

Antrim County  
Federal Funds Policies and Procedures

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## 1. Purpose

The purpose of this policy is to establish minimum policies for the management of federal awards. This policy supplements, not supersedes, existing County policies and state laws. In the event of conflicting or inconsistent information, the County will apply the most stringent policies.

A link to eCFR Part 200 is available at this address: [https://www.ecfr.gov/cgi-bin/text-idx?tpl=/ecfrbrowse/Title02/2cfr200\\_main\\_02.tpl](https://www.ecfr.gov/cgi-bin/text-idx?tpl=/ecfrbrowse/Title02/2cfr200_main_02.tpl)

## 2. General Provisions:

### A. Authority – 2 CFR Part 200

The Board of Commissioners shall ensure federal funds received by Antrim County (“the County”) are administered in accordance with federal requirements, including but not limited to the federal Uniform Grant Guidance.

### B. Delegation of Responsibility

The Board of Commissioners shall designate the requesting Department Head as the contact person for the federal program. The Board of Commissioners designates the Finance Director as the financial contact for all federal programs and funding.

The Finance Director, in collaboration with the applicable Department Heads, shall establish and maintain a sound financial management system to include internal controls and federal grant management standards covering the receipt of both direct and state-administered federal grants and to track costs and expenditures of funds associated with grant awards.

### C. Guidelines

The County’s financial management system shall be designed with strong internal controls, a high level of transparency and accountability, and documented procedures to ensure that all financial management system requirements are met. Financial management standards and procedures shall assure that the following responsibilities are fulfilled<sup>1</sup>:

Identification – The County must identify, in its accounts, all federal awards received and expended and the federal programs under which they were received.

Financial Reporting – Accurate, current, and complete disclosure of the financial results of each federal award or program must be made in accordance with the financial reporting requirements of granting agency.

Accounting Records – The County must maintain records which adequately identify the source and application of funds provided for federally-assisted activities.

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<sup>1</sup> 2 CFR 200.302 [https://www.ecfr.gov/cgi-bin/text-idx?node=se2.1.200\\_1302&rgn=div](https://www.ecfr.gov/cgi-bin/text-idx?node=se2.1.200_1302&rgn=div)

Internal Controls – Effective control and accountability must be maintained for all funds, real and personal property and other assets. The County must adequately safeguard all such property and must assure that it is used solely for authorized purposes.

Budgetary Control – Actual expenditures or outlays must be compared with budgeted amounts for each federal award. Procedures shall be developed to establish determination for allowability of costs for federal funds.

Cash Management – The County shall maintain written procedures to implement the cash management requirements found in 2 CFR Part 200, including payment requirements found in 2 CFR 200.305. See section 6.

Allowability of Costs – The County shall ensure that allowability of all costs charged to each federal award is accurately determined and documented.

D. Standards of Conduct

The County shall maintain standards of conduct covering conflicts of interest and the actions of employees and governing officials engaged in the selection, award and administration of contracts. See Antrim County Conflict of Interest Policy.<sup>2</sup>

No employee, officer, or agent may participate in the selection, award or administration of a contract supported by a federal award if they have a real or apparent conflict of interest, as well as any other circumstance in which the employee, Board of Commissioners member, any member of their immediate family, their business partner, or an organization which employs or is about to employ any of them, has a financial or other interest in or a tangible personal benefit from a firm considered for a contract.<sup>3</sup>

The officers, employees, and agents of the County may neither solicit nor accept gratuities, favors or anything of monetary value from contractors or parties to subcontracts, unless the gift is an unsolicited item of nominal value. Gifts of a nominal value may be accepted in accordance with County policy.

Organizational conflicts of interest may exist when due to the County's relationship with a subsidiary, affiliated or parent organization that is a candidate for award of a contract in

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<sup>2</sup> 2 CFR 200.112 [https://www.ecfr.gov/cgi-bin/retrieveECFR?gp=&SID=259c878ef0e9bd6675d00617aeb6d876&mc=true&n=pt2.1.200&r=PART&ty=HTML#se2.1.200\\_1112](https://www.ecfr.gov/cgi-bin/retrieveECFR?gp=&SID=259c878ef0e9bd6675d00617aeb6d876&mc=true&n=pt2.1.200&r=PART&ty=HTML#se2.1.200_1112)

<sup>3</sup> 2 CFR 200.318(c)(1) [https://www.ecfr.gov/cgi-bin/retrieveECFR?gp=&SID=259c878ef0e9bd6675d00617aeb6d876&mc=true&n=pt2.1.200&r=PART&ty=HTML#se2.1.200\\_1318](https://www.ecfr.gov/cgi-bin/retrieveECFR?gp=&SID=259c878ef0e9bd6675d00617aeb6d876&mc=true&n=pt2.1.200&r=PART&ty=HTML#se2.1.200_1318)

connection with federally funded activities, the County may be unable or appear to be unable to be impartial in conducting a procurement action involving a related organization<sup>4</sup>.

In the event of a potential organizational conflict, the potential conflict shall be reviewed to determine whether it is likely that the County would be unable or appear to be unable to be impartial in making the award. If such a likelihood exists, this shall not disqualify the related organization; however, the following mitigating measures shall be applied:

1. The organizational relationship shall be disclosed as part of any notices to potential contractors;
2. Any County employees or officials directly involved in the activities of the related organization are excluded from the selection and award process;
3. A competitive bid, quote or other basis of valuation is considered; and
4. The Board of Commissioners has determined that contracting with the related organization is in the best interests of the program involved.

All employees shall be informed of conduct that is required for federal fiscal compliance and the disciplinary actions that may result from violation of the County's policies, administrative regulations, rules and procedures.

#### E. Record Keeping

The County shall follow the State of Michigan's guidelines for the retention of records. Any records associated with a federal award will be retained for no less than five (5) years from the date on which the final Financial Status Report is submitted, or as otherwise specified in the requirements of the federal award, unless a written extension is provided by the awarding agency or the cognizant/oversight agency for audit.

The County shall ensure the proper maintenance of federal fiscal records documenting the following<sup>5</sup>:

1. Amount of federal funds.
2. How funds are used.
3. Total cost of each project.
4. Share of total cost of each project provided from other sources.
5. Other records to facilitate an effective audit.
6. Other records to show compliance with federal program requirements.
7. Significant project experiences and results.

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<sup>4</sup> 2 CFR 200.318 (c)(2) [https://www.ecfr.gov/cgi-bin/retrieveECFR?gp=&SID=259c878ef0e9bd6675d00617aeb6d876&mc=true&n=pt2.1.200&r=PART&ty=HTML#se2.1.200\\_1318](https://www.ecfr.gov/cgi-bin/retrieveECFR?gp=&SID=259c878ef0e9bd6675d00617aeb6d876&mc=true&n=pt2.1.200&r=PART&ty=HTML#se2.1.200_1318)

<sup>5</sup> 2 CFR 200.333 [https://www.ecfr.gov/cgi-bin/retrieveECFR?gp=&SID=259c878ef0e9bd6675d00617aeb6d876&mc=true&n=pt2.1.200&r=PART&ty=HTML#se2.1.200\\_1333](https://www.ecfr.gov/cgi-bin/retrieveECFR?gp=&SID=259c878ef0e9bd6675d00617aeb6d876&mc=true&n=pt2.1.200&r=PART&ty=HTML#se2.1.200_1333)

The County shall provide the federal awarding agency, external auditors, Inspectors General, the Comptroller General of the United States, and the pass-through entity, or any of their authorized representatives, the right of access to any documents, papers, or other County records which are pertinent to the federal award. The County shall also permit timely and reasonable access to the County's personnel for the purpose of interview and discussion related to such documents<sup>6</sup>.

F. Compliance Violations

Employees and contractors involved in federally funded programs and subrecipients shall be made aware that failure to comply with federal law, regulations or terms and conditions of a federal award may result in the federal awarding agency or pass-through entity imposing additional conditions or terminating the award in whole or in part.<sup>7</sup>

G. Training

All employees involved in administering federal awards are encouraged to seek grants training from qualified sources. A free example is available from the Chief Financial Officers Council, <https://www.cfo.gov/grants-training/>.

**3. Grant Application, Acceptance, and Approval**

Department Heads or Elected Officials who wish to apply for a federal grant must request advance authorization from the Board of Commissioners to apply for the grant and to accept the grant if awarded. The request to the board shall specify if the grant will require the County, or any other local entity, to contribute matching funds, resources, or other costs if the grant is received. If the County will incur costs if the grant is received, staff's request to the Board of Commissioners shall identify the budgeted source for the costs. The request shall also provide a summary of the nature of the grant, to include whether the grant will pay for salaries/compensation, whether the grant will involve a subrecipient award(s), and other pertinent details.

The board action request will name the grant manager; this typically will be the department head or elected official applying for or receiving the benefits of the grant.

Approval of the Board of Commissioners must be obtained prior to submitting the grant application to the federal agency, except when unusual circumstances justify submitting the grant application in advance of Board approval. If unusual circumstances apply, authorization will be considered by the County Administrator, Finance Director, and Board Chair. If the County Administrator, Finance

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<sup>6</sup> 2 CFR 200.336(a) [https://www.ecfr.gov/cgi-bin/retrieveECFR?gp=&SID=259c878ef0e9bd6675d00617aeb6d876&mc=true&n=pt2.1.200&r=PART&ty=HTML#se2.1.200\\_1336](https://www.ecfr.gov/cgi-bin/retrieveECFR?gp=&SID=259c878ef0e9bd6675d00617aeb6d876&mc=true&n=pt2.1.200&r=PART&ty=HTML#se2.1.200_1336)

<sup>7</sup> 2 CFR 200.338 [https://www.ecfr.gov/cgi-bin/retrieveECFR?gp=&SID=259c878ef0e9bd6675d00617aeb6d876&mc=true&n=pt2.1.200&r=PART&ty=HTML#se2.1.200\\_1338](https://www.ecfr.gov/cgi-bin/retrieveECFR?gp=&SID=259c878ef0e9bd6675d00617aeb6d876&mc=true&n=pt2.1.200&r=PART&ty=HTML#se2.1.200_1338)

Director, and Board Chair give initial approval for the grant application, board approval may be obtained after submission of the grant application has occurred.

Prior to approval by the Board of Commissioners, unless unusual circumstances exist, new grant agreements will be submitted to the County's legal counsel for review. Grant renewals will, at a minimum, be reviewed by the County Administrator or Finance Director for changes from the prior award or determination of the need for legal review. The Finance Director should be notified of federal grant applications prior to the board meeting. At the time of notification, the Finance Director will provide the Department Head with the applicable section of the most recently available compliance supplement covering the grant, if applicable. See appendix A for a sample of the compliance supplement.

Upon award of the grant, the Department Head or designee shall provide the Finance Director with a copy of the award, including the grant agreement, terms and conditions, and other controlling grant documents. Questions regarding the terms of the grant may be directed to the Finance Director, County Administrator, or County Attorney. With limited exceptions, such as when expenditures are paid by an outside agency, the Department Head will meet with the Finance Director to enter all pertinent information in the accounting system to track costs and reimbursements.

#### **4. Activities Allowed or Unallowed**

Because the nature of activities allowed or unallowed varies by each awarding agency and award, the Department Head is responsible for understanding the award agreement and the information contained in the compliance supplement. The Department Head is responsible for determining the allowability of the activities performed under the grant.

If there are questions regarding the allowability of any activities, questions may be directed to the awarding agency, Finance Director, County Administrator, or County Attorney, as appropriate.

#### **5. Allowable Costs/Cost Principles**

Expenditures must be aligned with approved budgeted items. Prior Board of Commissioners approval is needed before any changes or variations from the Board of Commissioners-approved budget and grant application are made. Deviations from the budget approved through the grant award must be reported to the federal agency, and the agency's approval may be required before some budget changes can occur.<sup>8</sup>

##### **A. Delegation of Responsibility**

When determining how the County will spend its grant funds, the applicable Head will review the proposed cost to determine whether it is an allowable use of federal grant funds before obligating and spending those funds on the proposed good or service.

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<sup>8</sup> 2 CFR 200.308 [https://www.ecfr.gov/cgi-bin/retrieveECFR?gp=&SID=259c878ef0e9bd6675d00617aeb6d876&mc=true&n=pt2.1.200&r=PART&ty=HTML#se2.1.200\\_1308](https://www.ecfr.gov/cgi-bin/retrieveECFR?gp=&SID=259c878ef0e9bd6675d00617aeb6d876&mc=true&n=pt2.1.200&r=PART&ty=HTML#se2.1.200_1308)

## B. Allowability Determinations

All costs supported by federal funds must meet the standards outlined in 2 CFR Part 200, Subpart E<sup>9</sup>. The Department Head must consider these factors when making an allowability determination. A section entitled, Helpful Questions for Determining Whether Costs are Allowable, is included as Appendix B to this document.

Part 200 sets forth general cost guidelines that must be considered, as well as rules for specific types of items, both of which must be considered when determining whether a cost is an allowable expenditure of federal funds. The expenditure must also be allowable under the applicable program statute along with accompanying program regulations, nonregulatory guidance and grant award terms and conditions. Whichever allowability requirements are stricter will govern whether a cost is allowable.

Generally, costs must meet the following general criteria to be allowable<sup>10</sup>:

1. Must be necessary and reasonable for the performance of the federal award.

A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision to incur the cost was made. For example, reasonable means that sound business practices were followed and purchases were comparable to market prices.

When determining reasonableness of a cost, consideration must be given to the following:

1. Whether the cost is a type generally recognized as ordinary and necessary for the operation of the County or the proper and efficient performance of the federal award.
2. The restraints or requirements imposed by such factors as: sound business practices; arm's-length bargaining; federal, state and other laws and regulations; and terms and conditions of the federal award.
3. Market prices for comparable goods or services for the geographic area.
4. Whether the individual incurring the cost acted with prudence in the circumstances considering responsibilities to the County, its employees the public at large, and the federal government.
5. Whether the County significantly deviates from its established practices and policies regarding the incurrence of costs, which may unjustifiably increase the federal award's cost.

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<sup>9</sup> 2 CFR 200 Subpart E <https://www.ecfr.gov/cgi-bin/retrieveECFR?gp=&SID=259c878ef0e9bd6675d00617aeb6d876&mc=true&n=pt2.1.200&r=PART&ty=HTML#sp2.1.200.e>

<sup>10</sup> 2 CFR 200.403 [https://www.ecfr.gov/cgi-bin/retrieveECFR?gp=&SID=259c878ef0e9bd6675d00617aeb6d876&mc=true&n=pt2.1.200&r=PART&ty=HTML#se2.1.200\\_1403](https://www.ecfr.gov/cgi-bin/retrieveECFR?gp=&SID=259c878ef0e9bd6675d00617aeb6d876&mc=true&n=pt2.1.200&r=PART&ty=HTML#se2.1.200_1403)

The determination of whether a cost is necessary will be based on the needs of the program. Specifically, the expenditure must be necessary to achieve an important program objective. A key aspect in determining whether a cost is necessary is whether the County can demonstrate that the cost addresses an existing need and can prove it.

When determining whether a cost is necessary, consideration may be given to:

- i. Whether the cost is needed for the proper and efficient performance of the federal award program.
  - ii. Whether the cost is identified in the approved budget or application.
  - iii. Whether the cost addresses program goals and objectives and is based on program data.
2. Must conform to any limitations or exclusions set forth as cost principles in Part 200 or in the terms and conditions of the federal award as to the types or amount of cost items.
  3. Must be consistent with County policies and procedures that apply uniformly to both federally-financed and other activities of the County.
  4. Must be consistent in treatment.  
A cost cannot 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 or assigned under another award as an indirect cost
  5. Must be calculated in accordance with generally accepted accounting principles (GAAP), unless provided otherwise in Part 200.
  6. Must not be included as a match or cost-share, unless the specific federal program authorizes federal funds to be treated as such.
  7. Must be adequately documented.
  8. Must be allocable to the federal award<sup>11</sup>.  
A cost is allocable to the federal award if the goods or services involved are chargeable or assignable to the federal award in accordance with the relative benefit received. This means that the federal grant program derived a benefit in proportion to the funds charged to the program.

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<sup>11</sup> 2 CFR 200.405 [https://www.ecfr.gov/cgi-bin/retrieveECFR?gp=&SID=259c878ef0e9bd6675d00617aeb6d876&mc=true&n=pt2.1.200&r=PART&ty=HTML#se2.1.200\\_1405](https://www.ecfr.gov/cgi-bin/retrieveECFR?gp=&SID=259c878ef0e9bd6675d00617aeb6d876&mc=true&n=pt2.1.200&r=PART&ty=HTML#se2.1.200_1405)



9. Must be the net of all applicable credits<sup>12</sup>.

The term “applicable credits” refers to those receipts or reduction of expenditures that operate to offset or reduce expense items allocable to the federal award. Typical examples of such transactions are: purchase discounts; rebates or allowances; recoveries or indemnities on losses; and adjustments of overpayments or erroneous charges. To the extent that such credits accruing to or received by the state relate to the federal award, they shall be credited to the federal award, either as a cost reduction or a cash refund, as appropriate.

#### C. Payroll

Payroll and other employee expenses charged to federal awards may include wages and salaries and fringe benefits for employees. The cost of employee must be valued at the employee’s regular rate of pay plus an amount of fringe benefits that is reasonable, necessary, allocable, and otherwise allowable<sup>13</sup>.

The following documentation of salaries and fringe benefits must be reasonable to the services rendered and follow the documentation and support guidelines as follows<sup>14</sup>:

1. Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated
2. Be incorporated into the official records of the County
3. Reasonably reflect the total activity for which the employee is compensated by the County, not exceeding 100% of compensated activities
4. Encompass both federally assisted and all other activities compensated by the County on an integrated basis, but may include the use of subsidiary records as defined in the County's payroll policy
5. Comply with the established accounting policies and practices of the County
6. Support the distribution of time worked between awards, during an award and non-award, or between direct and indirect activities.

#### D. Travel Reimbursements

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 County. 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

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<sup>12</sup> 2 CFR 200.406 [https://www.ecfr.gov/cgi-bin/retrieveECFR?gp=&SID=259c878ef0e9bd6675d00617aeb6d876&mc=true&n=pt2.1.200&r=PART&ty=HTML#se2.1.200\\_1406](https://www.ecfr.gov/cgi-bin/retrieveECFR?gp=&SID=259c878ef0e9bd6675d00617aeb6d876&mc=true&n=pt2.1.200&r=PART&ty=HTML#se2.1.200_1406)

<sup>13</sup> 2 CFR 200.306(f) [https://www.ecfr.gov/cgi-bin/retrieveECFR?gp=&SID=db2195be770b0fa10d4fff907bb71493&mc=true&n=sp2.1.200.d&r=SUBPART&ty=HTML#se2.1.200\\_1306](https://www.ecfr.gov/cgi-bin/retrieveECFR?gp=&SID=db2195be770b0fa10d4fff907bb71493&mc=true&n=sp2.1.200.d&r=SUBPART&ty=HTML#se2.1.200_1306)

<sup>14</sup> 2 CFR 200.430(i) [https://www.ecfr.gov/cgi-bin/retrieveECFR?gp=&SID=db2195be770b0fa10d4fff907bb71493&mc=true&n=pt2.1.200&r=PART&ty=HTML#se2.1.200\\_1430](https://www.ecfr.gov/cgi-bin/retrieveECFR?gp=&SID=db2195be770b0fa10d4fff907bb71493&mc=true&n=pt2.1.200&r=PART&ty=HTML#se2.1.200_1430)

circumstances in the County's non-federally-funded activities and in accordance with County's written travel reimbursement policies<sup>15</sup>.

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 County in its regular operations as the result of the County's travel policy. In addition, if these costs are charged directly to the Federal award documentation must justify that participation is necessary to the federal award and the costs are reasonable and consistent with the County's travel policy<sup>16</sup>.

The County will use the least expensive unrestricted accommodations for commercial air travel, unless the least expensive option would require unusual routing, unreasonable hours, unnecessarily prolong travel, result in additional costs that would offset savings, or do not meet the traveler's medical needs<sup>17</sup>.

#### E. Selected Items of Cost

Subpart E of Part 200 sets forth principles to be applied in establishing the allowability of 55 specific cost items (commonly referred to as Selected Items of Cost), at 2 CFR Sec. 200.420-200.475. These principles are in addition to the other general allowability standards and apply whether or not a particular item of cost is properly treated as direct cost or indirect cost. Meeting the specific criteria for a listed item does not by itself mean the cost is allowable, as it may be unallowable under other standards or for other reasons, such as restrictions contained in the terms and conditions of a particular grant or restrictions established by the state or in County policy. If an item is unallowable for any of these reasons, federal funds cannot be used to purchase it<sup>18</sup>.

Department Heads are responsible for spending federal grant funds and for determining allowability must be familiar with and refer to the Part 200 selected items of cost section. These rules must be followed when charging these specific expenditures to a federal grant. When applicable, employees must check costs against the selected items of cost requirements to ensure the cost is allowable, and also check state, County and program-specific rules.

A summary of these items is included in Appendix C.

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<sup>15</sup> 2 CFR 200.474(a) [https://www.ecfr.gov/cgi-bin/retrieveECFR?gp=&SID=db2195be770b0fa10d4fff907bb71493&mc=true&n=pt2.1.200&r=PART&ty=HTML#se2.1.200\\_1474](https://www.ecfr.gov/cgi-bin/retrieveECFR?gp=&SID=db2195be770b0fa10d4fff907bb71493&mc=true&n=pt2.1.200&r=PART&ty=HTML#se2.1.200_1474)

<sup>16</sup> 2 CFR 200.474(b) [https://www.ecfr.gov/cgi-bin/retrieveECFR?gp=&SID=db2195be770b0fa10d4fff907bb71493&mc=true&n=pt2.1.200&r=PART&ty=HTML#se2.1.200\\_1474](https://www.ecfr.gov/cgi-bin/retrieveECFR?gp=&SID=db2195be770b0fa10d4fff907bb71493&mc=true&n=pt2.1.200&r=PART&ty=HTML#se2.1.200_1474)

<sup>17</sup> 2 CFR 200.474(e) [https://www.ecfr.gov/cgi-bin/retrieveECFR?gp=&SID=db2195be770b0fa10d4fff907bb71493&mc=true&n=pt2.1.200&r=PART&ty=HTML#se2.1.200\\_1474](https://www.ecfr.gov/cgi-bin/retrieveECFR?gp=&SID=db2195be770b0fa10d4fff907bb71493&mc=true&n=pt2.1.200&r=PART&ty=HTML#se2.1.200_1474)

<sup>18</sup> 2 CFR 200.420 [https://www.ecfr.gov/cgi-bin/retrieveECFR?gp=&SID=259c878ef0e9bd6675d00617aeb6d876&mc=true&n=pt2.1.200&r=PART&ty=HTML#sg2.1.200\\_1419.sg16](https://www.ecfr.gov/cgi-bin/retrieveECFR?gp=&SID=259c878ef0e9bd6675d00617aeb6d876&mc=true&n=pt2.1.200&r=PART&ty=HTML#sg2.1.200_1419.sg16)

## 6. Cash Management

Generally, the County receives payments from the State of Michigan or directly from the federal granting agency on a reimbursement basis. In some circumstances, the County may receive an advance of federal grant funds. This section addresses responsibilities of the County and staff under those alternative payment methods. In every case, the County shall maintain accounting methods and internal controls and procedures that assure those responsibilities are met.

### A. Reimbursements

The County will initially pay federal grant expenditures from nonfederal funds. The Department Head or designee will request reimbursement from the federal agency for actual expenditures incurred under the federal grants on a monthly or quarterly basis, depending on the provisions of the grant agreement.

The Department Head or designee shall submit the reimbursement request to the granting agency on the appropriate form through the grantor-designated portal or State agency. A copy of the reimbursement request shall be provided to the Finance Director at the same time. All reimbursements shall be based on actual disbursements, not on obligations. Department Heads will process reimbursement requests within the timeframes required by the grant agreement for disbursement.

Consistent with state and federal requirements, the County will maintain source documentation supporting the federal expenditures (invoices, time sheets, payroll stubs, etc.) and will make such documentation available for review upon request.

### B. Advances

When the County receives advance payments of federal grant funds, it must minimize the time elapsing between the transfer of funds to the County and the expenditure of those funds on allowable costs of the applicable federal program<sup>19</sup>.

When applicable, the County shall use existing resources available within a program before requesting advances. Such resources include program income (including repayments to a revolving fund), rebates, refunds, contract settlements, audit recoveries, and interest earned on such funds<sup>20</sup>.

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<sup>19</sup> 2 CFR 200.305 [https://www.ecfr.gov/cgi-bin/text-idx?SID=7c5a9b8e9bbdd9a08609085cade21d1d&mc=true&node=se2.1.200\\_1305&rgn=div8](https://www.ecfr.gov/cgi-bin/text-idx?SID=7c5a9b8e9bbdd9a08609085cade21d1d&mc=true&node=se2.1.200_1305&rgn=div8)

<sup>20</sup> 2 CFR 200.305(b)(5) [https://www.ecfr.gov/cgi-bin/retrieveECFR?gp=&SID=db2195be770b0fa10d4fff907bb71493&mc=true&n=sp2.1.200.d&r=SUBPART&ty=HTML#se2.1.200\\_1305](https://www.ecfr.gov/cgi-bin/retrieveECFR?gp=&SID=db2195be770b0fa10d4fff907bb71493&mc=true&n=sp2.1.200.d&r=SUBPART&ty=HTML#se2.1.200_1305)

The County shall hold federal advance payments in insured, interest-bearing accounts, unless it is impractical to do so<sup>21</sup>. The County shall not retain any interest above \$500 earned on federal grant cash balances<sup>22</sup>. Any interest earned on federal grant funds will be remitted annually to the federal awarding agency. Remittance of interest shall be responsibility of the Finance Office.

## **7. Eligibility**

Because the nature of eligibility varies by each awarding agency and award, the Department Head is responsible for understanding the award agreement and the information contained in the compliance supplement. The Department Head is responsible for determining the eligibility of the participants under the grant.

If there are questions regarding eligibility, questions may be directed to the awarding agency, Finance Director, County Administrator, or County Attorney, as appropriate.

## **8. Equipment/Real Property Management**

### **A. Contract and Purchasing Administration**

The County maintains internal controls and policies to ensure that contractors deliver goods and services in accordance with the terms, conditions and specifications of the designated contract, purchase order or requisition.

### **B. Inventory Control/Management**

Inventory will be received by the department or program requesting the item; designated staff will inspect the property, compare it to the applicable purchase order or requisition, and notify the Finance Director, who will ensure it is appropriately recorded on the County's property management system.

Items acquired will be tracked by source of funding and acquisition date.

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<sup>21</sup> 2 CFR 200.305(b)(8) [https://www.ecfr.gov/cgi-bin/retrieveECFR?gp=&SID=db2195be770b0fa10d4fff907bb71493&mc=true&n=sp2.1.200.d&r=SUBPART&ty=HTML#se2.1.200\\_1305](https://www.ecfr.gov/cgi-bin/retrieveECFR?gp=&SID=db2195be770b0fa10d4fff907bb71493&mc=true&n=sp2.1.200.d&r=SUBPART&ty=HTML#se2.1.200_1305)

<sup>22</sup> 2 CFR 200.305(b)(9) [https://www.ecfr.gov/cgi-bin/retrieveECFR?gp=&SID=db2195be770b0fa10d4fff907bb71493&mc=true&n=sp2.1.200.d&r=SUBPART&ty=HTML#se2.1.200\\_1305](https://www.ecfr.gov/cgi-bin/retrieveECFR?gp=&SID=db2195be770b0fa10d4fff907bb71493&mc=true&n=sp2.1.200.d&r=SUBPART&ty=HTML#se2.1.200_1305)

Inventory records of equipment and computing devices purchased with federal funds must be current and available for review and audit. Such inventory records shall include the following information<sup>23</sup>:

- A. Description of the item, including any manufacturer's model number.
- B. Manufacturer's serial number or other identification number.
- C. Identification of funding source (including the FAIN).
- D. Identity of title holder, if applicable.
- E. Acquisition date
- F. Unit cost.
- G. Source of items, such as company name.
- H. Percentage of federal funds used in the purchase.
- I. Present location, use, condition of item, and date information was reported.
- J. Pertinent information on the ultimate transfer, replacement or disposition of the item including the date of disposal and sale price of the property.

Biennial Physical Inventory - The physical inventory of items will be conducted once every two years by the Finance Director and the Department Heads and the results will be reconciled with the inventory records<sup>24</sup>.

Maintenance – The Department Head or designee shall establish adequate maintenance procedures to ensure that property is maintained in good condition in accordance with law, grant regulations and County policy<sup>25</sup>. The County will establish safeguards to prevent loss, damage, or theft of the property<sup>26</sup>.

C. Disposition

When the County determines that equipment or supplies acquired under a federal award are no longer needed for the original project or program or for other activities currently or previously supported by a federal awarding agency, the Department Head will contact the federal awarding agency or pass-through entity administering the program to obtain disposition instructions, based on the fair market value of the equipment or supplies as follows<sup>27</sup>:

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<sup>23</sup> 2 CFR 200.313(d)(1) [https://www.ecfr.gov/cgi-bin/retrieveECFR?gp=&SID=db2195be770b0fa10d4fff907bb71493&mc=true&n=sp2.1.200.d&r=SUBPART&ty=HTML#se2.1.200\\_1313](https://www.ecfr.gov/cgi-bin/retrieveECFR?gp=&SID=db2195be770b0fa10d4fff907bb71493&mc=true&n=sp2.1.200.d&r=SUBPART&ty=HTML#se2.1.200_1313)

<sup>24</sup> 2 CFR 200.313 (d)(2) [https://www.ecfr.gov/cgi-bin/retrieveECFR?gp=&SID=db2195be770b0fa10d4fff907bb71493&mc=true&n=sp2.1.200.d&r=SUBPART&ty=HTML#se2.1.200\\_1313](https://www.ecfr.gov/cgi-bin/retrieveECFR?gp=&SID=db2195be770b0fa10d4fff907bb71493&mc=true&n=sp2.1.200.d&r=SUBPART&ty=HTML#se2.1.200_1313)

<sup>25</sup> C CFR 200.313(d)(4) [https://www.ecfr.gov/cgi-bin/retrieveECFR?gp=&SID=db2195be770b0fa10d4fff907bb71493&mc=true&n=sp2.1.200.d&r=SUBPART&ty=HTML#se2.1.200\\_1313](https://www.ecfr.gov/cgi-bin/retrieveECFR?gp=&SID=db2195be770b0fa10d4fff907bb71493&mc=true&n=sp2.1.200.d&r=SUBPART&ty=HTML#se2.1.200_1313)

<sup>26</sup> 2 CFR 200.313(d)(3) [https://www.ecfr.gov/cgi-bin/retrieveECFR?gp=&SID=db2195be770b0fa10d4fff907bb71493&mc=true&n=sp2.1.200.d&r=SUBPART&ty=HTML#se2.1.200\\_1313](https://www.ecfr.gov/cgi-bin/retrieveECFR?gp=&SID=db2195be770b0fa10d4fff907bb71493&mc=true&n=sp2.1.200.d&r=SUBPART&ty=HTML#se2.1.200_1313)

<sup>27</sup> 2 CFR 200.313(e) [https://www.ecfr.gov/cgi-bin/retrieveECFR?gp=&SID=db2195be770b0fa10d4fff907bb71493&mc=true&n=sp2.1.200.d&r=SUBPART&ty=HTML#se2.1.200\\_1313](https://www.ecfr.gov/cgi-bin/retrieveECFR?gp=&SID=db2195be770b0fa10d4fff907bb71493&mc=true&n=sp2.1.200.d&r=SUBPART&ty=HTML#se2.1.200_1313)

1. If the fair market value of the property to be disposed is \$5,000 or less, the County may transfer to another department, sell, or scrap the asset.
2. If the fair market value of the property to be disposed is greater than \$5,000, the County may retain or sell the property. In this case, the awarding agency is entitled to its percentage participation, either (1) the fair market value or (2) the proceeds of sale, less 10% or \$500 fee for selling and handling, whichever is less.
3. The County may transfer title of the asset to the Federal Government or an eligible third party. In which case, the County is entitled to compensation for its eligible percentage of participation in the fair market value of the asset.

If the determination of the awarding agency is to forfeit the asset to the County, the County will follow its general asset disposition policies.

The Department Head shall notify the Finance Director of sales of assets for recording in the asset schedules.

#### **9. Matching, Level of Effort, Earmarking**

Most requirements for matching, level of effort and earmarking are specific to each program. It is the responsibility of the Department Head to know and understand the requirements in the grant agreement and compliance supplement.

##### **F. Definitions:**

- A. Matching or cost sharing: requirements to provide contributions (usually nonfederal) of a specified amount or percentage to match federal awards. Matching may be in the form of allowable costs incurred or in-kind contributions (including third-party in-kind contributions).
- B. Level of effort: requirements for (a) a specified level of service to be provided from period to period, (b) a specified level of expenditures from non-federal or federal sources for specified activities to be maintained from period to period, and (c) federal funds to supplement and not supplant non-federal funding of services.
- C. Earmarking: requirements that specify the minimum and/or maximum amount or percentage of the program's funding that must/may be used for specified activities, including funds provided to subrecipients. Earmarking may also be specified in relation to the types of participants covered.

G. Matching:

In general, matching contributions to the award will include cash and in-kind contributions if the following criteria are met<sup>28</sup>:

1. Verifiable from the County's records
2. Are not included as contributions for any other federal award
3. Are necessary and reasonable for the accomplishment of the program objectives
4. Allowable under Subpart E Cost Principles – See section 5 Allowable Costs/Cost Principles
5. Are not paid by the Federal Government under another Federal award, except where the Federal statute authorizing a program specifically provides that Federal funds made available for such program can be applied to matching or cost sharing requirements of other Federal programs
6. Are provided for in the approved budget when required by the federal awarding agency.

**10. Period of Performance**

The County will only charge to the Federal award only allowable costs incurred during the period of performance (except as described in §200.461 Publication and printing costs) and any costs incurred before the Federal awarding agency or pass-through entity made the Federal award that were authorized by the Federal awarding agency or pass-through entity<sup>29</sup>.

The Department Head is responsible for ensuring that all obligations in carrying out the award are incurred during this timeframe and obligations are paid in a timely manner.

**11. Procurement, Suspension & Debarment**

This section is intended to integrate the federal Uniform Guidance to State law and the County's existing procurement procedures for purchases made with federal funds. These policies are in addition to, not in lieu of, State law and the County's purchasing and bid policies. In the event of conflicting information between this document and State law or other County policies, such as the bidding threshold, the County will use the most stringent guidelines.

A. Purchase Methods

1. Micro-Purchases Not Requiring Quotes or Bidding (up to \$3,000<sup>30</sup>)

Procurement by micro-purchase is the acquisition of supplies or services, the aggregate dollar amount of which does not exceed the micro-purchase threshold. For purposes of this procedure, micro-purchase means a purchase of equipment, supplies or services for

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<sup>28</sup> 2 CFR 200.306 [https://www.ecfr.gov/cgi-bin/retrieveECFR?gp=&SID=db2195be770b0fa10d4fff907bb71493&mc=true&n=sp2.1.200.d&r=SUBPART&ty=HTML#se2.1.200\\_1306](https://www.ecfr.gov/cgi-bin/retrieveECFR?gp=&SID=db2195be770b0fa10d4fff907bb71493&mc=true&n=sp2.1.200.d&r=SUBPART&ty=HTML#se2.1.200_1306)

<sup>29</sup> 2 CFR 200.309 [https://www.ecfr.gov/cgi-bin/retrieveECFR?gp=&SID=db2195be770b0fa10d4fff907bb71493&mc=true&n=pt2.1.200&r=PART&ty=HTML#se2.1.200\\_1309](https://www.ecfr.gov/cgi-bin/retrieveECFR?gp=&SID=db2195be770b0fa10d4fff907bb71493&mc=true&n=pt2.1.200&r=PART&ty=HTML#se2.1.200_1309)

<sup>30</sup> 2 CFR 200.67 [https://www.ecfr.gov/cgi-bin/retrieveECFR?gp=&SID=db2195be770b0fa10d4fff907bb71493&mc=true&n=pt2.1.200&r=PART&ty=HTML#se2.1.200\\_167](https://www.ecfr.gov/cgi-bin/retrieveECFR?gp=&SID=db2195be770b0fa10d4fff907bb71493&mc=true&n=pt2.1.200&r=PART&ty=HTML#se2.1.200_167)

use in federally funded programs using simplified acquisition procedures, the aggregate amount of which does not exceed a base amount of \$3,000.

The micro-purchase method is used in order to expedite the completion of its lowest dollar small purchase transactions and minimize the associated administrative burden and cost. To the extent practicable, the County distributes micro-purchases equitably among qualified suppliers when the same or materially interchangeable products are identified and such suppliers offer effectively equivalent rates, prices and other terms. The Department Head will be responsible to determine the equitable distribution of micro-purchases<sup>31</sup>.

Micro-purchases may be awarded without soliciting competitive quotations if the Department Head considers the price to be reasonable. The County will maintain evidence of this reasonableness in the records of all micro-purchases. Reasonable means that sound business practices were followed and the purchase is comparable to market prices for the geographic area. Such determinations of reasonableness may include comparison of the price to previous purchases of the same item or comparison of the price of items similar to the item being purchased.

Even if the cost of a purchase qualifies it as a micro-purchase, bidding or small purchase procedures may be used optionally when those procedures may result in cost savings.

2. Small Purchase Procedures (greater than \$3,000, but less than the bid limits of \$150,000<sup>32</sup>)

For purposes of this procedure, small purchase procedures are those relatively simple and informal procurement methods which do not exceed the simplified acquisition threshold.

Small purchases may be made without formal competitive bid/proposals so long as the Department Head or designee first obtains and documents written or telephonic price or rate quotations from an adequate number of qualified sources<sup>33</sup>.

3. Formal Competitive Bidding (greater than \$150,000)

1. Publicly Solicited Sealed Competitive Bids:

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<sup>31</sup> 2 CFR 200.320(a) [https://www.ecfr.gov/cgi-bin/retrieveECFR?gp=&SID=db2195be770b0fa10d4fff907bb71493&mc=true&n=pt2.1.200&r=PART&ty=HTML#se2.1.200\\_1320](https://www.ecfr.gov/cgi-bin/retrieveECFR?gp=&SID=db2195be770b0fa10d4fff907bb71493&mc=true&n=pt2.1.200&r=PART&ty=HTML#se2.1.200_1320)

<sup>32</sup> 2 CFR 200.88 [https://www.ecfr.gov/cgi-bin/retrieveECFR?gp=&SID=db2195be770b0fa10d4fff907bb71493&mc=true&n=pt2.1.200&r=PART&ty=HTML#se2.1.200\\_188](https://www.ecfr.gov/cgi-bin/retrieveECFR?gp=&SID=db2195be770b0fa10d4fff907bb71493&mc=true&n=pt2.1.200&r=PART&ty=HTML#se2.1.200_188)

<sup>33</sup> 2 CFR 200.320(b) [https://www.ecfr.gov/cgi-bin/retrieveECFR?gp=&SID=db2195be770b0fa10d4fff907bb71493&mc=true&n=pt2.1.200&r=PART&ty=HTML#se2.1.200\\_1320](https://www.ecfr.gov/cgi-bin/retrieveECFR?gp=&SID=db2195be770b0fa10d4fff907bb71493&mc=true&n=pt2.1.200&r=PART&ty=HTML#se2.1.200_1320)



For purchases in excess of the small purchase procedures discussed above, sealed competitive bids are publicly solicited and awarded to the lowest responsive and responsible bidder.

Procurement by sealed bids occurs when bids are publicly solicited and when a firm fixed price contract (lump sum or unit price) is awarded to the responsible bidder whose bid, conforming with all the material terms and conditions of the invitation for bids, is the lowest in price.

In order for sealed bidding to be feasible, the following conditions should be present<sup>34</sup>:

1. A complete, adequate, and realistic specification or purchase description is available;
2. Two or more responsible bidders are willing and able to compete effectively for the business; and
3. 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<sup>35</sup>:

1. Bids must be solicited from an adequate number of known suppliers, providing them sufficient response time prior to the date set for opening the bids, for local, and tribal governments, the invitation for bids must be publicly advertised;
2. 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;
3. All bids will be opened at the time and place prescribed in the invitation for bids, and for local and tribal governments, the bids must be opened publicly;
4. A firm fixed price contract award will be made in writing to the lowest responsive and responsible bidder. Where specified in bidding documents, factors such as discounts, transportation cost, and life cycle costs must be considered in determining which bid is lowest. Payment discounts will only be used to determine the low bid when prior experience indicates that such discounts are usually taken advantage of; and
5. Any or all bids may be rejected if there is a sound documented reason.

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

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<sup>34</sup> 2 CFR 200.320(c)(1) [https://www.ecfr.gov/cgi-bin/retrieveECFR?gp=&SID=db2195be770b0fa10d4fff907bb71493&mc=true&n=pt2.1.200&r=PART&ty=HTML#se2.1.200\\_1320](https://www.ecfr.gov/cgi-bin/retrieveECFR?gp=&SID=db2195be770b0fa10d4fff907bb71493&mc=true&n=pt2.1.200&r=PART&ty=HTML#se2.1.200_1320)

<sup>35</sup> 2 CFR 200.320(c)(2) [https://www.ecfr.gov/cgi-bin/retrieveECFR?gp=&SID=db2195be770b0fa10d4fff907bb71493&mc=true&n=pt2.1.200&r=PART&ty=HTML#se2.1.200\\_1320](https://www.ecfr.gov/cgi-bin/retrieveECFR?gp=&SID=db2195be770b0fa10d4fff907bb71493&mc=true&n=pt2.1.200&r=PART&ty=HTML#se2.1.200_1320)

discounts are usually taken advantage of. Any or all bids may be rejected if there is a sound documented reason.

## 2. Competitive Proposals

When permitted, the technique of competitive proposals is normally conducted with more than one source submitting an offer, and either a fixed price or cost-reimbursement type contract is awarded<sup>36</sup>. Competitors' qualifications are evaluated and the most qualified competitor is selected, subject to negotiation of fair and reasonable compensation. The County shall comply with other applicable state and federal law and regulations, County policy and administrative regulations regarding purchasing by competitive proposals. The County may consult with the County Attorney in determining the required process for purchasing through competitive proposals when necessary.

If this method is used, the following requirements apply<sup>37</sup>:

1. Requests for proposals must be publicized and identify all evaluation factors and their relative importance. Any response to publicized requests for proposals must be considered to the maximum extent practical.
2. Proposals must be solicited from an adequate number of qualified sources.
3. Contracts must be awarded to the responsible firm whose proposal is most advantageous to the program, with price and other factors considered.

Proposals and bids shall be evaluated by the Department Head/County Administrator based on factors including but not limited to:

1. Cost
2. Experience of contractor
3. Availability
4. Personnel qualifications
5. Financial stability
6. Project management expertise
7. Understanding of County needs
8. Minority business, women's business enterprise, or labor surplus area firm status<sup>38</sup>

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<sup>36</sup> 2 CFR 200.320 (d) [https://www.ecfr.gov/cgi-bin/retrieveECFR?gp=&SID=db2195be770b0fa10d4fff907bb71493&mc=true&n=pt2.1.200&r=PART&ty=HTML#se2.1.200\\_1320](https://www.ecfr.gov/cgi-bin/retrieveECFR?gp=&SID=db2195be770b0fa10d4fff907bb71493&mc=true&n=pt2.1.200&r=PART&ty=HTML#se2.1.200_1320)

<sup>37</sup> 2 CFR 200.320(d)(2) [https://www.ecfr.gov/cgi-bin/retrieveECFR?gp=&SID=db2195be770b0fa10d4fff907bb71493&mc=true&n=pt2.1.200&r=PART&ty=HTML#se2.1.200\\_1320](https://www.ecfr.gov/cgi-bin/retrieveECFR?gp=&SID=db2195be770b0fa10d4fff907bb71493&mc=true&n=pt2.1.200&r=PART&ty=HTML#se2.1.200_1320)

<sup>38</sup> 2 CFR 200.321 [https://www.ecfr.gov/cgi-bin/retrieveECFR?gp=&SID=db2195be770b0fa10d4fff907bb71493&mc=true&n=pt2.1.200&r=PART&ty=HTML#se2.1.200\\_1321](https://www.ecfr.gov/cgi-bin/retrieveECFR?gp=&SID=db2195be770b0fa10d4fff907bb71493&mc=true&n=pt2.1.200&r=PART&ty=HTML#se2.1.200_1321)

### 3. Non-Competitive Proposals

Procurement by noncompetitive proposals is procurement through solicitation of a proposal from only one source and may be used only when one or more of the following circumstances apply<sup>39</sup>:

1. The item is available only from a single source;
2. The public exigency or emergency for the requirement will not permit a delay resulting from competitive solicitation;
3. The Federal awarding agency or pass-through entity expressly authorizes noncompetitive proposals in response to a written request from the non-Federal entity; or
4. After solicitation of a number of sources, competition is determined inadequate.

#### B. Contract Cost and Price

For every procurement action in excess of \$150,000 (including contract modifications), the County must perform a cost or price analysis. The method and degree of analysis is dependent upon the unique procurement situation. As a starting point, the County must make independent estimates before receiving bids or proposals<sup>40</sup>.

The County must negotiate profit as a separate element of the price for each contract (1) in which there is no price competition, and (2) in all cases where cost analysis is performed. To establish a fair and reasonable profit, the County must give consideration 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<sup>41</sup>. 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 County under 2 CFR Part 200 Subpart E<sup>42</sup>. The cost plus a percentage of cost and percentage of construction cost methods of contracting must not be used<sup>43</sup>.

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<sup>39</sup> 2 CFR 200.320(e) [https://www.ecfr.gov/cgi-bin/retrieveECFR?gp=&SID=db2195be770b0fa10d4fff907bb71493&mc=true&n=pt2.1.200&r=PART&ty=HTML#se2.1.200\\_1320](https://www.ecfr.gov/cgi-bin/retrieveECFR?gp=&SID=db2195be770b0fa10d4fff907bb71493&mc=true&n=pt2.1.200&r=PART&ty=HTML#se2.1.200_1320)

<sup>40</sup> 2 CFR 200.323(a) [https://www.ecfr.gov/cgi-bin/retrieveECFR?gp=&SID=db2195be770b0fa10d4fff907bb71493&mc=true&n=pt2.1.200&r=PART&ty=HTML#se2.1.200\\_1323](https://www.ecfr.gov/cgi-bin/retrieveECFR?gp=&SID=db2195be770b0fa10d4fff907bb71493&mc=true&n=pt2.1.200&r=PART&ty=HTML#se2.1.200_1323)

<sup>41</sup> 2 CFR 200.323(b) [https://www.ecfr.gov/cgi-bin/retrieveECFR?gp=&SID=db2195be770b0fa10d4fff907bb71493&mc=true&n=pt2.1.200&r=PART&ty=HTML#se2.1.200\\_1323](https://www.ecfr.gov/cgi-bin/retrieveECFR?gp=&SID=db2195be770b0fa10d4fff907bb71493&mc=true&n=pt2.1.200&r=PART&ty=HTML#se2.1.200_1323)

<sup>42</sup> 2 CFR 200.323(c) [https://www.ecfr.gov/cgi-bin/retrieveECFR?gp=&SID=db2195be770b0fa10d4fff907bb71493&mc=true&n=pt2.1.200&r=PART&ty=HTML#se2.1.200\\_1323](https://www.ecfr.gov/cgi-bin/retrieveECFR?gp=&SID=db2195be770b0fa10d4fff907bb71493&mc=true&n=pt2.1.200&r=PART&ty=HTML#se2.1.200_1323)

<sup>43</sup> 2 CFR 200.323(d) [https://www.ecfr.gov/cgi-bin/retrieveECFR?gp=&SID=db2195be770b0fa10d4fff907bb71493&mc=true&n=pt2.1.200&r=PART&ty=HTML#se2.1.200\\_1323](https://www.ecfr.gov/cgi-bin/retrieveECFR?gp=&SID=db2195be770b0fa10d4fff907bb71493&mc=true&n=pt2.1.200&r=PART&ty=HTML#se2.1.200_1323)

The County may only use a time and materials type contract after a determination that no other contract is suitable, and only if the contract includes a ceiling price that the contractor exceeds at its own risk. Time and materials type contract means a contract whose cost to the County is the sum of (1) the actual cost of materials, and (2) direct labor hours charged at fixed hourly rates that reflect wages, general and administrative expenses, and profit. In such contracts, the County shall assert a high degree of oversight in order to obtain reasonable assurance that the contractor is using efficient methods and effective cost controls<sup>44</sup>.

C. Contractor Selection

Contracts must be awarded only to responsible contractors possessing the ability to perform successfully under the terms and conditions of the contract. Consideration shall be given to such matters as contractor integrity, compliance with public policy, record of past performance, and financial and technical resources. See Suspension and Debarment, section D<sup>45</sup>.

The County shall maintain records detailing the history of the procurement. These records shall include, but are not limited to, the following: rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price<sup>46</sup>.

D. Suspension & Debarment

The County will not engage with contractors that are suspended or debarred from federal awards under 2 CFR Part 180<sup>47</sup>. Before any contract for a federal award is spent, the Department Head will search for the vendor status on the federal system for award management (SAM) at [www.sam.gov](http://www.sam.gov). A copy of the search results will be given to the Clerk with the associated invoice.

## 12. Program Income

Because the nature of program income varies by each awarding agency and award, the Department Head is responsible for understanding the award agreement and the information contained in the

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<sup>44</sup> 2 CFR 200.318(j) [https://www.ecfr.gov/cgi-bin/retrieveECFR?gp=&SID=db2195be770b0fa10d4fff907bb71493&mc=true&n=pt2.1.200&r=PART&ty=HTML#se2.1.200\\_1318](https://www.ecfr.gov/cgi-bin/retrieveECFR?gp=&SID=db2195be770b0fa10d4fff907bb71493&mc=true&n=pt2.1.200&r=PART&ty=HTML#se2.1.200_1318)

<sup>45</sup> 2 CFR 200.318(h) [https://www.ecfr.gov/cgi-bin/retrieveECFR?gp=&SID=db2195be770b0fa10d4fff907bb71493&mc=true&n=pt2.1.200&r=PART&ty=HTML#se2.1.200\\_1318](https://www.ecfr.gov/cgi-bin/retrieveECFR?gp=&SID=db2195be770b0fa10d4fff907bb71493&mc=true&n=pt2.1.200&r=PART&ty=HTML#se2.1.200_1318)

<sup>46</sup> 2 CFR 200.318(i) [https://www.ecfr.gov/cgi-bin/retrieveECFR?gp=&SID=db2195be770b0fa10d4fff907bb71493&mc=true&n=pt2.1.200&r=PART&ty=HTML#se2.1.200\\_1318](https://www.ecfr.gov/cgi-bin/retrieveECFR?gp=&SID=db2195be770b0fa10d4fff907bb71493&mc=true&n=pt2.1.200&r=PART&ty=HTML#se2.1.200_1318)

<sup>47</sup> 2 CFR 200.213 [https://www.ecfr.gov/cgi-bin/retrieveECFR?gp=&SID=db2195be770b0fa10d4fff907bb71493&mc=true&n=pt2.1.200&r=PART&ty=HTML#se2.1.200\\_1213](https://www.ecfr.gov/cgi-bin/retrieveECFR?gp=&SID=db2195be770b0fa10d4fff907bb71493&mc=true&n=pt2.1.200&r=PART&ty=HTML#se2.1.200_1213)

compliance supplement. The Department Head is responsible for identifying sources of program income. The Finance Director will determine the classification of program income in the general ledger.

If there are questions regarding the classification or treatment of program income, questions may be directed to the awarding agency, Finance Director, County Administrator, or County Attorney, as appropriate.

A. Examples of program income

Program income includes, but is not limited to:

- A. Fees for services performed
- B. The use or rental of real or personal property acquired with federal awards
- C. The sale of commodities or items fabricated under federal awards
- D. License fees and royalties on patents and copyrights
- E. Principal and interest on loans made with federal award funds

Program income does not include:

- 1. Interest earned on advances of federal funds
- 2. Taxes, special assessments, levies, fines, and other similar revenues, unless identified by the awarding agency
- 3. The proceeds from the sale of equipment. See section 8C – Property – Dispositions.

B. Uses of program income

1. Deduction<sup>48</sup>

Ordinarily, program income will be deducted from total allowable costs to determine the net allowable costs. Program income must be used for current costs unless the Federal awarding agency authorizes otherwise.

2. Addition<sup>49</sup>

With the prior approval of the awarding agency, the County may add program income to the award. The program income must be used for the purposes and under the conditions of the award.

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<sup>48</sup> 2 CFR 200.307(e)(1) [https://www.ecfr.gov/cgi-bin/retrieveECFR?gp=&SID=db2195be770b0fa10d4fff907bb71493&mc=true&n=pt2.1.200&r=PART&ty=HTML#se2.1.200\\_1307](https://www.ecfr.gov/cgi-bin/retrieveECFR?gp=&SID=db2195be770b0fa10d4fff907bb71493&mc=true&n=pt2.1.200&r=PART&ty=HTML#se2.1.200_1307)

<sup>49</sup> 2 CFR 200.307(e)(2) [https://www.ecfr.gov/cgi-bin/retrieveECFR?gp=&SID=db2195be770b0fa10d4fff907bb71493&mc=true&n=pt2.1.200&r=PART&ty=HTML#se2.1.200\\_1307](https://www.ecfr.gov/cgi-bin/retrieveECFR?gp=&SID=db2195be770b0fa10d4fff907bb71493&mc=true&n=pt2.1.200&r=PART&ty=HTML#se2.1.200_1307)

3. Cost sharing or matching<sup>50</sup>

With prior approval of the awarding agency, the County may use program income towards the cost sharing or matching provisions of the award. The total amount of the award remains the same.

### **13. Reporting**

It is the responsibility of the Department Head to file all reports with the federal agency or pass-through agency. The Finance Director is available for questions or assistance in filling out reports.

### **14. Subrecipient Monitoring**

If the County grants subawards of federal funding to other entities as subrecipients, the County shall be responsible for the following<sup>51</sup>:

- A. Clearly identifying the award. See part C, subrecipients, of this section.
- B. Evaluating the entity for risk of noncompliance to determine appropriate monitoring practices. See part D, evaluation of risk, in this section
- C. Entering into a contract with the subrecipient which sets forth the parties' obligations and responsibilities, including provisions concerning the parties' obligations related to the grant award and federal laws and regulations.
- D. Monitoring the subrecipient entity's implementation to ensure compliance with federal, state and local laws, conditions of the federal funding award and County policy and procedures
- E. Notifying the subrecipient entity of identified deficiencies found during the monitoring process and ensuring that identified deficiencies are corrected.
- F. Documenting and retaining records on subrecipient identification, notification, evaluation, monitoring and corrective actions taken.

A. Definitions

For purposes of policies and procedures related to federal programs, the following definitions shall apply:

Contract – a legal instrument by which a non-federal entity purchases property or services needed to carry out the project or program under a federal award. The term as used here does not include a legal instrument, even if the entity considers it a contract, when the substance of the transaction meets the definition of a federal program award or subaward.

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<sup>50</sup> 2 CFR 200.307(e)(3) [https://www.ecfr.gov/cgi-bin/retrieveECFR?gp=&SID=db2195be770b0fa10d4fff907bb71493&mc=true&n=pt2.1.200&r=PART&ty=HTML#se2.1.200\\_1307](https://www.ecfr.gov/cgi-bin/retrieveECFR?gp=&SID=db2195be770b0fa10d4fff907bb71493&mc=true&n=pt2.1.200&r=PART&ty=HTML#se2.1.200_1307)

<sup>51</sup> 2 CFR 200.331 [https://www.ecfr.gov/cgi-bin/retrieveECFR?gp=&SID=db2195be770b0fa10d4fff907bb71493&mc=true&n=pt2.1.200&r=PART&ty=HTML#se2.1.200\\_1331](https://www.ecfr.gov/cgi-bin/retrieveECFR?gp=&SID=db2195be770b0fa10d4fff907bb71493&mc=true&n=pt2.1.200&r=PART&ty=HTML#se2.1.200_1331)

Contractor - an entity that receives a contract, as defined in law and regulations, by which a non-federal entity purchases property or services needed to carry out the project or program under a federal award.

Pass-through Entity - a non-federal entity that provides a subaward to a subrecipient to carry out part of a federal program. The County will serve as the pass-through entity in cases where it awards federal funding to a subrecipient as defined in this procedure.

Subaward - – an award provided by a pass-through entity to a subrecipient in order to carry out part of a federal award received by the pass-through entity. It does not include payments to a contractor or payments to an individual that is a beneficiary of a federal program. A subaward may be provided through any form of legal agreement, including an agreement that the passthrough entity considers a contract.

Subrecipient - – a non-federal entity that receives a subaward from a pass-through entity to carry out part of a federal program; but does not include an individual that is a beneficiary of such program. (A subrecipient may also be a recipient of other federal awards directly from a federal awarding agency.)

In the event the County disperses federal funds received through a federal award to other entities and assigns responsibilities to the outside entity to conduct a portion of the work, the County shall be responsible for determining, on a case-by-case basis, whether the agreement with such entity places the outside entity in the role of a subrecipient receiving a subaward of federal funding, or the role of a contractor.<sup>52</sup> In determining whether an entity is a contractor or a subrecipient, under the above definitions, the County should consider the guidance given in 2 CFR 200.330 as well as guidance given in any grant documentation or agreement. The federal granting agency may supply additional guidance and impose additional requirements to support the determination of an entity as a contractor or a subrecipient.

The following table is provided from the AICPA to aid in determining whether an entity is a contractor or a subrecipient.

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<sup>52</sup> 2 CFR 200.330 [https://www.ecfr.gov/cgi-bin/retrieveECFR?gp=&SID=db2195be770b0fa10d4fff907bb71493&mc=true&n=pt2.1.200&r=PART&ty=HTML#se2.1.200\\_1330](https://www.ecfr.gov/cgi-bin/retrieveECFR?gp=&SID=db2195be770b0fa10d4fff907bb71493&mc=true&n=pt2.1.200&r=PART&ty=HTML#se2.1.200_1330)

<b>Subrecipient</b>	<b>Contractor</b>
Creates a Federal assistance relationship	Purpose is to obtain goods and services for the non-Federal entity's own use and creates a procurement relationship
Determines who is eligible to receive what Federal assistance	Provides the goods and services within normal business operations
Has its performance measured in relation to whether objectives of a Federal program were met	Provides similar goods or services to many different purchasers
Has responsibility for programmatic decision making	Normally operates in a competitive environment
Is responsible for adherence to applicable Federal program requirements specified in the Federal award; and	Provides goods or services that are ancillary to the operation of the Federal program; and
In accordance with its agreement, uses the Federal funds to carry out a program for a public purpose specified in authorizing statute, as opposed to providing goods or services for the benefit of the pass-through entity (PTE)	Is not subject to compliance requirements of the Federal program as a result of the agreement, though similar requirements may apply for other reasons

B. Contractors

The County shall maintain oversight to ensure that contractors perform in accordance with the terms, conditions, and specifications of their contracts or purchase orders<sup>53</sup>. The County shall also ensure that contractors' conduct does not threaten or undermine the terms and conditions of the Federal award. Bonding requirements shall be imposed on contractors as required by 2 CFR 200.325 or by the terms and conditions of the federal award. All contracts shall contain the relevant applicable provisions as required by 2 CFR Part 200 Appendix II<sup>54</sup>. The County shall take all necessary affirmative steps to ensure that minority businesses, women's business enterprises, and labor surplus area firms are used when possible, as provided in the grant agreement and in 2 CFR 200.321<sup>55</sup>.

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<sup>53</sup> 2 CFR 200.318(b) [https://www.ecfr.gov/cgi-bin/retrieveECFR?gp=&SID=db2195be770b0fa10d4fff907bb71493&mc=true&n=pt2.1.200&r=PART&ty=HTML#se2.1.200\\_1318](https://www.ecfr.gov/cgi-bin/retrieveECFR?gp=&SID=db2195be770b0fa10d4fff907bb71493&mc=true&n=pt2.1.200&r=PART&ty=HTML#se2.1.200_1318)

<sup>54</sup> 2 CFR 200.326 [https://www.ecfr.gov/cgi-bin/retrieveECFR?gp=&SID=db2195be770b0fa10d4fff907bb71493&mc=true&n=pt2.1.200&r=PART&ty=HTML#se2.1.200\\_1326](https://www.ecfr.gov/cgi-bin/retrieveECFR?gp=&SID=db2195be770b0fa10d4fff907bb71493&mc=true&n=pt2.1.200&r=PART&ty=HTML#se2.1.200_1326)

<sup>55</sup> 2 CFR 200.321(b) [https://www.ecfr.gov/cgi-bin/retrieveECFR?gp=&SID=db2195be770b0fa10d4fff907bb71493&mc=true&n=pt2.1.200&r=PART&ty=HTML#se2.1.200\\_1321](https://www.ecfr.gov/cgi-bin/retrieveECFR?gp=&SID=db2195be770b0fa10d4fff907bb71493&mc=true&n=pt2.1.200&r=PART&ty=HTML#se2.1.200_1321)



### C. Subrecipients

The County shall notify subrecipients that they have been identified as a subrecipient and that the funding qualifies as a subaward. The County shall provide the subrecipient with the following information regarding the federal funding award at the time of the subaward, and shall also provide notice of change of such information<sup>56</sup>:

1. The Federal Award Identification information, including:
  - i. Subrecipient name (which must match the name associated with its unique entity identifier);
  - ii. Subrecipient's unique entity identifier;
  - iii. Federal Award Identification Number (FAIN);
  - iv. Federal Award Date of award to the recipient by the federal agency;
  - v. Subaward Period of Performance Start and End Date;
  - vi. Amount of Federal Funds Obligated by this action by the pass-through entity to the subrecipient;
  - vii. Total Amount of Federal Funds Obligated to the subrecipient by the passthrough entity including the current obligation;
  - viii. Total Amount of the Federal Award committed to the subrecipient by the pass-through entity;
  - ix. Federal award project description, as required to be responsive to the Federal Funding Accountability and Transparency Act (FFATA);
  - x. Name of federal awarding agency, pass-through entity, and contact information for awarding official of the pass-through entity;
  - xi. CFDA Number and Name; the pass-through entity must identify the dollar amount made available under each federal award and the CFDA number at time of disbursement;
  - xii. Identification of whether the award is Research and Development; and
  - xiii. Indirect cost rate for the federal award if applicable.
2. All requirements imposed by the County on the subrecipient so that the federal award is used in accordance with federal statutes, regulations and the terms and conditions of the federal award;
3. Any additional requirements that the County imposes on the subrecipient in order for the County to meet its own responsibility to the federal awarding agency including identification of any required financial and performance reports;
4. Either an approved federally recognized indirect cost rate negotiated between the subrecipient and the federal government or, if no such rate exists, a rate negotiated between the County and the subrecipient.

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<sup>56</sup> 2 CFR 200.331(a) [https://www.ecfr.gov/cgi-bin/retrieveECFR?gp=&SID=db2195be770b0fa10d4fff907bb71493&mc=true&n=pt2.1.200&r=PART&ty=HTML#se2.1.200\\_1331](https://www.ecfr.gov/cgi-bin/retrieveECFR?gp=&SID=db2195be770b0fa10d4fff907bb71493&mc=true&n=pt2.1.200&r=PART&ty=HTML#se2.1.200_1331)

5. A requirement that the subrecipient permit the County and auditors to have access to the subrecipient's records and financial statements as necessary for the County to meet all of its grant requirements and the terms of 2 CFR 200.331; and

6. Appropriate terms and conditions concerning closeout of the subaward.

D. Evaluation of Risk

The County shall evaluate each subrecipient's risk of noncompliance with law, regulations and the terms and conditions of the subaward to determine appropriate monitoring practices<sup>57</sup>.

The Department Head, with assistance from and in consultation with the Finance Director, shall be responsible for evaluating risk based on the following factors:

1. The subrecipient's prior experience with the same or similar subawards;
2. The results of previous audits, including whether the subrecipient receives a single audit and the extent to which the same or similar subaward has been audited;
3. Whether the subrecipient has new personnel, or new or substantially changed systems and processes; and
4. The extent and results of any federal award agency's monitoring of the subrecipient

The Department Head or designee shall request adequate documentation from the subrecipient to conduct the evaluation of risk; such documentation may include, but shall not be limited to, audit reports, financial reports, policies and procedures and detailed descriptions or users' guides of current systems and processes.

In addition to these factors, the County shall evaluate subrecipients for risk of noncompliance as specified in the subrecipient agreement.

Based on the results of the risk evaluation, the County may consider imposing specific conditions on implementation of the subaward, in accordance with applicable law and regulations<sup>58</sup>.

E. Monitoring

The County shall monitor the implementation and activities of each subrecipient as necessary to ensure that the subaward is used for authorized purposes, in accordance with law, regulations and the terms and conditions of the subaward, and that subaward performance

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<sup>57</sup> 2 CFR 200.331(b) [https://www.ecfr.gov/cgi-bin/retrieveECFR?gp=&SID=db2195be770b0fa10d4fff907bb71493&mc=true&n=pt2.1.200&r=PART&ty=HTML#se2.1.200\\_1331](https://www.ecfr.gov/cgi-bin/retrieveECFR?gp=&SID=db2195be770b0fa10d4fff907bb71493&mc=true&n=pt2.1.200&r=PART&ty=HTML#se2.1.200_1331)

<sup>58</sup> 2 CFR 331(c) [https://www.ecfr.gov/cgi-bin/retrieveECFR?gp=&SID=db2195be770b0fa10d4fff907bb71493&mc=true&n=pt2.1.200&r=PART&ty=HTML#se2.1.200\\_1331](https://www.ecfr.gov/cgi-bin/retrieveECFR?gp=&SID=db2195be770b0fa10d4fff907bb71493&mc=true&n=pt2.1.200&r=PART&ty=HTML#se2.1.200_1331)

goals are achieved. The County shall notify subrecipients of monitoring requirements and may provide technical assistance to subrecipients in complying with monitoring requirements.

The Department Head or designee shall be responsible for monitoring of subrecipients. As part of the monitoring process, the County shall complete the following steps<sup>59</sup>:

1. Review financial and performance reports required by the County.
2. Follow-up and ensure that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the subaward provided to the subrecipient from the County detected during through audits, on-site reviews, and other means.
3. Issue a management decision for audit findings pertaining to the subaward provided to the subrecipient by the County, in accordance with applicable law and regulations.

Monitoring activities may also include in the following<sup>60</sup>:

1. Providing training and technical assistance on program-related matters.
2. On-site visits and reviews of the subrecipient's program operations.
3. Arranging for agreed-upon procedures engagements as specified in the subrecipient agreement, such as audit services as discussed in 2 CFR 200.425.

The County shall verify that subrecipients are audited as required by 2 CFR 200 Subpart F or other applicable law and regulations.

#### F. Follow-Up Actions

The Department Head or designee shall provide subrecipients with written documentation detailing their monitoring results and listing any identified deficiencies. The County shall consider whether the results of monitoring indicate the need to revise existing County policy and procedures.

The County shall require subrecipients to take immediate action on issues involving ineligible or illegal use of federal funding and to notify the County of corrective action taken.

The County shall require subrecipients to develop a corrective action plan to address other identified deficiencies or noncompliance issues; such plan shall be submitted to the County within 30 days, and the County shall evaluate and monitor the activities taken by the subrecipient under the corrective action plan.

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<sup>59</sup> 2 CFR 331(d) [https://www.ecfr.gov/cgi-bin/retrieveECFR?gp=&SID=db2195be770b0fa10d4fff907bb71493&mc=true&n=pt2.1.200&r=PART&ty=HTML#se2.1.200\\_1331](https://www.ecfr.gov/cgi-bin/retrieveECFR?gp=&SID=db2195be770b0fa10d4fff907bb71493&mc=true&n=pt2.1.200&r=PART&ty=HTML#se2.1.200_1331)

<sup>60</sup> 2 CFR 331(e) [https://www.ecfr.gov/cgi-bin/retrieveECFR?gp=&SID=db2195be770b0fa10d4fff907bb71493&mc=true&n=pt2.1.200&r=PART&ty=HTML#se2.1.200\\_1331](https://www.ecfr.gov/cgi-bin/retrieveECFR?gp=&SID=db2195be770b0fa10d4fff907bb71493&mc=true&n=pt2.1.200&r=PART&ty=HTML#se2.1.200_1331)

The Department Head or designee shall maintain all documentation on monitoring of subrecipients and corrective action taken during the monitoring process. The County shall report issues of noncompliance to the appropriate federal agency where required by law, regulations, or requirements of the federal funding program.

G. Remedies for Noncompliance

When monitoring activities identify issues of noncompliance that are not addressed through corrective action, the County may take the following actions<sup>61</sup>:

1. Temporarily withhold cash payments, in accordance with applicable law and regulations.
2. Disallow or deny use of funds for all or part of the cost of the activity or action not in compliance.
3. Wholly or partially suspend or terminate the subrecipient agreement.
4. Recommend that the federal agency initiate suspension and debarment proceedings
5. Withhold further awards or agreements for the project or program
6. Take other remedies legally available, in consultation with the County attorney.

H. Record Retention

The Department Head shall ensure that all documentation regarding subrecipient identification, notification, evaluation, monitoring activities and corrective action is maintained in accordance with County policy and procedures. Records shall be retained in accordance with applicable law, regulations, and specific requirements of the federal program.

**15. Other Provisions**

Because the nature of other provisions varies by each awarding agency and award, the Department Head is responsible for understanding the award agreement and the information contained in the compliance supplement. The Department Head is responsible for identifying and complying with the provisions listed in the award.

If there are questions regarding any provisions in the award, questions may be directed to the awarding agency, Finance Director, County Administrator, or County Attorney, as appropriate.

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<sup>61</sup> 2 CFR 200.338 [https://www.ecfr.gov/cgi-bin/retrieveECFR?gp=&SID=db2195be770b0fa10d4fff907bb71493&mc=true&n=pt2.1.200&r=PART&ty=HTML#se2.1.200\\_1338](https://www.ecfr.gov/cgi-bin/retrieveECFR?gp=&SID=db2195be770b0fa10d4fff907bb71493&mc=true&n=pt2.1.200&r=PART&ty=HTML#se2.1.200_1338)

**DEPARTMENT OF TRANSPORTATION****CFDA 20.106 AIRPORT IMPROVEMENT PROGRAM****I. PROGRAM OBJECTIVES**

The objective of the Airport Improvement Program (AIP) is to assist sponsors, owners, or operators of public-use airports in the development of a nationwide system of airports adequate to meet the needs of civil aeronautics.

**II. PROGRAM PROCEDURES**

States, counties, municipalities, U.S. territories and possessions, and other public agencies, including Indian tribes or Pueblos (sponsors) are eligible for airport development grants if the airport on which the development is required is listed in the National Plan of Integrated Airport Systems (NPIAS). Applications for grants must be submitted to the appropriate Federal Aviation Administration (FAA) Airports Office. Primary airport sponsors must notify FAA by January 31 or another date specified in the *Federal Register* of their intent to apply for funds to which they are entitled under Pub. L. No. 97-248 (49 USC Chapter 31). A reminder is published annually in the *Federal Register*. Other sponsors are encouraged to submit early in the fiscal year and to contact the appropriate FAA Airports Office for any local deadlines. Sponsors must formally accept grant offers no later than September 30 for grant funds appropriated for that fiscal year.

**Source of Governing Requirements**

This program is authorized by 49 USC Chapter 471.

**Availability of Other Program Information**

Additional program information is provided in FAA Order 5100.38D, *Airport Improvement Program Handbook* (available at [http://www.faa.gov/airports/aip/aip\\_handbook](http://www.faa.gov/airports/aip/aip_handbook)) and FAA Advisory Circulars in the 150/5100 series (available at [http://www.faa.gov/airports/resources/advisory\\_circulars/](http://www.faa.gov/airports/resources/advisory_circulars/)). The FAA also maintains an Airports *Federal Register* Notices page available at [http://www.faa.gov/airports/resources/publications/federal\\_register\\_notices/](http://www.faa.gov/airports/resources/publications/federal_register_notices/).

Program related questions may be directed to Patricia Dickerson, FAA Airports Financial Assistance Division, at 202-267-9297 (direct) and 202-267-3831 (main) or by e-mail at [patricia.a.dickerson@faa.gov](mailto:patricia.a.dickerson@faa.gov). Questions related to the revenue diversion and other compliance requirements may be directed to Olu Okegbenro, FAA Airport Compliance Division at 202-267-3785 (direct) and 202-267-3446 (main) or by e-mail at [Olu.Okegbenro@faa.gov](mailto:Olu.Okegbenro@faa.gov).

**III. COMPLIANCE REQUIREMENTS**

**In developing the audit procedures to test compliance with the requirements for this federal program, the auditor must determine, from the following summary (also included in Part 2, "Matrix of Compliance Requirements"), which of the 12 types of compliance requirements have been identified as subject to the audit (noted with a "Y" in the summary**

matrix below), and then determine which of the compliance requirements that are subject to the audit are likely to have a direct and material effect on the federal program at the auditee. For each such compliance requirement subject to the audit, the auditor must use Part 3 (which includes generic details about each compliance requirement other than Special Tests and Provisions) and this program supplement (which includes any program-specific requirements) to perform the audit. When a compliance requirement is shown in the summary below as “N,” it has been identified as not being subject to the audit. Auditors are not expected to test requirements that have been noted with an “N.” See the Safe Harbor Status discussion in Part 1 for additional information.

A	B	C	E	F	G	H	I	J	L	M	N
Activities Allowed or Unallowed	Allowable Costs/Cost Principles	Cash Management	Eligibility	Equipment/Real Property Management	Matching, Level of Effort, Earmarking	Period Of Performance	Procurement Suspension & Debarment	Program Income	Reporting	Stakeholder Monitoring	Special Tests and Provisions
Y	Y	N	N	Y	Y	N	N	N	Y	N	Y

**A. Activities Allowed or Unallowed**

1. *Activities Allowed*

Grants can be made for planning, constructing, improving, or repairing a public-use airport or portions thereof and for acquiring safety or security equipment. Eligible terminal building development is limited to non-revenue-producing public-use areas that are directly related to the movement of passengers and baggage in air carrier and commuter service terminal facilities within the boundaries of the airport. Eligible construction is limited to items of work and to the quantities listed in the grant description and/or special conditions (49 USC 47110).

2. *Activities Unallowed*

a. In general, federal funds cannot be expended for:

- (1) Passenger automobile parking facilities and portions of terminals that are revenue-producing or not directly related to the safe movement of passengers and baggage at the airports, and
- (2) Costs incurred before the execution of the grant agreement, unless such costs are for land, necessary costs in formulating a project, or costs covered by a letter of intent. However, an airport designated



by the FAA as a primary airport may use passenger entitlement funding made available under 49 USC 47114(c) for costs incurred (1) prior to the execution of the grant agreement; (2) in accordance with the airport layout plan approved by the FAA; and (3) according to all statutory and administrative requirements that would have applied had work on the project not commenced until after the grant agreement had been executed (49 USC 47110(b)(2)(C)).

- b. The following are examples of items for which FAA funds cannot be expended (FAA Order 5100.38D, *Airport Improvement Program Handbook*, and FAA Advisory Circulars in the 150/5100 series).
- (1) Emergency planning.
  - (2) Decorative landscaping, sculpture, or art works.
  - (3) Communication systems except those used for safety/security.
  - (4) Training facilities, except those included in an otherwise eligible project as an integral part of that project and that are of a relatively minor or incidental cost, i.e., less than 10 percent of the project cost. An example of an exception would be a training room included as part of a new Aircraft Rescue and Firefighting (ARFF) facility. Interactive training systems and "live fire" ARFF training facilities are eligible.
  - (5) Roads of whatever length, exclusively for the purpose of connecting public parking facilities to an access road.
  - (6) Roads serving solely industrial or non-aviation-related areas or facilities.
  - (7) Equipment that is used by air traffic controllers such as Airport surface detection systems (ASDE).
  - (8) Maintenance/service facilities except for those allowed to service required ARFF equipment.
  - (9) Office/administrative equipment, including data processing equipment, computers, recorders, etc.
  - (10) Projects for the determination of latitude, longitude, and elevation except as an incidental part of master planning.

3. *Exception*

For a non-hub airport (one that accounts for less than 0.05 percent of total U.S. passenger boardings), the FAA may approve as allowable costs the expenses of terminal development in a revenue-producing area and construction, repair, and improvement of parking lots (49 USC 47110(d)(2)).

**B. Allowable Costs/Cost Principles**

Costs charged to Federal funds under the AIP program must comply with the cost principles at 2 CFR part 200, subpart E, the AIP Handbook – Change 1 and any other requirements or restrictions on the use of Federal funding.

**F. Equipment and Real Property Management**

Under this program, FAA is authorized by 49 USC 47107(c), as amended, to allow recipients to reinvest the proceeds from the disposition of real property acquired with Federal awards for noise compatibility or airport development purposes.

**G. Matching, Level of Effort, Earmarking**

**1. Matching**

All match funding must be provided in compliance with the requirements of 2 CFR part 200.306. The grantee's share of project costs on an AIP grant (also known as cost share) is defined in 49 USC 47109 and set forth in the grant award. The non-Federal share varies by airport size and is generally 25 percent for large and medium hub airports and 10 percent for all other airports.

Acceptable match, whether cash or in-kind, must be allowable and eligible. In addition, match must be provided by the recipient; or provided as cash by a third party; or provided as in-kind by a third party; or any combination of cash and in-kind provided by the recipient and/or a third party.

**2. Level of Effort**

Not Applicable

**3. Earmarking**

Not Applicable

**L. Reporting**

**1. Financial Reporting**

a. *SF-270, Request for Advance or Reimbursement* – Applicable



- b. *SF-271, Outlay Report and Request for Reimbursement for Construction Programs – Applicable*
- c. *SF-425, Federal Financial Report – Applicable*
- d. *FAA Form 5100-127, Operating and Financial Summary (OMB No. 2120-0569)*

Sponsors of commercial service airports are required to submit this report, which captures revenues and expenditures at the airport, including revenue surplus.

- e. *FAA Form 5100-126, Financial Government Payment Report (OMB No. 2120-0569)*

This report captures amounts paid and services provided to other units of government. This reporting requirement technically applies to all sponsors of federally assisted airports who accepted grants with assurance no. 26(d)(1)(ii); however, FAA is currently requiring submission only from commercial service airports. Commercial service airports are the airports most likely to generate excess revenue that could be diverted to non-airport uses.

## 2. Performance Reporting

Not Applicable

## 3. Special Reporting

Not Applicable

## N. Special Tests and Provisions

### 1. Wage Rate Requirements

**Compliance Requirements** The Wage Rate Requirements are applicable to construction work for airport development projects (49 USC 47112).

See Part 4, 20.001 Wage Rate Requirements Cross-Cutting Section.

### 2. Revenue Diversion

**Compliance Requirements** The basic requirement for use of airport revenues is that all revenues generated by a public airport must be expended for the capital or operating costs of the airport, the local airport system, or other local facilities which are owned or operated by the owner or operator of the airport and are directly and substantially related to the actual air transportation of passengers or property. The limitation on the use of

revenue generated by the airport shall not apply if the governing statutes controlling the owner's or operator's financing, that was in effect before September 3, 1982, provided for the use of any revenue from the airport to support not only the airport but also the airport owner's or operator's general debt obligations or other facilities (49 USC 47107(b)). *Policies and Procedures Concerning the Generation and Use of Airport Revenue*, issued February 16, 1999 (64 FR 7695), contains definitions of airport revenue and unlawful revenue diversion; provides examples of airport revenue; and describes permitted and prohibited uses of airport revenue. The policy can be obtained from FAA's Airports *Federal Register* Notices page ([http://www.faa.gov/airports/resources/publications/federal\\_register\\_notices/](http://www.faa.gov/airports/resources/publications/federal_register_notices/)).

Penalties imposed for revenue diversion may be up to three times the amount of the revenues that are used in violation of the requirement (49 USC 46301(a)(3)).

**Audit Objectives** Determine whether the airport revenues were used for required or permitted purposes.

#### **Suggested Audit Procedures**

- a. Review the policy for using airport revenue.
- b. Perform tests of airport revenue generating activities (e.g., passenger facilities charges, leases, and telephone contracts) to ascertain that all airport-generated revenue is accounted for.
- c. Test expenditures of airport revenue to verify that airport revenue is used for permitted purposes.
- d. Perform tests of transactions to ascertain that payments from airport revenues to the sponsors, related parties, or other governmental entities are airport-related, properly documented, and are commensurate with the services or products received by the airport.
- e. Perform tests to assure that indirect costs charged to the airport from the sponsor's cost allocation plan were allocated in accordance with the FAA policy on cost allocation.

#### **IV. OTHER INFORMATION**

The Federal Aviation Reauthorization Act of 1996, Section 805 (49 USC 47107(l)) requires public agencies that are subject to the Single Audit Act Amendments of 1996 (Act) that have received Federal financial assistance for airports to include as part of their single audit a review and opinion of the public agency's funding activities with respect to their airport or local airport revenue system. In the February 16, 1999, *Federal Register* (64 FR 7675), the FAA issued a notice titled *Policy and Procedures Concerning the Use of Airport Revenue*. This notice provides that the opinion required by 49 USC 47107(l) is only required when the Airport Improvement Program is audited as major program under 2 CFR part 200, subpart F, and that the auditor reporting requirements of 2 CFR part 200, subpart F, satisfy the opinion requirement. However,

the notice provides that the AIP may be selected as a major program based upon either the risk-based approach prescribed in 2 CFR section 200.518, or the FAA designating the AIP as a major program under 2 CFR section 200.503(e).

## APPENDIX B: Helpful Questions for Determining Whether Costs are Allowable

In addition to applying the cost principles and standards described above, staff involved in expending federal funds should ask the following questions when assessing the allowability of a particular cost:

1. Is the proposed cost allowable under the relevant program?
2. Is the proposed cost consistent with an approved program plan and budget?
3. Is the proposed cost consistent with program specific fiscal rules? For example, the County may be required to use federal funds only to supplement the amount of funds available from nonfederal (and possibly other federal) sources, or only as a match for funds from nonfederal sources.
4. Is the proposed cost consistent with specific conditions imposed on the grant (if applicable)?
5. Is the proposed cost consistent with the underlying needs of the program? For example, program funds must benefit the public service or infrastructure need for which they are allocated.
6. Will the cost be targeted at addressing specific areas of weakness that are the focus of the program, as indicated by available data?
7. Is the proposed cost for the acquisition of unnecessary or duplicative items? Could the procurements be consolidated or broken apart to obtain a more economical purchase?
8. Could the items to be purchased be acquired utilizing state and local intergovernmental agreements or inter-entity agreements for procurement or use of common or shared goods and services?
9. Could the items be acquired through federal excess and surplus property in lieu of purchasing new equipment and property whenever such purchase is feasible and reduces project costs?

Any questions related to specific costs should be forwarded to the Finance Director, County Administrator, County Attorney, or awarding agency, as appropriate.

APPENDIX C: Selected Items of Cost

Selected Cost Item	Uniform Guidance General Reference	General Treatment for States, Local Governments, and Indian Tribes
Advertising and public relations costs	§200.421	Allowable with restrictions
Advisory councils	§200.422	Allowable with restrictions
Alcoholic beverages	§200.423	Unallowable
Alumni/ae activities	§200.424	Not specifically addressed
Audit services	§200.425	Allowable with restrictions
Bad debts	§200.426	Unallowable
Bonding costs	§200.427	Allowable with restrictions
Collection of improper payments	§200.428	Allowable
Commencement and convocation costs	§200.429	Not specifically addressed
Compensation for personal services	§200.430	Allowable with restrictions Special conditions apply (e.g., §200.430(i)(5))
Compensation fringe benefits	§200.431	Allowable with restrictions
Conferences	§200.432	Allowable with restrictions
Contingency provisions	§200.433	Unallowable with exceptions
Contributions and donations	§200.434	Unallowable (made by nonfederal entity); not reimbursable but value may be used as cost sharing or matching (made to non-federal entity)
Defense and prosecution of criminal and civil proceedings, claims, appeals and patent infringements	§200.435	Allowable with restrictions
Depreciation	§200.436	Allowable with qualifications
Employee health and welfare costs	§200.437	Allowable with restrictions
Entertainment costs	§200.438	Unallowable with exceptions
Equipment and other capital expenditures	§200.439	Allowability based on specific requirements
Exchange rates	§200.440	Allowable with restrictions
Fines, penalties, damages and other settlements	§200.441	Unallowable with exception
Fund raising and investment management costs	§200.442	Unallowable with exceptions
Gains and losses on disposition of depreciable assets	§200.443	Allowable with restrictions
General costs of government	§200.444	Unallowable with exceptions
Goods or services for personal use	§200.445	Unallowable (goods/services); allowable (housing) with restrictions
Idle facilities and idle capacity	§200.446	Idle facilities – unallowable with exceptions; idle capacity – allowable with restrictions
Insurance and indemnification	§200.447	Allowable with restrictions

Intellectual property	§200.448	Allowable with restrictions
Interest	§200.449	Allowable with restrictions
Lobbying	§200.450	Unallowable
Losses on other awards or contracts	§200.451	Unallowable (however, they are required to be included in the indirect cost rate base for allocation of indirect costs)
Maintenance and repair costs	§200.452	Allowable with restrictions
Materials and supplies costs including computing devices	§200.453	Allowable with restrictions
Memberships, subscriptions, and professional activity costs	§200.454	Allowable with restrictions; unallowable for lobbying organizations.
Organization costs	§200.455	Unallowable except federal prior approval
Participant support costs	§200.456	Allowable with prior approval of the federal awarding agency
Plant and security costs	§200.457	Allowable; capital expenditures are subject to §200.439
Professional service costs	§200.459	Allowable with restrictions
Proposal costs	§200.460	Allowable with restrictions
Publication and printing costs	§200.461	Allowable with restrictions
Rearrangement and reconversion costs	§200.462	Allowable (ordinary and normal)
Recruiting costs	§200.463	Allowable with restrictions
Relocation costs of employees	§200.464	Allowable with restrictions
Rental costs of real property and equipment	§200.465	Allowable with restrictions
Scholarships and student aid costs	§200.466	Not specifically addressed
Selling and marketing costs	§200.467	Unallowable with exceptions
Specialized service facilities	§200.468	Allowable with restrictions
Student activity costs	§200.469	Unallowable unless specifically provided for in the federal award
Taxes (including Value Added Tax)	§200.470	Allowable with restrictions
Termination costs	§200.471	Allowable with restrictions
Training and education costs	§200.472	Allowable for employee development
Transportation costs	§200.473	Allowable with restrictions
Travel costs	§200.474	Allowable with restrictions
Trustees	§200.475	Not specifically addressed