollar amount of which does not exceed the micro-purchase threshold (see paragraph (a)(1) of this section);

(2) The item is available only from a single source;

(3) The public exigency or emergency for the requirement will not permit a delay resulting from publicizing a competitive solicitation;

(4) The Federal awarding agency or pass-through entity expressly authorizes a noncompetitive procurement in response to a written request from the non-Federal entity; or

(5) After solicitation of a number of sources, competition is determined inadequate.
§200.321 Contracting with small and minority businesses, women's business enterprises, and labor surplus area firms.

(a) The non-Federal entity must take all necessary affirmative steps to assure that minority businesses, women's business enterprises, and labor surplus area firms are used when possible.

(b) Affirmative steps must include:

(1) Placing qualified small and minority businesses and women's business enterprises on solicitation lists;

(2) Assuring that small and minority businesses, and women's business enterprises are solicited whenever they are potential sources;

(3) Dividing total requirements, when economically feasible, into smaller tasks or quantities to permit maximum participation by small and minority businesses, and women's business enterprises;

(4) Establishing delivery schedules, where the requirement permits, which encourage participation by small and minority businesses, and women's business enterprises;

(5) Using the services and assistance, as appropriate, of such organizations as the Small Business Administration and the Minority Business Development Agency of the Department of Commerce; and

(6) Requiring the prime contractor, if subcontracts are to be let, to take the affirmative steps listed in paragraphs (b)(1) through (5) of this section.

§200.322 Domestic preferences for procurements.

(a) As appropriate and to the extent consistent with law, the non-Federal entity should, to the greatest extent practicable under a Federal award, provide a preference for the purchase, acquisition, or use of goods, products, or materials produced in the United States (including but not limited to iron, aluminum, steel, cement, and other manufactured products). The requirements of this section must be included in all subawards including all contracts and purchase orders for work or products under this award.

(b) For purposes of this section:

(1) “Produced in the United States” means, for iron and steel products, that all manufacturing processes, from the initial melting stage through the application of coatings, occurred in the United States.

(2) “Manufactured products” means items and construction materials composed in whole or in part of non-ferrous metals such as aluminum; plastics and polymer-based products such as polyvinyl chloride pipe; aggregates such as concrete; glass, including optical fiber; and lumber.

A non-Federal entity that is a state agency or agency of a political subdivision of a state and its contractors must comply with section 6002 of the Solid Waste Disposal Act, as amended by the Resource Conservation and Recovery Act. The requirements of Section 6002 include procuring only items designated in guidelines of the Environmental Protection Agency (EPA) at 40 CFR part 247 that contain the highest percentage of recovered materials practicable, consistent with maintaining a satisfactory level of competition, where the purchase price of the item exceeds $10,000 or the value of the quantity acquired during the preceding fiscal year exceeded $10,000; procuring solid waste management services in a manner that maximizes energy and resource recovery; and establishing an affirmative procurement program for procurement of recovered materials identified in the EPA guidelines.

§200.324 Contract cost and price.

(a) The non-Federal entity must perform a cost or price analysis in connection with every procurement action in excess of the Simplified Acquisition Threshold including contract modifications. The method and degree of analysis is dependent on the facts surrounding the particular procurement situation, but as a starting point, the non-Federal entity must make independent estimates before receiving bids or proposals.

(b) The non-Federal entity must negotiate profit as a separate element of the price for each contract in which there is no price competition and in all cases where cost analysis is performed. To establish a fair and reasonable profit, consideration must be given to the complexity of the work to be performed, the risk borne by the contractor, the contractor's investment, the amount of subcontracting, the quality of its record of past performance, and industry profit rates in the surrounding geographical area for similar work.

(c) Costs or prices based on estimated costs for contracts under the Federal award are allowable only to the extent that costs incurred or cost estimates included in negotiated prices would be allowable for the non-Federal entity under Subpart E of this part. The non-Federal entity may reference its own cost principles that comply with the Federal cost principles.

(d) The cost plus a percentage of cost and percentage of construction cost methods of contracting must not be used.

§200.325 Federal awarding agency or pass-through entity review.

(a) The non-Federal entity must make available, upon request of the Federal awarding agency or pass-through entity, technical specifications on proposed procurements where the Federal awarding agency or pass-through entity believes such review is needed to ensure that the item or service specified is the one being proposed for acquisition. This review generally will take place prior to the time the specification is incorporated into a solicitation document. However, if the non-Federal entity desires to have the review accomplished after a solicitation has been developed, the Federal awarding agency or
pass-through entity may still review the specifications, with such review usually limited to the technical aspects of the proposed purchase.

(b) The non-Federal entity must make available upon request, for the Federal awarding agency or pass-through entity pre-procurement review, procurement documents, such as requests for proposals or invitations for bids, or independent cost estimates, when:

1. The non-Federal entity's procurement procedures or operation fails to comply with the procurement standards in this part;

2. The procurement is expected to exceed the Simplified Acquisition Threshold and is to be awarded without competition or only one bid or offer is received in response to a solicitation;

3. The procurement, which is expected to exceed the Simplified Acquisition Threshold, specifies a “brand name” product;

4. The proposed contract is more than the Simplified Acquisition Threshold and is to be awarded to other than the apparent low bidder under a sealed bid procurement; or

5. A proposed contract modification changes the scope of a contract or increases the contract amount by more than the Simplified Acquisition Threshold.

(c) The non-Federal entity is exempt from the pre-procurement review in paragraph (b) of this section if the Federal awarding agency or pass-through entity determines that its procurement systems comply with the standards of this part.

1. The non-Federal entity may request that its procurement system be reviewed by the Federal awarding agency or pass-through entity to determine whether its system meets these standards in order for its system to be certified. Generally, these reviews must occur where there is continuous high-dollar funding, and third party contracts are awarded on a regular basis;

2. The non-Federal entity may self-certify its procurement system. Such self-certification must not limit the Federal awarding agency's right to survey the system. Under a self-certification procedure, the Federal awarding agency may rely on written assurances from the non-Federal entity that it is complying with these standards. The non-Federal entity must cite specific policies, procedures, regulations, or standards as being in compliance with these requirements and have its system available for review.

§200.326 Bonding requirements.

For construction or facility improvement contracts or subcontracts exceeding the Simplified Acquisition Threshold, the Federal awarding agency or pass-through entity may accept the bonding policy and requirements of the non-Federal entity provided that the Federal awarding agency or pass-through entity has made a determination that the Federal interest is adequately protected. If such a determination has not been made, the minimum requirements must be as follows:
(a) A bid guarantee from each bidder equivalent to five percent of the bid price. The “bid guarantee” must consist of a firm commitment such as a bid bond, certified check, or other negotiable instrument accompanying a bid as assurance that the bidder will, upon acceptance of the bid, execute such contractual documents as may be required within the time specified.

(b) A performance bond on the part of the contractor for 100 percent of the contract price. A “performance bond” is one executed in connection with a contract to secure fulfillment of all the contractor’s obligations under such contract.

(c) A payment bond on the part of the contractor for 100 percent of the contract price. A “payment bond” is one executed in connection with a contract to assure payment as required by law of all persons supplying labor and material in the execution of the work provided for in the contract.

§200.327 Contract provisions.

The non-Federal entity’s contracts must contain the applicable provisions described in appendix II to this part.