

## PROCUREMENT FOR FEDERAL AWARDS

### PURPOSE

In order to ensure compliance with Federal requirements related to Federal grants, Edison State Community College has adopted policies on equipment, cash management, time and effort, internal controls, cost principles & spending of federal funds, and procurement.

### POLICY STATEMENT

#### Equipment Use

- (1) Equipment must be used by the College 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 College 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.
- (2) During the time equipment is used on the project or program for which it was acquired, the College 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 the 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.
- (3) Notwithstanding the encouragement in Section 200.307 of the Code of Federal Regulations (addressing Program Income), to earn program income, the College 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 interest in the equipment.
- (4) When acquiring replacement equipment, the College 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.

#### Cash 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 must be retained that include a description of the property, a serial number or other identification number, the source of funding for the property (including FAIN), who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the project costs for the Federal award under which the property was acquired, the location, use and condition of the property, and ultimate disposition data including the date of disposal and sale price of the property.
- (2) A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years.

- (3) A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft must be investigated.
- (4) Adequate maintenance procedures must be developed to keep the property in good condition.
- (5) If the College is authorized or required to sell the property, proper sales procedures must be established to ensure the highest possible return.

### Disposition

When original or replacement equipment acquired under Federal award is no longer needed for the original project or program or for other activities currently or previously supported by a Federal awarding agency, except as otherwise provide in Federal statutes, regulation, or Federal awarding agency disposition instructions, the College must request disposition instructions 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 \$5,000.00 or less may be retained, sold or otherwise disposed of with no further obligation to the Federal awarding agency.
- (2) Except as provided in Section 200.312 of the Code of Federal Regulations (addressing Federally-owned and exempt property), paragraph (b), or if the Federal awarding agency fails to provide requested disposition instructions within 120 days, items of equipment with a current per unit fair market value in excess of \$5,000.00 may be retained by the College 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 warding agency may permit the non-Federal entity to deduct and retain from the Federal share \$500 or ten percent of the proceeds, whichever is less, for its selling and handling expenses.
- (3) The College may transfer title to the property to the Federal Government or to an eligible third party provided that, in such cases, the College must be entitled to compensation for its attributable percentage of the current fair market value of the property.
- (4) In cases where the College fails to take appropriate disposition actions, the Federal awarding agency may direct the College to take disposition actions.

*Applicable Laws, Regulations, and Guidance: 2 C.F.R. 200.313*

### Cash Management of Grants

In order to provide reasonable assurance that all assets, including Federal, State, and local funds are safeguarded against waste, loss, unauthorized use, or misappropriation, the College shall implement internal controls in the area of cash management.

The College's payment methods shall minimize the time elapsing between the transfer of funds from the United States Treasury, the State of Ohio or other pass-through entity and disbursement by the College, regardless of whether the payment is made by electronic fund transfer, or issuance or redemption of checks, warrants, or payment by other means.

The College shall use forms and procedures required by the grantor agency or pass-through entity to request payment. The College shall request grant fund payments in accordance with the provisions of the grant. Additionally, the College's financial management systems shall meet the standards for fund control and accountability as established by the awarding agency.

The College is authorized to submit requests for advance payments and reimbursements at least monthly when electronic fund transfers are not used, and as often as deemed appropriate when electronic transfers are used, in accordance with the provision of the Electronic Fund Transfer Act (15 U.S.C. 1693-1693r).

When the College uses a cash advance payment method, the following standards shall apply:

- (1) The timing and amount of the advance payment requested will be as close as is administratively feasible to the actual disbursement for direct program or project costs and the appropriate share of any allowable indirect costs.
- (2) The College shall make timely payment to contractors in accordance with contract provisions.
- (3) To the extent available, the College shall disburse funds available from program income (including repayments to a revolving fund), rebates, refunds, contract settlements, audit recoveries, and interest earned on such funds requesting additional cash payments.
- (4) The College shall account for the receipt, obligation and expenditure of funds.
- (5) Advance payments will be deposited and maintained in insured accounts whenever possible.
- (6) Advance payments will be maintained in interest bearing accounts unless the following apply:
  - (a) The College receives less than \$120,000 in Federal awards per year;
  - (b) The best reasonably available interest-bearing account would not be expected to earn interest 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;
  - (d) A foreign government or banking system prohibits or precludes interest bearing accounts.
- (7) Pursuant to Federal law and regulation, the College may retain interest earned in an amount up to \$500 per year for administrative costs. 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) through and electronic medium using either Automated Clearing House ("ACH") network or a Fedwire Funds Service payment. Remittances shall include pertinent information of the payee and nature of payment in the memo area (often referred to as "addenda records" by Financial Institutions) as that will assist in the timely posting of interest earned on Federal funds. Pertinent details include the Payee Account Number (PAN) if the payment originated from PMS, or Agency information if the payment originated from ASAP, NSF or another Federal agency payment system.

*Applicable Laws, Regulations, and Guidance: 2 C.F.R. 200.305*

### **Time and Effort Reports**

Charges to Federal awards for salaries and benefits must be based on records that accurately reflect work performed. These records must:

- (1) Be supported by a system of internal controls which provide reasonable assurance that the charges are accurate, allowable, and properly allocated;
- (2) Be incorporated into the official records of the College;
- (3) Reasonably reflect the total activity for which the employee is compensated by the College, not exceeding 100% of the compensated activities;
- (4) Encompass both Federally assisted and other activities compensated by the College on an integrated basis;
- (5) Comply with the College's established accounting policies and practices;
- (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 (1) Federal award, a Federal award and non-Federal award, an indirect cost activity and a direct cost activity, or two (2) or more indirect activities which are allocated using different allocation bases, or an unallowable activity and a direct or indirect cost activity.

The College will also follow any time and effort requirements imposed by the pass-through entity to the extent that they are more restrictive than the Federal requirements. Each department is responsible for the distribution, collection, and retention of all employee effort reports.

### **Reconciliations**

Budget estimates alone are not to be used as support for charges to Federal awards. However, the College may use budget estimates for interim accounting purposes so long as:

- (1) The system used by the College to establish budget estimates produces reasonable approximations of the activity actually performed;
- (2) Any significant changes in the corresponding work activity are identified by the College and entered into the College's records in a timely manner.
- (3) The College's internal controls include a process to review after-the-fact interim charges made to a Federal award based on budget estimates and ensure that all necessary adjustments are made so that the final amount charged to the Federal award is accurate, allowable, and properly allocated.

*Applicable Laws, Regulations, and Guidance: 2 C.F.R. 200.430, 200.431*

### **PERSONS AFFECTED**

These policies apply to all employees and departments within the College.

### **DEFINITIONS**

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