

# Federal Grants Management Policies

## Table of Contents

<b>SECTION 10 – FEDERAL GRANTS MANAGEMENT</b>	<b>2</b>
10.1 Allowable Use of Funds	2
10.2 Federal Payment Policy	4
10.3 Federal Procurement Standards Policy	5
10.4 Financial Management System Policy	12
10.5 Cost Sharing and Matching Policy	12
10.6 Supplement Not Supplant Policy	13
10.7 Program Income Policy	13
10.8 Budget and Program Revisions Policy	14
10.9 Equipment Standards Policy	15
10.10 Record Retention and Access Policy	16
10.11 Monitoring and Reporting Policy	17
10.12 Subrecipient Monitoring Policy	18
10.12 Grant Proposal Policy	20
10.13 Grant Award Acceptance Policy	21
10.14 Grant Closeout Policy	21
10.15 Annual Audit Policy	22
10.16 Internal Control over Compliance Policy	23

# SECTION 10 – Federal Grants Management

## 10.1 Allowable Use of Funds

It is the policy of the University that only costs that are reasonable, allowable, and allocable to a Federal award shall be charged to that award directly or indirectly. All unallowable costs shall be appropriately segregated from allowable costs in the general ledger in order to assure that unallowable costs are not charged to Federal awards.

### Segregating Unallowable From Allowable Costs

The following steps shall be taken to identify and segregate costs that are allowable and unallowable with respect to each federal award:

1. The budget and grant or contract for each award shall be reviewed for costs specifically allowable or unallowable.
2. The University shall be familiar with the allowability of costs provisions of 2 CFR Part 200 Subpart E—Cost Principles particularly:
  - a. The list of specifically unallowable costs, such as alcoholic beverages, bad debts, contributions, fines, and penalties, lobbying, etc.
  - b. Those costs requiring advance approval from Federal agencies in order to be allowable in accordance with §200.407 Prior written approval.
3. No costs shall be charged directly to any Federal award until the cost has been determined to be allowable under the terms of the award and/or 2 CFR Part 200 Subpart E—Cost Principles.
4. For each Federal award, an appropriate set of general ledger accounts / cost center / or project code, etc. shall be established in the chart of accounts to reflect the categories of allowable costs identified in the award or the award budget.
5. All items of miscellaneous income or credits, including the subsequent write-offs of uncashed checks, rebates, refunds, and similar items, shall be reflected for grant accounting purposes as reductions in allowable expenditures if the credit relates to charges that were originally charged to a Federal award or to activity associated with a Federal award. The reduction in expenditures shall be reflected in the year in which the credit is received (i.e., if the purchase that results in the credit took place in a prior period, the prior period shall not be amended for the credit.)
6. Any significant variances between actual and budgeted expenditures noted will be discussed and resolved prior to requesting payment.

### Criteria for Allowability

It is the policy of the University that all costs must meet the following criteria in order to be treated as allowable direct or indirect costs under a Federal award:

1. The cost must be "necessary" to the overall operation of the University and is assignable in part to the Federal award in accordance with the principles of 2 CFR Part 200 and any other applicable awarding agency regulations.
2. The cost must be "reasonable" for the performance of the award, considering the following factors:
  - a. Whether the cost is of a type that is generally considered as being necessary for the operation of the organization or the performance of the award.
  - b. Restraints or requirements imposed by such factors as sound business practices, arm's length bargaining, Federal, state, local tribal, and other laws and regulations, and the terms and conditions of the award.
  - c. Whether the individuals concerned acted with prudence in the circumstances considering their responsibilities to The University, its employees, where applicable its students or membership, the public at large, and the Federal Government.
  - d. Consistency with established policies and procedures of the University, deviations from which could unjustifiably increase the costs of the Federal award,
3. The cost must be "allocable" to an award by meeting one of the following criteria:
  - a. The cost is incurred specifically for a Federal award or
  - b. The cost benefits both the Federal award and other work of the University, and can be distributed in proportions that may be approximated using reasonable methods; and
4. The cost must conform to any limitations or exclusions of 2 CFR Part 200 or the Federal award as to the types or amount of cost items,
5. Treatment of costs must be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the University,
6. Costs must be accorded consistent treatment (A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost),
7. The cost must be determined in accordance with generally accepted accounting principles (GAAP),

8. Costs may not be included as a cost or used to meet cost sharing or matching requirements of any other federally-financed program in either the current or a prior period,
9. The cost must be adequately documented,
10. The cost must be incurred during the approved budget period.

### **Direct Costs**

Direct costs include those costs that are incurred specifically for one award or non-Federal function. The University identifies and charges these cost exclusively to each award or program.

### *Salaries and Wages*

Charges to Federal awards for salaries and wages will be based on records that accurately reflect the work performed. These records:

1. Are supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated.
2. Are incorporated into the official records of the University.
3. Reasonably reflect the total activity for which the employee is compensated, not exceeding 100% of compensated activities.
4. Encompass both federally assisted, and all other activities compensated by the University.
5. Comply with other established accounting policies and practices of the University.
6. Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity.
7. May reflect categories of activities expressed as a percentage distribution of total activities

Time sheets or personnel activity reports are submitted on a regular basis reflecting employees' work and which programs directly benefited from their effort. For those grants that support all activities of the employee, an applicable percentage will be charged to each funding source, to ensure that the salary is only getting reimbursed by one granting agency.

Timesheets are signed by the employee and are reviewed and approved by the employee's supervisor.

Alternatively, budget estimates for time spent on Federal Awards may be used for interim accounting purposes. These estimates produce reasonable approximations of the activity actually performed. Any significant changes in the corresponding work activity are identified and entered into the records in a timely manner. Short term (such as one or two months) fluctuation between workload categories will not be considered as long as the distribution of salaries and wages is reasonable over the longer term.

After-the-fact interim charges made to a Federal award based on budget estimates will be reviewed. All necessary adjustment will be made such that the final amount charged to the Federal award is accurate, allowable, and properly allocated. At the end of the estimated time period, the employees will certify that the estimates were accurate, or will report that adjustments need to be made based on actual time spent. These certifications will also be signed by a supervisor with direct knowledge of the employees activities.

### *Supplies and Equipment*

Supplies means all tangible personal property other than those meeting the definition of equipment. Equipment is all 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 University for financial statement purposes, or \$5,000. A computing device is a supply if the acquisition cost is less than the lesser of the capitalization level established by the University for financial statement purposes or \$5,000, regardless of the length of its useful life. Equipment purchased for exclusive use on a federal award and reimbursed by a federal agency shall be accounted for as a direct cost of that award and the full amount will be included as a federal expenditure.

### *Travel*

Travel costs are the expenses for transportation, lodging, subsistence, and related items incurred by employees who are in travel status on official business of the University. Such costs may be charged on an actual cost basis, on a per diem or mileage basis in lieu of actual costs incurred, or on a combination of the two, provided the method used is applied to an entire trip and not to selected days of the trip, and results in charges consistent with those normally allowed in like circumstances in the University's

non-federally-funded activities and in accordance with the University's written travel reimbursement policy (see 3.22 Travel and Vehicle Policy).

Costs incurred by employees and officers for travel, including costs of lodging, other subsistence, and incidental expenses, must be considered reasonable and otherwise allowable only to the extent such costs do not exceed charges normally allowed by the University, in its regular operations as the result of the University's written travel policy. In addition, if these costs are charged directly to the Federal award, documentation must justify that participation of the individual is necessary to the Federal award; and the costs are reasonable and consistent with the University's established travel policy.

Airfare costs in excess of the basic least expensive unrestricted accommodations class offered by commercial airlines are unallowable except when such accommodations would require circuitous routing, require travel during unreasonable hours, excessively prolong travel, result in additional costs that would offset the transportation savings; or offer accommodations not reasonably adequate for the traveler's medical needs. The University must justify and document these conditions on a case-by-case basis in order for the use of first-class or business-class airfare to be allowable in such cases.

The University will comply with the requirements of the Fly America Act (49 U.S.C. 40118) which generally provides that foreign air travel funded by Federal funds may only be conducted on U.S. flag air carriers and under applicable Open Skies Agreements. (see information on Fly America Act on the GSA website at <https://www.gsa.gov/policy-regulations/policy/travel-management-policy/fly-america-act>).

### **Indirect Costs**

Indirect costs are those costs that either benefit more than one award (overhead costs) or non-federal function or that are necessary for the overall operation of the University (management and general costs).

The University chooses to use the de minimus rate of 10% on its federal awards rather than negotiate an approved indirect cost rate.

## **10.2 Federal Payment Policy**

It is the policy of the University to maintain written payment and billing procedures. Payment methods must minimize the time elapsing between the transfer of funds from the United States Treasury or the pass-through entity and the disbursement by the University whether the payment is made by electronic funds transfer, or issuance or redemption of checks, warrants, or payment by other means.

The following policies shall apply to the preparation and submission of payments and billings to Federal awarding agencies under awards made to The University:

### **Advance Payments**

1. To the extent available, the University must disburse funds available from program income (including repayments to a revolving fund), rebates, refunds, contract settlements, audit recoveries, and interest earned on such funds before requesting additional cash payments.
2. The funding agency must not require separate depository accounts for funds provided to the University or establish any eligibility requirements for depositories for funds provided. However, the University must be able to account for funds received, obligated, and expended.
3. Advance payments of Federal funds must be deposited and maintained in insured accounts whenever possible.
4. The University must maintain advance payments of Federal awards in interest-bearing accounts, unless the following apply:
  - a. The University receives less than \$250,000 in Federal awards per year.
  - b. The best reasonably available interest-bearing account would not be expected to earn interest in excess of \$500 per year on Federal cash balances.
  - c. The depository would require an average or minimum balance so high that it would not be feasible within the expected Federal and non-Federal cash resources.
5. Interest earned amounts up to \$500 per year may be retained by the University for administrative expense. Any additional interest earned on Federal advance payments deposited in interest-bearing accounts must be remitted annually to the Department of Health and Human Services Payment Management System (PMS).
6. Advance funds will be recorded into the general ledger as cash and deferred revenue. Funds will be considered earned and recognized as revenue when corresponding allowable costs are incurred.

### **Reimbursement Requests**

Reimbursement is the preferred method when the requirements for advance payment cannot be met, when the grant documents specific as such, or when the University requests payment by reimbursement. The following policies shall apply to payments that are made by reimbursement request for federal awards:

1. The University will request reimbursement after expenditures have been incurred when the award specifies this method.
2. Each award normally specifies a particular billing cycle; Therefore, a schedule is established for each grant to ensure that reimbursement is made on a timely basis along with any other reporting that is required.
3. Requests for reimbursement of award expenditures will use the actual amounts as posted to the general ledger as the source for all invoice amounts.

Reimbursement requests are submitted in the format preferred and required by the funding agency.

At the time the request for reimbursement / drawdown is submitted, revenue and accounts receivable shall be recorded.

### **Adjustments**

To the extent the University identifies adjustments to amounts previously reported to federal agencies, revised reports shall be prepared and filed in accordance with the terms of each federal award.

### **Improper Payment**

In accordance with 2 CFR §200.1, "Improper payment" means any payment that should not have been made or that was made in an incorrect amount (including overpayments and underpayments) under statutory, contractual, administrative, or other legally applicable requirements; and includes any payment to an ineligible party, any payment for an ineligible good or service, any duplicate payment, any payment for a good or service not received (except for such payments where authorized by law), any payment that does not account for credit for applicable discounts, and any payment where insufficient or lack of documentation prevents a reviewer from discerning whether a payment was proper.

Proper review of grant expenditures will be made prior to seeking payment in order to detect any unallowable costs. However, when errors or corrections are needed, the University will take prompt and appropriate actions to correct with the appropriate funding agency so that the total amount charged to the Federal grant are accurate, allowable, and properly allocated. The University will track improper payments to ensure that the risk associated with the discovery of an improper payment is not repeated, and to ensure that the risk is mitigated. A review will occur to identify why the error or correction was needed and will consider the following aspects:

- Why did the error occur?
- What is the remedy to correct the error?
- How will this error and correction be documented?
- What is the process for reallocating funds?

The University will implement effective corrective actions based on the root cause analysis.

## **10.3 Federal Procurement Standards Policy**

### **Conflicts of Interest**

No employee, officer, Board member, or agent of the University will 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 one of the persons listed below has a financial or other interest in or a tangible personal benefit from a firm considered for a contract:

- An employee, officer, Board member, or agent involved in making the award.
- His/her relative (including father, mother, son, daughter, brother, sister, uncle, aunt, first cousin, nephew, niece, husband, wife, father-in-law, mother-in-law, son-in-law, daughter-in-law, brother-in-law, sister-in-law, stepfather, stepmother, stepson, stepdaughter, stepbrother, stepsister, half-brother, or half-sister).
- His/her partner; or
- An organization which employs or is negotiating to employ or has an arrangement concerning prospective employment of any of the above.

No officer, employee, Board member, or agent of the University shall solicit any gifts. No officer, employee, Board member, or agent of the University shall accept, directly or indirectly, any gifts, compensation, gratuities, favors, or other items of value from any contractor, potential contractor, or party to any subcontract, and shall not knowingly use confidential information for

actual or anticipated personal gain. An officer, employee, Board member, or agent of the University who accepts a gift, gratuity, favor, etc. shall be subject to disciplinary action. Vendors or bidders who offer a gift, gratuity, favor, etc. may be declared irresponsible bidders and may be debarred from bidding.

The University will not procure with a parent company, affiliate, or subsidiary organization, due to the real or apparent conflict of interest resulting from the relationship.

### **General Procurement Standards under Federal Awards**

Procurements associated with Federal awards are subject to the following:

1. The University will avoid acquisition of unnecessary or duplicative items. Consideration will be given to consolidating or breaking out procurements to obtain a more economical purchase. The University will not divide large transactions into several smaller transactions for the purpose of avoiding any standard procurement procedures.
2. Where appropriate, an analysis will be made of lease versus purchase alternatives, and any other appropriate analysis to determine the most economical approach.
3. The University will 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.
4. The University is 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 University of any contractual responsibilities under its contracts. Violations of law will be referred to the local, state, or federal authority having proper jurisdiction.
5. To foster greater economy and efficiency, and in accordance with efforts to promote cost-effective use of shared services, the University may enter into agreements 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.

### **Procurement Records**

The University will maintain records sufficient to detail the history of procurement. These records will include, but are not necessarily limited to the following:

1. Rationale for the method of procurement (if not self-evident).
2. Rationale of contract pricing arrangement (also if not self-evident).
3. Reason for accepting or rejecting the bids or offers.
4. Basis for the contract price.
5. A copy of the contract documents awarded or issued.
6. Basis for contract modifications.
7. Related contract administration actions.

The University will make available, upon request by 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.

The University will 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.

### **Competition under Federal Awards**

All procurement transactions for the acquisition of property or services required under a Federal award shall be conducted in a manner to provide, to the maximum extent practical, open and free competition and must be consistent with the standards as outlined in §200.319 and §200.320.

Contractors that develop or draft specifications, requirements, statements of work, and invitations for bids or requests for proposal must be excluded from competing for such procurements. Some other examples of 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 awards 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 of other relevant requirements of the procurement, and
7. Any arbitrary action in the procurement process.

The University must conduct procurements in a manner that prohibits the use of administratively imposed state or local geographical preference in the evaluation of bids or proposals except in cases where applicable Federal statutes expressly mandate or encourage geographic preference, or state licensing law.

All solicitations will 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. All solicitations will also identify all requirements which the offerors must fulfill and all other factors to be used in evaluating bids or proposals.

All prequalified lists of persons, firms, or products which are used in acquiring goods and services will be current and include enough qualified sources to ensure maximum open and free competition. Potential bidders will not be precluded from qualifying during the solicitation period.

## **Methods of Procurement**

The University will use one of the following methods of procurement:

### *Informal Procurement Methods*

When the value of the procurement for property or services under a Federal award does not exceed the simplified acquisition threshold (\$250,000), formal procurement methods are not required. The University 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 simplified acquisition threshold include:

1. Micro-purchases (<= \$10,000).
  - Procurement by micro-purchase is the acquisition of supplies or services, the aggregate dollar amount of which does not exceed \$10,000.
  - To the maximum extent practicable, The University will distribute micro-purchases equitably among qualified suppliers.
  - Micro-purchases may be awarded without soliciting competitive price or rate quotations if the University considers the price to be reasonable. Reasonableness is based on research, experience, purchase history or other information, including comparing the price to past purchases; comparing price to other online or available prices; and/or requesting prices from more than one vendor. Price reasonableness should be documented accordingly.
  - Purchase cards can be used for micro-purchases if procedures are documented and approved by the University.
2. Small purchases (\$10,001 - \$250,000).
  - Procurement by small purchase is 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 by The University for the procurement.
  - Prices may be obtained in written, verbal or online search methods.

### *Formal procurement methods. (> \$250,000)*

When the value of the procurement for property or services under a Federal financial assistance award exceeds the simplified acquisition threshold (\$250,000), 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 §200.320(c). 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 when The University determines to be appropriate:

1. Sealed bids

- Procurement by sealed bids is when bids are publicly solicited and a firm fixed price contract (lump sum or unit price) is awarded to the responsible bidder whose bid, conforming to all the material terms and conditions of the invitation for bids, is the lowest in price.
- In order for sealed bidding to be feasible, the following conditions will 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.
  - 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.
- 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.
  - 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.
  - 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.
  - e) Any or all bids may be rejected if there is a sound documented reason.

2. Proposals

- 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:
  - a) Requests for proposals must be publicized and identify all evaluation factors and their relative importance.
  - b) Proposals must be solicited from an adequate number of qualified offerors.
  - c) Any response to publicized requests for proposals must be considered to the maximum extent practical.
  - d) The University must have a written method for conducting technical evaluations of the proposals received and making selections.
  - e) Contracts must be awarded to the responsible offeror whose proposal is most advantageous to The University, with price and other factors considered
- The University 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 through A/E firms that are a potential source to perform the proposed effort.

*Noncompetitive proposals (>\$10,000).*

- There are specific circumstances in which noncompetitive procurement can be used. Noncompetitive procurement only be awarded if one or more of the following circumstances apply:
  - a) The acquisition of property or services, the aggregate dollar amount of which does not exceed the micro-purchase threshold.
  - b) The item is available only from a single source.
  - c) The public exigency or emergency for the requirement will not permit a delay resulting from publicizing a competitive solicitation.
  - d) The Federal awarding agency or pass-through entity expressly authorizes a noncompetitive procurement in response to a written request from the University.
  - e) After solicitation of a number of sources, competition is determined inadequate.

**Contract Cost and Price**

The University will perform a cost or price analysis for every procurement action in excess of \$250,000, including contract modifications. A cost analysis generally means evaluating the separate cost elements that make up the total price, while a price analysis means evaluating the total price, without looking at the individual cost elements. The method and degree of analysis is dependent on the facts surrounding the particular procurement situation, but as a starting point, the University will make independent estimates before receiving bids or proposals. In order to arrive at an independent estimate of price, the

University will review similar price data from colleagues, online searches, and other research. The price estimate will be documented and saved with the procurement file.

Where applicable, the University will 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 will 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.

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 University under Subpart E – Cost Principles-of the Uniform Administrative Guidance 2 CFR Part 200.

For construction projects of sufficient size, the University may use value engineering clauses in contracts 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.

The cost plus a percentage of cost method of pricing will not be allowed by the University.

### **Domestic preferences for procurement**

As appropriate and to the extent consistent with law, the University will, 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).

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.

### **Contracting with Small and Minority Businesses, Women's Business Enterprises, and Labor Surplus Area Firms**

The University will take all necessary affirmative steps to assure that minority businesses, women's business enterprises, and labor surplus area firms are used when possible. 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 of such organizations as the Small Business Administration and the Minority Business Development Agency of the Department of Commerce including websites such as <http://www.sba8a.com/> and <https://www.doleta.gov/programs/lisa.cfm>.
6. Requiring the prime contractor, if subcontracts are to be let, to take the affirmative steps.

### **Consultants and Contractors**

Before a service provider can be engaged as a consultant, or independent contractor, approval and contracting procedures must be followed prior to the start of any work or performance of services. For professional services agreements charged to grants, all professional services agreements need to be reviewed to ensure that the service provided falls within provisions of the funding agency. Consideration and evaluation will be given to in-house capabilities of personnel prior to contracting consultants and contractors.

### **Subrecipient and Contractor Determinations**

The University will make a case-by-case determination whether each agreement it makes for the disbursement of Federal program funds casts the party receiving the funds in the role of a subrecipient or a contractor. In determining whether an agreement between the University and another non-Federal entity casts the latter as a subrecipient or a contractor, the substance of the relationship is more important than the form of agreement. The University will use judgment in classifying each agreement as a subaward or a procurement contract.

## **Suspension and Debarment**

The University verifies that all vendors with a contract of \$25,000 or greater, and all subrecipients with whom the University intends to do business is not excluded or disqualified in accordance with 2 C.F.R. Part 200, Appendix II (1) and 2 C.F.R. §§ 180.220 and 180.300. A search shall be performed on the General Services Administration Excluded Parties List System (EPLS) (<http://sam.gov>), and any state or local exclusion lists, if applicable. Results of the screenings should be printed and placed in the procurement record.

## **Provisions Included in all Contracts**

It is the policy of the University to include all of the following provisions, as applicable, in all contracts (including small purchases) with contractors and subawards with subrecipients:

- 1. Remedies:** All contracts for more than the simplified acquisition threshold (which is the inflation adjusted amount determined by the Civilian Agency Acquisition Council and the Defense Acquisition Regulations Council (Councils) as authorized by 41 U.S.C. 1908), must address administrative, contractual, or legal remedies in instances where contractors violate or breach contract terms, and provide for such sanctions and penalties as appropriate.
- 2. Termination:** All contracts in excess of \$10,000 shall contain suitable provisions for termination by the University, including the manner by which termination shall be affected and the basis for settlement. In addition, such contracts shall describe the conditions under which the contract may be terminated for default as well as conditions where the contract may be terminated due to circumstances beyond the control of the contractor.
- 3. Equal Employment Opportunity:** Except as otherwise provided under 41 CFR Part 60, all contracts that meet the definition of "federally assisted construction contract" in 41 CFR Part 60-1.3 must include the equal opportunity clause provided under 41 CFR 60-1.4(b), in accordance with Executive Order 11246, "Equal Employment Opportunity" (30 FR 12319, 12935, 3 CFR Part, 1964-1965 Comp., p. 339), as amended by Executive Order 11375, "Amending Executive Order 11246 Relating to Equal Employment Opportunity," and implementing regulations at 41 CFR part 60, "Office of Federal Contract Compliance Programs, Equal Employment Opportunity, Department of Labor."
- 4. Davis-Bacon Act, as amended (40 U.S.C. 3141-3148):** When required by Federal program legislation, all prime construction contracts in excess of \$2,000 awarded by non-Federal entities must include a provision for compliance with the Davis-Bacon Act (40 U.S.C. 3141-3144, and 3146-3148) as supplemented by Department of Labor regulations (29 CFR Part 5, "Labor Standards Provisions Applicable to Contracts Covering Federally Financed and Assisted Construction"). In accordance with the statute, contractors must be required to pay wages to laborers and mechanics at a rate not less than the prevailing wages specified in a wage determination made by the Secretary of Labor. In addition, contractors must be required to pay wages not less than once a week. The University must place a copy of the current prevailing wage determination issued by the Department of Labor in each solicitation. The decision to award a contract or subcontract must be conditioned upon the acceptance of the wage determination. The University must report all suspected or reported violations to the Federal awarding agency. The contracts must also include a provision for compliance with the Copeland "Anti-Kickback" Act (40 U.S.C. 3145), as supplemented by Department of Labor regulations (29 CFR Part 3, "Contractors and Subcontractors on Public Building or Public Work Financed in Whole or in Part by Loans or Grants from the United States"). The Act provides that each contractor or subrecipient must be prohibited from inducing, by any means, any person employed in the construction, completion, or repair of public work, to give up any part of the compensation to which he or she is otherwise entitled. The University must report all suspected or reported violations to the Federal awarding agency.
- 5. Contract Work Hours and Safety Standards Act (40 U.S.C. 3701-3708):** [Where applicable] All contracts awarded by the University excess of \$100,000 for contracts that involve the employment of mechanics or laborers shall include a provision for compliance with 40 U.S.C. 3702 and 3704, as supplemented by Department of Labor regulations (29 CFR part 5). Under 40 U.S.C. 3702 of the Act, each contractor must be required to compute the wages of every mechanic and laborer on the basis of a standard work week of 40 hours. Work in excess of the standard work week is permissible provided that the worker is compensated at a rate of not less than one and a half times the basic rate of pay for all hours worked in excess of 40 hours in the work week. The requirements of 40 U.S.C. 3704 are applicable to construction work and provide that no laborer or mechanic must be required to work in surroundings or under working conditions which are unsanitary, hazardous, or dangerous. These requirements do not apply to the purchases of supplies, materials, or articles ordinarily available on the open market, or contracts for transportation or transmission of intelligence.

**6. Rights to Inventions Made Under a Contract or Agreement:** Contracts or agreements for the performance of experimental, developmental, or research work shall provide for the rights of the Federal Government and the University in any resulting invention in accordance with 37 CFR part 401, "Rights to Inventions Made by Nonprofit Organizations and Small Business Firms Under Government Grants, Contracts and Cooperative Agreements," and any implementing regulations issued by the awarding agency.

**7. Clean Air Act (42 U.S.C. 7401-7671q and the Federal Water Pollution Control Act (33 U.S.C. 1251 -1387), as amended:** Contracts and subawards of amounts in excess of \$150,000 shall contain a provision that requires the recipient to agree to comply with all applicable standards, orders or regulations issued pursuant to the Clean Air Act (42 U.S.C. 7401 et seq.) and the Federal Water Pollution Control Act, as amended (33 U.S.C. 1251 et seq.). Violations shall be reported to the Federal awarding agency and the Regional Office of the Environmental Protection Agency (EPA).

**8. Debarment and Suspension (E.O.s 12549 and 12689):** For all contracts, the University shall obtain from the contractor a certification that neither the contractor nor any of its principal employees are listed on the Excluded Parties List System in SAM.

**9. Byrd Anti-Lobbying Amendment (31 U.S.C. 1352):** For all contracts or Subawards of \$100,000 or more, the University shall obtain from the contractor or sub-grantee a certification that it will not and has not used Federal appropriated funds to pay any person or organization for influencing or attempting to influence an officer or employee of any agency, a member of Congress, officer or employee of Congress, or an employee of a member of Congress in connection with obtaining any Federal contract, grant or any other award covered by 31 U.S.C. 1352. Likewise, since each tier provides such certifications to the tier above it, the University shall provide such certifications in all situations in which it acts as a sub-recipient of a sub-grant of \$100,000 or more.

**10. Buy American Act (41 U.S.C. §§ 8301-8305):** [Where applicable] For all contracts for the construction, alteration, or repair of any public building or public work in the United States that includes acquisition of steel, iron and manufactured goods, the University shall obtain from the contractor a certification confirming that the contractor has not been convicted of violating the Buy American Act, 41 U.S.C. §§ 8301-8305. A clause will also be included that the contractor's acquisition of steel, iron, and manufactured goods, with funding provided through the contract, is subject to the requirements set forth in the Buy American Act, 41 U.S.C. §§ 8301-8305, if applicable.

**11. Drug-Free Workplace (49 CFR Part 32):** For all contracts, the University shall obtain from the contractor a certification that it complies with Government-wide Requirements for Drug-Free Workplace (Grants), 49 C.F.R. Part 32.

**12. Domestic preferences for procurements.** As appropriate and to the extent consistent with law, contractor will, to the greatest extent practicable, 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).

## 10.4 Financial Management System Policy

It is the policy of the University to maintain a financial management system that provides for the following:

1. Identification, in its accounts, of all Federal awards received and expended and the Federal programs under which they were received. Federal program and Federal award identification includes the Assistance Listings title and number, Federal award identification number and year, name of the Federal agency, and name of the pass-through entity, if any.
2. Accurate, current, and complete disclosure of the financial results of each Federal award or program in accordance with the reporting requirements set forth in §200.328 and §200.329 and reporting program performance. (See Monitoring and Reporting Policy)
3. Records that identify adequately the source and application of funds for federally-funded activities. These records will contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, expenditures, income, and interest and be supported by source documentation.
4. Effective control over, and accountability for, all funds, property, and other assets. The University will adequately safeguard all assets and assure that they are used solely for authorized purposes.
5. Ability to compare expenditures with budget amounts for each award to ensure total costs do not exceed the amounts budgeted for the grant period.
6. Written procedures to implement the requirements of §200.305 (See Federal Payment Policy)
7. Written procedures for determining the allowability of costs in accordance with 2 CFR subpart E—and the terms and conditions of the Federal award. (See Allowable Use of Funds Policy)

## 10.5 Cost Sharing and Matching Policy

Any shared costs or matching funds and all contributions, including cash and third-party in-kind contributions, can be accepted as part of the University's cost sharing, or matching when such contributions meet all of the following criteria:

1. They are verifiable from the records of the University.
2. They are not included as contributions for any other Federal award.
3. They are necessary and reasonable for accomplishment of project or program objectives.
4. They are allowable under 2 CFR Part 200 Subpart E – Cost Principles.
5. They are not paid by the Federal government under another Federal award, except where authorized by Federal statute to be used for cost sharing or matching.
6. They are provided for in the approved budget when required by the Federal awarding agency.
7. They conform to all other provisions 2 CFR Part 200.

It is the policy of the University to value contributed services and property that are to be used to meet a cost sharing or matching requirement at their fair market values at the time of contribution unless award documents or Federal agency regulations identify specific values to be used.

If a Federal awarding agency authorizes the University to donate buildings or land for construction or facilities acquisition projects or long-term use, the value of the donated property for cost sharing or matching must be the lesser of:

1. The value of the remaining life of the property recorded in The University's accounting records at the time of donation.
2. The current fair market value. However, when there is sufficient justification, the Federal awarding agency may approve the use of the current fair market value of the donated property, even if it exceeds the value described above at the time of donation.

Contributed volunteer services furnished by third-party professional and technical personnel, consultants, and other skilled and unskilled labor used for cost sharing or matching purposes shall be valued at rates consistent with those rates paid for similar work in the organization, including an estimate of reasonable fringe benefits. In cases in which the required skills are not found in the organization, rates used shall be consistent with those paid for similar work in the labor market. It is the policy of the University to require volunteers to document and account for their contributed time.

When a third-party organization furnishes the services of an employee, the University will value these services at the employee's regular rate of pay that is reasonable, necessary, allocable, and otherwise allowable, provided these services employ the same skill(s) for which the employee is normally paid.

Unrecovered indirect costs, including indirect costs on cost sharing or matching may be included as part of cost sharing or matching only if prior approval of the Federal awarding agency is obtained.

## 10.6 Supplement Not Supplant Policy

Supplanting is prohibited under federal guidelines. Supplanting occurs when a state, local, or tribal government reduces previously allocated or appropriated funds by an agency for an activity, specifically because federal funds are available (or expected to be available) to fund the same activity. To ensure that federal funds are used to provide services that are in addition to the regular services normally provided by the University, federal funds must be used to supplement, not supplant regular non-Federal funds.

Therefore, it is the policy of the University to only use federal funds to provide services which were required to be made available under federal, state, or local law and were also made available by funds subject to a supplement not supplant requirement. Federal funds must be used to supplement existing funds for program activities and cannot replace or supplant funds that have been appropriated for the same purpose. Supplanting may be grounds for suspension or termination of current and future federal funding, recovery of misused federal funds, and/or other remedies available by law.

To avoid potential supplanting issues, the University has the following policy:

- New federal funds should not be used to pay for existing employees unless the existing position is “back-filled” with a new hire, or agency approval is obtained.
- Federal funds cannot be used to pay for items or costs that The University is already obligated to pay with state, local, or tribal funds.
- State, local, or tribal funds previously appropriated, allocated, or budgeted for award purposes cannot be reduced or reallocated to other purposes because of receipt of federal funds.
- The University will ensure that the total level of services provided increases in proportion to the increase in level of federal contribution.

The University will maintain contemporaneous documentation demonstrating that any reductions in non-federal resources budgeted for award purposes is unrelated to the receipt or expected receipt of federal funds. Examples of supporting documentation may include (but are not limited to) budget sheets and/or directives, city council or departmental meeting minutes, agency memoranda, notices, or orders, and any other official documents addressing the reduction in non-federal resources.

## 10.7 Program Income Policy

Program income means gross income earned by the University that is directly generated by a supported activity or earned as a result of the Federal award during the period of performance. Program income includes but is not limited to income from fees for services performed, the use or rental of real or personal property acquired under Federal awards, the sale of commodities or items fabricated under a Federal award, license fees and royalties on patents and copyrights, and principal and interest on loans made with Federal award funds. Program Income can also include contribution made by recipients of service and interest on such contributions.

Interest earned on advances of Federal funds is not program income. Except as otherwise provided in Federal statutes, regulations, or the terms and conditions of the Federal award, program income does not include rebates, credits, discounts, and interest earned on any of them.

### **Use of Program Income**

Program income earned during the project period shall be retained by the University and, in accordance with Federal awarding agency regulations or the terms and conditions of the award, shall be used in one or more of the ways:

1. Added to funds committed to the project by the Federal awarding agency and recipient and used to further eligible project or program objectives.
2. With prior approval of the federal awarding agency, used to finance the cost sharing or matching requirement of the project or program.
3. Deducted from the total project or program allowable cost in determining the net allowable costs on which the Federal share of costs is based.

In the event that the Federal awarding agency does not specify in its regulations or the terms and conditions of the award how program income is to be used, paragraph 3 shall apply automatically to all projects or programs.

### **Cost Sharing and Matching**

With prior approval of the Federal awarding agency, program income may be used to meet the cost sharing or matching requirement of the Federal award.

### **Incidental Costs**

If authorized by Federal awarding agency regulations or the terms and conditions of the award, costs incident to the generation of program income may be deducted from gross income to determine program income, provided these costs have not been charged to the award.

### **Income After the Period of Performance**

Unless Federal awarding agency regulations or the terms and conditions of the award provide otherwise, the University shall have no obligation to the Federal Government regarding program income earned after the end of the period of performance.

Unless the Federal statute, regulations, or terms and conditions for the Federal award provide otherwise, the University is not accountable to the Federal awarding agency with respect to program income earned from license fees and royalties for copyrighted material, patents, patent applications, trademarks, and inventions made under a Federal award to which 37 CFR part 401 is applicable

## **10.8 Budget and Program Revisions Policy**

It is the policy of the University to report deviations from budget or project scope or objective. It is also the policy of the University to request prior approval from Federal awarding agencies for any of the following program or budget revisions:

1. Change in the scope or the objective of the project or program (even if there is no associated budget revision requiring prior written approval).
2. Change in a key person specified in the application or the Federal award.
3. The disengagement from the project for more than three months, or a 25 percent reduction in time devoted to the project, by the approved project director or principal investigator.
4. The inclusion, unless waived by the Federal awarding agency, of costs that require prior approval in accordance with Subpart E—Cost Principles (2 CFR Part §200.407).
5. The transfer of funds budgeted for participant support costs as defined in §200.75 Participant support costs to other categories of expense.
6. Unless described in the application and funded in the approved Federal awards, the subawarding, transferring or contracting out of any work under a Federal award. This does not apply to the acquisition of supplies, material, equipment, or general support services.
7. Changes in the amount of approved cost-sharing or matching provided by The University.
8. The need arises for additional Federal funds to complete the project.

The Federal awarding agency may, at its option, restrict the transfer of funds among direct cost categories or programs, functions and activities for Federal awards in which the Federal share of the project exceeds the Simplified Acquisition Threshold and the cumulative amount of such transfers exceeds or is expected to exceed 10 percent of the total budget as last approved by the Federal awarding agency. The Federal awarding agency may stipulate in the grant documents a higher percentage threshold at which prior approval is needed for budget line-item transfers, such as 25 percent of the total budget. The Federal awarding agency cannot permit a transfer that would cause any Federal appropriation to be used for purposes other than those consistent with the appropriation.

## 10.9 Equipment Standards Policy

The University may occasionally purchase equipment that will be used exclusively on a program funded by a Federal agency. In addition to the general property and equipment policies of the University, equipment and furniture charged to Federal awards will be subject to certain additional policies as described below.

For purposes of Federal award accounting and administration, "equipment" shall include all assets with a useful life of more than one year and a per-unit acquisition cost equal to the lesser of \$5,000 or the capitalization threshold utilized by the University. The following policies shall apply regarding equipment purchased and charged to federal awards:

### **Title**

Title to equipment acquired under a Federal award will vest upon acquisition in the University. Unless a statute specifically authorizes the Federal agency to vest title in the University without further responsibility to the Federal Government, and the Federal agency elects to do so, the title must be a conditional title. Title must vest in the University subject to the following conditions:

1. Use the equipment for the authorized purposes of the project during the period of performance, or until the property is no longer needed for the purposes of the project.
2. The University will not encumber the property without approval of the Federal awarding agency or pass-through entity.
3. Use and dispose of the property in accordance with the policies below.

### **Management Requirements**

Procedures for managing equipment (including replacement equipment), whether acquired in whole or in part under a Federal award, until disposition takes place will, as a minimum, meet the following requirements:

1. Property records will be maintained that include the following:
  - a. a description of the property,
  - b. a serial number or other identification number,
  - c. the source of funding for the property (including the FAIN),
  - d. who holds title,
  - e. the acquisition date,
  - f. and cost of the property,
  - g. percentage of Federal participation in the project costs for the Federal award under which the property was acquired,
  - h. the location, use and condition of the property,
  - i. any ultimate disposition data including the date of disposal and sale price of the property.
2. A physical inventory of the property will be taken, and the results reconciled with the property records at least once every two years.
3. A control system will be in effect to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft must be investigated.
4. Maintenance procedures will be in effect to keep the property in good condition.
5. Proper sales procedures will be in effect to ensure the highest possible return.
6. Adequate insurance coverage will be maintained with respect to equipment and furniture charged to Federal awards.
7. When title to the equipment remains vested with the Federal awarding agency, The University will submit an annual inventory listing of federally-owned property in its custody to the Federal awarding agency.

### **Use of Equipment**

Equipment must be used by the University in the program or project for which it was acquired as long as needed, whether or not the project or program continues to be supported by the Federal award, and the University must not encumber the property without prior approval of the Federal awarding agency.

When no longer needed for the original program or project, the equipment may be used in other activities supported by the Federal awarding agency, in the following order of priority:

1. Activities under a Federal award from the Federal awarding agency which funded the original program or project, then
2. Activities under Federal awards from other Federal awarding agencies. This includes consolidated equipment for information technology systems.

During the time that equipment is used on the project or program for which it was acquired, the University must also make equipment available for use on other projects or programs currently or previously supported by the Federal Government, provided that such use will not interfere with the work on the projects or program for which it was originally acquired. First preference for other use must be given to other programs or projects supported by Federal awarding agency that financed the equipment and second preference must be given to programs or projects under Federal awards from other Federal awarding agencies. Use for non-federally-funded programs or projects is also permissible. User fees should be considered if appropriate.

The University must not use equipment acquired with the Federal award to provide services for a fee that is less than private companies charge for equivalent services unless specifically authorized by Federal statute for as long as the Federal Government retains an interest in the equipment.

When acquiring replacement equipment, the University may use the equipment to be replaced as a trade-in or sell the property and use the proceeds to offset the cost of the replacement property.

When title to the equipment is vested in the Federal awarding agency, upon completion of the Federal award or when the equipment is no longer needed, the University must report the property to the Federal awarding agency for further Federal agency utilization.

### **Disposition**

When title to the equipment is vested in the University, and the equipment is no longer needed for the original project or program or for other activities currently or previously supported by a Federal awarding agency, disposition instructions will be requested from the Federal awarding agency if required by the terms and conditions of the Federal award.

Disposition of the equipment will be made as follows, in accordance with Federal awarding agency disposition instructions:

1. Items of equipment with a current per unit fair market value of \$5,000 or less may be retained, sold, or otherwise disposed of with no further obligation to the Federal awarding agency.
2. Items of equipment with a current per-unit fair-market value in excess of \$5,000 may be retained or 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. If the equipment is sold, the Federal awarding agency may permit The University to deduct and retain from the Federal share \$500 or ten percent of the proceeds, whichever is less, for its selling and handling expenses.

When title to the equipment is vested in the Federal awarding agency, upon completion of the Federal award or when the equipment is no longer needed, the University must report the property to the Federal awarding agency for further Federal agency utilization. If the Federal awarding agency has no further need for the property, it must declare the property excess and report it for disposal to the appropriate Federal disposal authority, unless the Federal awarding agency has statutory authority to dispose of the property by alternative methods. The Federal awarding agency must issue appropriate instructions.

## **10.10 Record Retention and Access Policy**

### **Record Retention**

Financial records, supporting documents, statistical records, and all other records pertinent to a Federal award must be retained for a period of three years from:

1. The date of submission of the final expenditure report or,
2. For Federal awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, as reported to the Federal awarding agency or pass-through entity.

Records for real property or equipment. Records for real property and equipment acquired with Federal funds must be retained for 3 years after final disposition.

Records for program income transactions after the period of performance. In some cases, recipients must report program income after the period of performance. Where there is such a requirement, the retention period for the records pertaining to the earning of the program income starts from the end of the University fiscal year in which the program income is earned.

Indirect cost rate computations or proposals, cost allocation plans, and any similar accounting computations of the rate at which a particular group of costs is chargeable.

1. If submitted for negotiation. If the proposal, plan, or other computation is required to be submitted to the Federal Government (or to the pass-through entity) to form the basis for negotiation of the rate, then the 3-year retention period for its supporting records starts from the date of such submission.
2. If not submitted for negotiation. If the proposal, plan, or other computation is not required to be submitted to the Federal Government (or to the pass-through entity) for negotiation purposes, then the 3-year retention period for the proposal, plan, or computation and its supporting records starts from the end of the fiscal year (or other accounting period) covered by the proposal, plan, or other computation.

### **Exceptions**

The only exceptions are the following:

1. If any litigation, claim, or audit is started before the expiration of the 3-year period, the records must be retained until all litigation, claims, or audit findings involving the records have been resolved and final action taken.
2. When the University is notified in writing by the Federal awarding agency, cognizant agency for audit, oversight agency for audit, cognizant agency for indirect costs, or pass-through entity to extend the retention period.
3. When records are transferred to or maintained by the Federal awarding agency or pass-through entity.

### **Single Audit Records**

Although the Uniform Guidance only requires retention of audit documentation for a minimum period of three years, the auditing standards (AICPA, Professional Standards, AU-C sec. 230), extend the retention requirement to five years. Therefore, if a federal award is chosen for testing during a single audit performed under 2 CFR Part 200, Subpart F, those records will be kept for the required five years.

### **Access to Records**

The Federal awarding agency, Inspectors General, the Comptroller General of the United States, and the pass-through entity, or any of their authorized representatives, will have the right of access to any documents, papers, or other records of The University which are pertinent to the Federal award, to make audits, examinations, excerpts, and transcripts. The right also includes timely and reasonable access to The University's personnel for the purpose of interview and discussion related to such documents.

## **10.11 Monitoring and Reporting Policy**

### **Financial Reporting**

The University strives to provide management, staff, and funding sources with timely and accurate financial reports applicable to federal awards.

The University shall prepare and submit financial reports as specified by the financial reporting clause of each grant or contract award document. Information will be collected with the frequency required by the terms and conditions of the Federal award, but no less frequently than annually nor more frequently than quarterly except in unusual circumstances (as specified in the grant agreement).

### **Monitoring and Reporting Program Performance**

The University is responsible for oversight of the operations of the Federal award supported activities. It is the policy of the University to monitor its activities under Federal awards to assure compliance with applicable Federal requirements and performance expectations are being achieved. Monitoring must cover each program, function, or activity.

Performance reports will be submitted at the interval required by the Federal awarding agency or pass-through entity to best inform improvements in program outcomes and productivity. Intervals must be no less frequent than annually nor more frequent than quarterly except in unusual circumstances (as specified in the grant agreement).

1. Annual reports will be submitted within 90 calendar days after the reporting period.
2. Quarterly or semiannual reports will be submitted within 30 calendar days after the reporting period.
3. Final performance report will be submitted within 120 calendar days (90 day in the case of subrecipient) after the period of performance end date, unless there is a justified request submitted and approved.

Reports will contain, for each Federal award, brief information on the following:

1. A comparison of actual accomplishments to the objectives of the Federal award established for the period. Where the accomplishments of the Federal award can be quantified, a computation of the cost (for example, related to units of accomplishment) will be included.
2. The reasons why established goals were not met, if appropriate.
3. Additional pertinent information including, when appropriate, analysis and explanation of cost overruns or high unit costs.

### *Significant Developments*

Events may occur between the scheduled performance reporting dates that have significant impact upon the supported activity. In such cases, the University must inform the Federal awarding agency or pass-through entity as soon as the following types of conditions become known:

1. Problems, delays, or adverse conditions which will materially impair the ability to meet the objective of the Federal award. This disclosure must include a statement of the action taken, or contemplated, and any assistance needed to resolve the situation.
2. Favorable developments which enable meeting time schedules and objectives sooner or at less cost than anticipated or producing more or different beneficial results than originally planned.

### **Tangible Personal Property Reporting:**

Property may be provided by the awarding agency or acquired by the recipient with award funds. Federally-owned property consists of items that were furnished by the Federal government. The University may be required to provide Federal awarding agencies with information concerning property in their custody annually, at award closeout or when the property is no longer needed. Specific requirements will vary based on award provisions, the type of property (equipment or supplies) and whether the property is Federally-owned.

The University will complete and submit a SF-428 reporting form and its attachments when it is required. This is a standard form to be used by awarding agencies to collect information related to tangible personal property (equipment and supplies) when required by a Federal financial assistance award. The form consists of the cover sheet (SF-428) and three attachments to be used as required: Annual Report, SF428-A; Final (Award Closeout) Report, SF-428-B; and a Disposition Request/Report, SF-428-C. A Supplemental Sheet, SF-428S, may be used to provide detailed individual item information.

## 10.12 Subrecipient Monitoring Policy

### **Making of Subawards**

The University may make subawards of federal funds to other organizations. All subrecipients must agree to the subrecipient monitoring provisions described in the next section.

An appropriate level of pre-award inquiry that shall be performed. The purpose of such inquiry, which may involve a site visit to a potential subrecipient, is to gain assurance that a potential subrecipient has adequate policies and procedures in place to provide reasonable assurance that it is capable complying with all applicable laws, regulations, and award provisions.

### **Elements of Subaward**

The University will ensure that every subaward is clearly identified to the subrecipient as a subaward and include the following information at the time of the subaward and if any of these data elements change, include the changes in subsequent subaward modifications. When some of this information is not available, the University will provide the best information to describe the Federal award and subaward.

Subaward agreements shall include all information necessary to identify the funds as federal funding. This information shall include:

1. Subrecipient name (which must match registered name for Unique Entity Identifier).
2. Subrecipient's Unique Entity Identifier.
3. Federal Award Identification Number (FAIN).
4. Federal Award Date.
5. Subaward Period of Performance Start and End Date.
6. Amount of Federal Funds Obligated by this action.

3. Total Amount of Federal Funds Obligated to the subrecipient.
4. Total Amount of the Federal Award.
5. Federal award project description, as required to be responsive to the Federal Funding Accountability and Transparency Act (FFATA).
6. Name of Federal awarding agency, pass-through entity, and contact information
7. Assistance Listing Number and Name; the pass-through entity must identify the dollar amount made available under each Federal award and the Assistance Listing number at time of disbursement.
8. Identification of whether the award is R&D; and
9. Indirect cost rate for the Federal award (including if the de minimis rate is charged)

Subaward agreements shall identify all applicable audit requirements, including the requirement to obtain an audit in accordance with 2 CFR Part 200 Subpart F, if the subrecipient meets the criteria for having to undergo such an audit.

Subawards shall include a listing of all applicable Federal requirements that each subrecipient must follow.

Subawards shall require that subrecipients submit financial and program reports to the University on a basis described in the subaward agreement.

Subawards shall require that subrecipients permit the University and auditors access to the subrecipient's records and financial statements, as necessary.

### **Risk Assessment**

The University will evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring, which may include consideration of such factors as:

1. The subrecipient's prior experience with the same or similar subawards.
2. The results of previous audits including whether or not the subrecipient receives a Single Audit in accordance with 2 CFR Part 200 Subpart F, and the extent to which the same or similar subaward has been audited as a major program.
3. Whether the subrecipient has new personnel or new or substantially changed systems.
4. The extent and results of Federal awarding agency monitoring (i.e., if the subrecipient also receives Federal awards directly from a Federal awarding agency).

### **Monitoring of Subrecipients**

When the University utilizes Federal funds to make subawards to subrecipients, the University is subject to a requirement to monitor each subrecipient in order to provide reasonable assurance that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved. In fulfillment of its obligation to monitor subrecipients, the following policies apply to all subawards of Federal funds made by the University to subrecipients:

1. The University will review programmatic and financial reports prepared and submitted by the subrecipient and following up on areas of concern.
2. The University will follow up and ensure that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the Federal award provided to the subrecipient from The University detected through audits, on-site reviews, and written confirmation from the subrecipient, highlighting the status of actions planned or taken to address Single Audit findings related to the particular subaward.
3. The University will issue a management decision for audit findings pertaining to the subaward as required by 2 CFR Part §200.521. The University will consider whether the results of the subrecipient's audits, on-site reviews, or other monitoring indicate conditions that necessitate adjustments to the pass-through entity's own records. The University is responsible for resolving audit findings specifically related to the subaward and not responsible for resolving crosscutting findings.
4. Ongoing monitoring of subrecipients by the University will inherently vary from subrecipient to subrecipient, based on the nature of work assigned to each subrecipient. Depending upon The University's assessment of risk posed by the subrecipient, the following monitoring tools may involve any or all of the following:
  - a. Regular contacts with subrecipients and appropriate inquiries regarding the program.
  - b. Monitoring subrecipient budgets.
  - c. Performing site visits to the subrecipient to review program operations, financial and programmatic records and assess compliance with applicable laws, regulations, and provisions of the subaward.
  - d. Providing subrecipients with training and technical assistance on program-related matters.
  - e. Establishing and maintaining a tracking system to assure timely submission of all reports required of the subrecipient.
5. Documentation shall be maintained in support of all efforts associated with the University's monitoring of subrecipients.

## **Subrecipient Noncompliance**

In connection with any subrecipient that has been found to be out of compliance with provisions of its subaward, responsive actions shall be determined. Such actions may consist of any of the following actions:

1. Increasing the level of supporting documentation that the subrecipient is required to submit on a monthly or periodic basis.
2. Requiring that subrecipient prepare a formal corrective action plan for submission.
3. Requiring that certain employees of the subrecipient undergo training in areas identified as needing improvement.
4. Requiring documentation of changes made to policies or forms used in administering the subaward.
5. Arranging for on-site (at the subrecipient's office) oversight on a periodic basis by a member of the fiscal or grant administration staff.
6. Providing copies of pertinent laws, regulations, federal agency guidelines, or other documents that may help the subrecipient.
7. Arranging with an outside party for periodic on-site monitoring visits.
8. Reimbursing after-the-fact, and not provide advances.
9. Requiring review and approval for each disbursement and all out-of-area travel.
10. As a last resort, terminating the subaward relationship and seeking an alternative.

## **10.12 Grant Proposal Policy**

### **Funding Opportunity Approval**

Prior to a grant proposal being developed, an analysis will be completed to determine if the funding opportunity aligns with the mission and vision of the University as presented in the annual budget and strategic plan.

Grant programs are most effective when they are developed to address real needs and consistent with The University's mission. Priority and approval are given to projects that support:

- Resources and equipment for projects to which the University is already committed
- Other elements of projects to which the University is already committed
- New projects that enhance specific aspects of the University's missions and current priorities and are self-supporting for their duration
- New initiatives that may not be self-supporting, but would enhance specific areas of the University's missions or current priorities

An analysis will also be done to assess resources that will be needed and applicable compliance requirements to determine if the funding opportunity should be pursued. The funding opportunity analysis shall be approved prior to application preparation.

### **Proposal Budgets**

An appropriate and anticipated budget shall be developed. Budgets are the financial reflection of the University's programmatic plans and describe the costs to be incurred by the grant project. Budgets provide a framework for achieving the goals of the project given the resources available and serve as a means to communicate that framework consistently to all appropriate staff. Accurate budgeting and adherence to budgets results in more efficient operations and increases the probability of achieving project results while still maintaining compliance with funding agency regulations. Whenever possible, budget planning should be conducted with an eye to maximizing efficiency and coordination of resources available.

Grant budgets must:

- Accurately reflect project objectives
- Realize all required matching, earmarking or set-aside requirements
- Consider and incorporate any expected sources of program income or funding support
- Be correctly allocated according to any rules and guidelines, wherever applicable
- Cover all direct and indirect project costs and any forecasted salary, benefit, service, or supply rate increases
- Comply with all grant-imposed guidelines and regulations
- Be prepared and submitted according to prescribed deadlines
- Be reviewed and approved by the granting agency, if required

### **Proposal Approval**

All grant proposals (including renewals) must be delivered for review prior to the submission deadline to ensure that proposed projects are consistent with the University priorities as outlined in the annual budget and strategic plan and that they have the support required for success. All additional information should be submitted at this time for approval:

- Any materials that the funder has requested
- Budgets
- Information that commits the University to terms and conditions
- Program subject matter and contents

## 10.13 Grant Award Acceptance Policy

### **Post-Award Procedures**

After an award has been made, the following steps shall be taken:

1. The terms, time periods, award amounts and expected expenditures associated with the award shall be identified and reviewed. An assistance listing number shall be determined for each award. All reporting requirements under the grant agreement shall be summarized.
2. New accounts/cost center/codes shall be established for the receipt and expenditure categories in line with the grant or contract budget.
3. A file shall be established for each grant. The file contains the proposal, all correspondence regarding the grant, the final signed award document and all reports submitted to the funding sources.

### **Compliance with Laws, Regulations and Provisions of Awards**

The University recognizes that as a recipient of Federal funds, it is responsible for compliance with all applicable laws, regulations, and provisions of contracts and grants. To ensure that the University meets this responsibility, the following policies apply with respect to every grant or contract received directly or indirectly from a Federal agency:

1. The University shall take all reasonable steps necessary to identify applicable changes in laws, regulations, and provisions of contracts and grants. Steps taken in this regard shall include, but not be limited to, reviewing subsequent grant renewals, reviewing any updates to agency regulation, reviewing annual revisions to the "Appendix XI to Part 200 – Compliance Supplement", and communications with Federal awarding agency personnel.
2. The University shall cooperate with the Independent Auditors by informing the CPA firm as to applicable laws, regulations, and provisions of grants and communicating known instances of noncompliance with laws, regulations, and provisions of grants to the auditors.

### **Mandatory Disclosure**

The University will take all reasonable steps necessary to identify any related violations of Federal criminal laws. In accordance with 2 CFR Part §200.113, the University must disclose, in a timely manner, in writing to the Federal awarding agency or pass-through entity all violations of Federal criminal law involving fraud, bribery, or gratuity violations potentially affecting the Federal award.

## 10.14 Grant Closeout Policy

The University shall follow the close out procedures described in 2 CFR Part §200.343, and in the grant agreements as specified by the Federal awarding agency or pass-through entity:

1. In the case of a prime recipient relationship, the University will submit, no later than 120 calendar days after the end date of the period of performance, all financial, performance, and other reports as required by or the terms and conditions of the Federal award, unless an extension is requested and justified by the University, and approved by the Federal awarding agency.
2. In the case of a subrecipient relationship, the University will submit, no later than 90 calendar days (or an earlier date as agreed upon by the pass-through entity and subrecipient) after the end date of the period of performance, all financial, performance, and other reports as required by the terms and conditions of the Federal award, unless an extension is requested and justified by the University and approved by the pass-through entity
3. Unless the Federal awarding agency or pass-through entity authorizes an extension, the University will liquidate all financial obligations incurred under the Federal award not later than 120 calendar days after the end date of the period of performance as specified in the terms and conditions of the Federal award.

4. The University will promptly refund any balances of unobligated cash that the Federal awarding agency or pass-through entity paid in advance or paid and that is not authorized to be retained by the University for use in other projects.
5. Consistent with the terms and conditions of the Federal award, the Federal awarding agency or pass-through entity must make a settlement with the University for any upward or downward adjustments to the Federal share of costs after closeout reports are received.
6. The University will account for any real and personal property acquired with Federal funds or received from the Federal government.

## 10.15 Annual Audit Policy

When the University expends \$750,000 or more of Federal awards during the fiscal year, a single or program-specific audit must be conducted for that fiscal year. The University may simultaneously be a recipient, a subrecipient, and a contractor. Federal awards expended as a recipient or a subrecipient are subject to audit. The determination of when a Federal award is expended is based on when the activity related to the Federal award occurs. Generally, the activity pertains to events that require the University to comply with Federal statutes, regulations, and the terms and conditions of Federal awards.

### *Single Audit*

When the University expends \$750,000 or more in Federal awards during the fiscal year, a single audit conducted in accordance with 2 CFR Part §200.514 Scope of audit must be performed except when it has the option to and elects to have a program-specific audit conducted in accordance with the paragraph below.

### *Program-Specific Audit*

When the University expends Federal awards under only one Federal program (excluding R&D) and the Federal program's statutes, regulations, or the terms and conditions of the Federal award do not require a financial statement audit of the auditee, the University may elect to have a program-specific audit conducted in accordance with 2 CFR Part §200.507 Program-specific audits.

When the University expends less than \$750,000 of Federal awards during the fiscal year in Federal awards, it is exempt from Federal audit requirements for that year, but records will be made available for review or audit by appropriate officials of the Federal agency, pass-through entity, and Government Accountability Office (GAO).

## **Schedule of expenditures of Federal awards**

The University will be responsible for preparing a schedule of expenditures of Federal awards for the fiscal year, which will include the total Federal awards expended as determined in accordance with 2 CFR Part §200.502. At a minimum, the schedule will:

1. List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within the cluster of programs, and provide the applicable Federal agency name.
2. For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity will be included.
3. Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available. For a cluster of programs also provide the total for the cluster.
4. Include the total amount provided to subrecipients from each Federal program.
5. For loan or loan guarantee programs, identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule.
6. Include notes that describe that significant accounting policies used in preparing the schedule and note whether or not The University elected to use the 10% de minimis cost rate.

## **Audit services**

In procuring audit services, the University will follow the procurement standards prescribed by the Procurement Standards in 2 CFR Part §200.317 through §200.327 (See Federal Procurement Standards Policy). In requesting proposals for audit services, the objectives and scope of the audit must be made clear, and the non-Federal entity must request a copy of the audit organization's peer review report which the auditor is required to provide under GAGAS. Factors to be considered in evaluating each proposal for audit services include the responsiveness to the request for proposal, relevant experience, availability of staff with professional qualifications and technical abilities, the results of peer and external quality control reviews, and price.

## Reporting package submission

As required by 2 CFR Part §200.512, once the audit is completed, it is the responsibility of the University to ensure that the data collection form and the reporting package are electronically submitted to the Federal Audit Clearinghouse. The audit must be completed, and the data collection form and reporting package must be submitted within the earlier of 30 calendar days after receipt of the auditor's report(s), or nine months after the end of the audit period. If the due date falls on a Saturday, Sunday, or Federal holiday, the reporting package is due the next business day.

## 10.16 Internal Control over Compliance Policy

It is the policy of the University to establish and maintain effective internal control over Federal awards. *Internal controls* processes will be designed and implemented to provide reasonable assurance that the University's objectives relating to compliance with the U.S. Constitution Federal statutes, regulations, and the terms and conditions of Federal awards will be achieved.

These internal controls will follow the guidance in the "2013 Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). This framework includes 5 components and the 17 principles within those components:

Components of Internal Control	Principles
Control Environment	1. Demonstrate Commitment to Integrity and Ethical Values 2. Exercise Oversight Responsibility 3. Establish Structure, Responsibility, and Authority 4. Demonstrate Commitment to Competence 5. Enforce Accountability
Risk Assessment	6. Define Objectives and Risk Tolerances 7. Identify, Analyze, and Respond to Risks 8. Assess Fraud Risk 9. Identify, Analyze, and Respond to Change
Control Activities	10. Design Control Activities 11. Design Activities for the Information System 12. Implement Control Activities
Information and Communication	13. Use Quality Information 14. Communicate Internally 15. Communicate Externally
Monitoring	16. Perform Monitoring Activities 17. Evaluate Issues and Remediate Deficiencies

### Internal Control Self-Assessment

The University will perform a self-assessment of internal controls on an as needed basis, or at least annually and include the following steps:

- Obtain a clear understanding of the current program or administrative objectives and processes.
- Obtain a clear understanding of the risks associated with such objectives and processes.
- Determine which controls are the most critical in terms of achieving these objectives.
- Determine whether there are any gaps or problems with existing controls.
- Determine whether there have been additions or changes in certain processes which would affect the existing controls.

The internal control review should include these key areas:

#### Define Objectives and Risk Tolerances

- Define objectives in specific and measurable terms to enable the design of internal control for related risks.
- Define the acceptable level of variation in performance relative to the achievement of objectives.

#### Identify, Analyze, and Respond to Risks

- Analyze risks, including both inherent and residual risk, and consider internal and external risk factors.

- Estimate the significance of the identified risks and their effect on achieving the defined objectives.
- Define specific actions to respond to the analyzed risk.

#### Assess Fraud Risk

- Consider the types of fraud that can occur (e.g., fraudulent financial reporting, misappropriation of assets, corruption), as well as other forms of misconduct (such as waste and abuse).
- Considers fraud risk factors (incentive/pressure, opportunity, and attitude/rationalization) and use this information to identify fraud risk.
- Perform a risk analysis to identify fraud risk and responds to fraud risk so they are effectively mitigated.

#### Identify, Analyze, and Respond to Change

- Identify significant changes to internal and external conditions that have already occurred, or are expected to occur, and that could significantly impact the internal control system.
- Analyze and respond to identified changes and related risks in order to maintain an effective internal control system.

Based on the evaluation above, the University will determine whether adjustments should be made to existing controls. If an adjustment is deemed necessary, policies and procedures will be updated, and changes are communicated to affected staff and management in an appropriate manner.

### **Protected Personally Identifiable Information**

The University will take reasonable measures to safeguard protected personally identifiable information and other information the Federal awarding agency or pass-through entity designates as sensitive or the non-Federal entity considers sensitive consistent with applicable Federal, State, local, and tribal laws regarding privacy and responsibility over confidentiality.

Protected Personally Identifiable Information (Protected PII) means an individual's first name or first initial and last name in combination with any one or more of types of information, including, but not limited to, social security number, passport number, credit card numbers, clearances, bank numbers, biometrics, date and place of birth, mother's maiden name, criminal, medical and financial records, educational transcripts. This does not include PII that is required by law to be disclosed.