

**Michigan Virtual Charter Academy**  
Department of Federal Program  
Uniform Grant Guidance (UGG) Manual  
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## **Introduction**

The Board of Directors of Michigan Virtual Charter Academy is responsible to establish and maintain a system of internal controls that when executed will ensure the practice of sound fiscal management practices in an effort to prevent embezzlement, corruption, and mismanagement of funds. The internal controls and policies and procedures shall comply with Generally Accepted Accounting Principles (GAAP) for non-profit corporations. Michigan Virtual Charter Academy (“Academy” or “MVCA”) contracts with an Educational Service Provider (“ESP”) for the management and operation of the Academy as set forth in the Educational Products and Services Agreement (“EPSA”). The staff assigned to work at or on behalf of MVCA are employees of the ESP. The ESP shall organize employees’ job duties and responsibilities and establish procedures sufficient to exercise effective accounting control over the Academy’s assets, liabilities, revenues and expenditures.

The Head of School (HOS), Federal Programs Coordinator/Manager and the Finance Manager shall have primary responsibility to manage the financial operations of the Academy and ensure that the Academy’s internal controls, policies and procedures are developed, communicated and followed by the ESP staff. The Board of Directors shall have financial oversight of the Academy. Each Director has the right to inspect and copy any and all books, records, and documents of the Academy. All financial books, records and documents of the Academy shall be retained in accordance with applicable federal, state and local laws, rules and regulations.

The ESP shall provide a written report to the Academy Board of Directors, on a monthly basis, regarding the purpose and amount of each federal grant, administration of the grant, expenditures, grant carry-over and other relevant information regarding the federal grant.

The financial policies, procedures and guidelines set forth in this Manual are designed to comply with Federal Program Uniform Grant Guidance provisions

## Allowability of Costs— Federal Programs

Federal expenditures shall be aligned with approved budgeted items. Any changes or variations from the State-approved budget and grant application shall receive prior approval from the State.

When determining how MVCA will spend its grant funds, the Federal Programs Manager/Coordinator 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. All costs supported by federal education funds must meet the standards outlined in EDGAR, 2 C.F.R. Part 3474 and 2 C.F.R. Part 200, Subpart E, which are provided in the bulleted list below. The Federal Programs Manager must consider these factors and the requirements and questions listed below when making an allowability determination. In order to be Allowable, the Cost must be:

- **Necessary and Reasonable for the performance of the federal award.** MVCA staff must consider these elements when determining the reasonableness of a cost. 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:

- Whether the cost is a type generally recognized as ordinary and necessary for the operation of MVCA or the proper and efficient performance of the federal award.
- The restraints requirements imposed by factors, such as: sound business practices; arms-length negotiations and bargaining; federal, state and local laws, rules regulations; and terms and conditions of the federal award.
- Market prices for comparable goods or services for the geographic area.
- Whether the individuals involved acted with prudence in the circumstances considering their responsibilities to MVCA, the ESP employees assigned to work at or on behalf of the Academy, MVCA students, stakeholders, the public at large, and the federal government.
- Whether MVCA is significantly deviating from its established practices and policies by incurring costs, which may unjustifiably increase the federal award's cost. 2 C.F.R. §200.404

While 2 C.F.R. §200.404 does not provide specific descriptions of what satisfies the “necessary” element beyond its inclusion in the reasonableness analysis above, necessary is determined based on the needs of the program. The expenditure shall be necessary to achieve an important program objective. A key aspect in determining whether a cost is

necessary is whether MVCA can demonstrate that the cost addresses an existing need, and can prove that the need exists.. For example, MVCA may deem a language skills software program necessary for a limited English proficiency program and must be able to prove that the need exists.

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

- Whether the cost is needed for the proper and efficient performance of the grant program.
  - Whether the cost is identified in the approved budget or application.
  - Whether there is an educational benefit associated with the cost.
  - Whether the cost aligns with identified needs based on results and findings from a needs assessment.
  - Whether the cost addresses program goals and objectives and is based on program data.
- 
- **Allocable to the federal award.** 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. 2 C.F.R. §200.405. For example, if 50% of a teacher's salary is paid with grant funds, then that teacher must spend at least 50% of his or her time on the grant program, with proper documentation to support same.
  - **Consistent with policies and procedures that apply uniformly to both federally-financed and other activities of MVCA.**
  - **Conform to any limitations or exclusions set forth as cost principles in Part 200 or in the terms and conditions of the federal award.**
  - **Consistent 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 assigned as an indirect cost under another award.
  - **Adequately documented.** All expenditures must be properly documented.
  - **Determined in accordance with general accepted accounting principles (GAAP), unless provided otherwise in Part 200.**
  - **Not included as a match or cost-share, unless the specific federal program authorizes federal costs to be treated as such.** Some federal program statutes require the non-federal

entity to contribute a certain amount of non-federal resources to be eligible for the federal program.

- **The net of all applicable credits.** 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. 2 C.F.R. §200.406.

Part 200’s cost guidelines shall be considered when federal grant funds are expended. As provided above, federal rules require state-level and MVCA-level requirements and policies regarding expenditures to be followed as well. For example, state and/or MVCA policies relating to travel or equipment may be narrower than the federal rules, and the stricter State and/or MVCA policies shall be followed. In addition, certain types of incentives are allowable under federal law, but are not allowable under State law.

### **Selected Items of Cost**

Part 200 examines the allowability of 55 specific cost items (commonly referred to as “Selected Items of Cost”) at 2 C.F.R. §§ 200.420-200.475. These cost items are listed in the chart below along with the citation where the item is discussed and whether the item is allowable. Please do not assume that an item is allowable because it is specifically listed in the regulation as it may be unallowable despite its inclusion in the selected items of cost section. The expenditure may be unallowable for a number of reasons, including, but not limited to (1) the express language of the regulation states that the item is unallowable; the terms and conditions of the grant deem the item unallowable; or State/local restrictions dictate that the item is unallowable; (2) The item does not meet one of the cost principles, or is not reasonable because it is considered too expensive. If an item is unallowable for any of these reasons, federal funds cannot be used to purchase it.

ESP staff responsible for spending federal grant funds and determining allowability shall be familiar with the Part 200 selected Items of Cost section. The ESP staff responsible for spending federal grant funds on behalf of MVCA must follow these rules when charging the specific expenditures to a federal grant. When applicable, the ESP staff shall check costs against the Selected Items of Cost Requirements to ensure that the cost is allowable. In addition, State, MVCA and program-specific rules may deem a cost as unallowable and ESP staff shall also follow these non-federal rules.

The Selected Item of Cost addressed in Part 200 includes the following Allowable Costs (in alphabetical order):

<b>Item of Cost</b>	<b>Citation of Allowability Rule</b>
Advertising and public relations costs	2 CFR § 200.421
Advisory councils	2 CFR § 200.422
Alcoholic beverages	2 CFR § 200.423
Alumni/ae activities	2 CFR § 200.424
Audit services	2 CFR § 200.425
Bad debts	2 CFR § 200.426
Bonding costs	2 CFR § 200.427
Collection of improper payments	2 CFR § 200.428
Commencement and convocation costs	2 CFR § 200.429
Compensation – personal services	2 CFR § 200.430
Compensation – fringe benefits	2 CFR § 200.431
Conferences	2 CFR § 200.432
Contingency provisions	2 CFR § 200.433
Contributions and donations	2 CFR § 200.434
Defense and prosecution of criminal and civil proceedings, claims, appeals and patent infringements	2 CFR § 200.435
Depreciation	2 CFR § 200.436
Employee health and welfare costs	2 CFR § 200.437
Entertainment costs	2 CFR § 200.438
Equipment and other capital expenditures	2 CFR § 200.439
Exchange rates	2 CFR § 200.440
Fines, penalties, damages and other settlements	2 CFR § 200.441
Fund raising and investment management costs	2 CFR § 200.442
Gains and losses on disposition of depreciable assets	2 CFR § 200.443
General costs of government	2 CFR § 200.444
Goods and services for personal use	2 CFR § 200.445
Idle facilities and idle capacity	2 CFR § 200.446
Insurance and indemnification	2 CFR § 200.447
Intellectual property	2 CFR § 200.448
Interest	2 CFR § 200.449
Lobbying	2 CFR § 200.450
Losses on other awards or contracts	2 CFR § 200.451
Maintenance and repair costs	2 CFR § 200.452
Materials and supplies costs, including costs of computing devices	2 CFR § 200.453
Memberships, subscriptions, and professional activity costs	2 CFR § 200.454
Organization costs	2 CFR § 200.455

Participant support costs	2 CFR § 200.456
Plant and security costs	2 CFR § 200.457
Pre-award costs	2 CFR § 200.458
Professional services costs	2 CFR § 200.459
Proposal costs	2 CFR § 200.460
Publication and printing costs	2 CFR § 200.461
Rearrangement and reconversion costs	2 CFR § 200.462
Recruiting costs	2 CFR § 200.463
Relocation costs of employees	2 CFR § 200.464
Rental costs of real property and equipment	2 CFR § 200.465
Scholarships and student aid costs	2 CFR § 200.466
Selling and marketing costs	2 CFR § 200.467
Specialized service facilities	2 CFR § 200.468
Student activity costs	2 CFR § 200.469
Taxes (including Value Added Tax)	2 CFR § 200.470
Termination costs	2 CFR § 200.471
Training and education costs	2 CFR § 200.472
Transportation costs	2 CFR § 200.473
Travel costs	2 CFR § 200.474
Trustees	2 CFR § 200.475

The State and/or MVCA may place additional requirements on a specific item of cost. The stricter requirements shall be met for a cost to be allowable. Accordingly, ESP staff shall consult Federal, State and MVCA requirements when spending federal funds. For example, the State's travel rules are more restrictive than the federal rules, which means the State's travel rules, regulations and policies must be followed.

In order for a Cost to be allowable, the expenditure must also be allowable under the applicable program statute (e.g., Title I of the Elementary and Secondary Education Act (ESEA), or the Carl D. Perkins Career and Technical Education Act (Perkins)), along with accompanying program regulations, non-regulatory guidance and grant award notifications.

The State and/or MVCA rules related to some of the specific cost items are discussed below. The ESP staff shall be aware of these State and MVCA rules, regulations, policies and procedures and ensure compliance with these requirements.

**Helpful Questions for Determining Whether a Cost is Allowable**

In addition to the cost principles and standards described above, the Federal Programs Coordinator/ Manager may refer to this section when performing a cost allowability analysis. In order to determine whether federal funds may be used to purchase a specific cost, it is helpful to ask the following questions:



- Is the proposed cost allowable under the relevant program?
- Is the proposed cost consistent with an approved program plan and budget?
- Is the proposed cost consistent with program specific fiscal rules?
  - For example, MVCA may be required to use federal funds only to supplement the amount of funds available from nonfederal (and possibly other federal) sources.
- Is the proposed cost consistent with EDGAR?
- Is the proposed cost consistent with specific conditions imposed on the grant (if applicable)?

The Federal Programs Coordinator/Manager shall also consider whether the proposed cost is consistent with the underlying needs of the program. Program funds shall benefit the appropriate population of students for which they are allocated. For example, funds allocated under Title III of the Elementary and Secondary Education Act (ESEA) governing language instruction programs for limited English proficient (LEP) students shall only be spent on LEP students and cannot be used to benefit non-LEP students.

In addition, funds should be targeted to address areas of weakness, as necessary. To make this determination, the Federal Programs Coordinator/Managers shall review data when making purchases to ensure that federal funds meet areas of concern.

#### **Unallowable Costs Under OMB Circular A-87**

The following Costs are not allowable:

- Advertising and public relations costs (with limited exceptions);
- Promotional Items and Memorabilia, including models, gifts and souvenirs;
- Alcoholic beverages;
- Bad Debts;
- Contingency provisions (with limited exceptions);
- Fundraising and investment management costs (with limited exceptions);
- Donations;
- Contributions;
- Entertainment;
- Fines and penalties;
- General government expenses (with limited exceptions pertaining to Indian tribal governments and Councils of Government (COG));
- Goods or services for personal use;
- Interest;
- Lobbying;
- Selling and marketing costs (with limited exception).

## **Costs that are Unallowable Under EDGAR (Part 76)**

The following costs are not allowable under EDGAR (Part 76):

- Use of funds for religion;
- Acquisition of real property (unless specifically permitted by programmatic statute or regulations-extremely rare in Federal education programs);
- Use of funds for construction (unless specifically permitted by programmatic statute or regulations-extremely rare in Federal education programs);
- Charging tuition or fees from students to meet matching, cost-sharing or maintenance of effort requirements of a Federal program.

The Head of School, Federal Programs Coordinator/Manager and the Senior Accountant shall be trained and familiar with the differences between allowable costs and unallowable costs. These individuals should attend Federal, state and local training opportunities. The Head of School and Federal Programs Coordinator/Manager shall review each expenditure to ensure that the expenditure is an allowable cost. The Senior Accountant processing the payment requested from a federal grant shall verify that the expense is an allowable expense (cost).

Failure to follow the provisions of allowable costs reporting and procedures for the use of federal grants may subject the individuals responsible for the violation to administrative and/or disciplinary action by the ESP.

## **Cash Management – Federal Programs**

MVCA, through the ESP's staff responsible for administering and spending federal grant funds on behalf of the Academy, shall comply with applicable methods and procedures for payment that minimizes the time elapsed between the transfer of funds and the disbursement of funds by MVCA, in accordance with the Cash Management Improvement Act, 31 C.F.R. Part 205. The Michigan Department of Education makes payments to MVCA for federal grant advances and reimbursements.t 2 C.F.R. § 200.305.

### **Payment Methods**

*Reimbursements:* Prior to requesting reimbursement, MVCA shall use existing resources to pay for federal grant expenditures.

MVCA's Federal Programs Coordinator/Manager, with approval of the Finance Manager, shall request reimbursement for actual expenditures incurred under the federal grants. Reimbursement shall be submitted on the appropriate form to the MDE portal. All reimbursements are based on actual disbursements, not on obligations. MDE processes reimbursement requests within the timeframes required for disbursement. Consistent with state and federal requirements, MVCA will maintain source documentation supporting the federal expenditures (invoices, time sheets, payroll stubs, etc.) and will make such documentation available for MDE to review upon request. Reimbursements of actual expenditures do not involve interest calculations. Consistent with state and federal requirements, MVCA will maintain source documentation supporting the federal

expenditures (invoices, time sheets, payroll stubs, etc.) and will make such documentation available for MDE review upon request.

Failure to follow the payment procedure may subject the individuals responsible for the violation to administrative and/or disciplinary action by the ESP.

## **Conflict of Interest – Federal Programs**

### **Standards of Conduct**

In accordance with 2 C.F.R. §200.18(c)(1), MVCA maintains the following standards of conduct covering conflicts of interest and governing the actions of its employees engaged in the selection, award and administration of contracts.

No employee of the ESP, officer, agent, or Board of Director of MVCA may participate in the selection, award, or administration of a contract supported by a federal award if he or she has a real or apparent conflict of interest. Such a conflict of interest would arise when the ESP employee, officer, agent or Board of Director, any member of his or her immediate family, his or her partner, or an organization which employs or is about to employ any of the parties indicated herein, has a financial or other interest in or a tangible personal benefit from a firm considered for a contract.

The employees of the ESP, officers, agents and Board of Director of MVCA 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.

### **Definitions:**

**Confidential information** shall mean information not obtainable from reviewing a public document or from making inquiry to a publicly available source of information.

**Conflict or Conflict of interest** shall mean use by a MVCA Board member or ESP employee of the authority of his/her office or employment, or any confidential information received through his/her holding public office or employment, for the private pecuniary benefit of him/herself, a member of his/her immediate family or a business with which s/he or a member of his/her immediate family is associated. The term does not include an action having a de minimis economic impact, or which affects to the same degree a class consisting of the general public or a subclass consisting of an industry, occupation or other group which includes the Academy Board member or employee, a member of his/her immediate family or a business with which s/he or a member of his/her immediate family is associated.

**De minimis economic impact** shall mean an economic consequence which has an insignificant effect.

**Financial interest** shall mean any financial interest in a legal entity engaged in business for profit which comprises more than five percent (5%) of the equity of the business or more than five percent (5%) of the assets of the economic interest in indebtedness.

**Honorarium** shall mean payment made in recognition of published works, appearances, speeches and presentations, and which is not intended as consideration for the value of such services which are nonpublic occupational or professional in nature. The term does not include tokens presented or provided which are of de minimis economic impact.

**Immediate family** shall mean a parent, parent-in-law, spouse, child, spouse of a child, brother, brother-in-law, sister, sister-in-law, or the domestic partner of a parent, child, brother or sister.

**Business partner** shall mean a person who, along with another person, plays a significant role in owning, managing, or creating a company in which both individuals have a financial interest in the company.

### **Disclosure of Financial Interests**

Annually, the MVCA authorizer, Grand Valley State University, will require Academy Board members of MVCA to complete a disclosure form identifying any relationships, positions or circumstances which he or she believes could contribute to a conflict of interest. Information regarding business interests of any board member shall be treated as confidential and made available to the Authorizer only, subject to applicable law.

### **Standards of Conduct**

MVCA maintains the following standards of conduct covering conflicts of interest and governing the actions of the ESP's employees and Academy Board members engaged in the selection, award and administration of contracts. No ESP employee or Academy Board member may participate in the selection, award or administration of a contract supported by a federal award if he or she has a real or apparent conflict of interest as defined above, or any other circumstance in which the ESP employee, Academy Board member, or any member of his/her immediate family, his/her business partner, or an organization which employs or is about to employ any of the individual, has a financial or other interest in or a tangible personal benefit from a firm considered for a contract.

Prior to any Academy Board action on a contract or goods and/or services involving a conflict of interest or potential conflict of interest, the Academy Board member who is in attendance at the meeting shall disclose all facts material to the conflict of interest. Such disclosure shall be reflected in the public board meeting minutes. If a board member is aware that an employee of the ESP or volunteer of the Academy has a conflict of interest, the relevant facts shall be disclosed by the board member or by the interested person, if invited to the Academy board meeting as a guest for purposes of the disclosure.

MVCA shall not enter into any contract with an Academy Board member or an ESP employee, his/her spouse or child, or any business or subcontractor of any business in which the person or his/her spouse or child is associated, valued at \$500.00 or more.

Any Academy Board member or ESP employee who in the discharge of his/her official duties would be required to vote on a matter that would result in a conflict of interest shall abstain from voting and, prior to the vote being taken, publicly announce and disclose the nature of his/her interest as a public record. Such person shall not participate in the Academy Board discussion regarding the matter except to disclose the material facts regarding the conflict of interest or apparent conflict of interest and shall not attempt to exert his or her influence relative to the matter,

either during or outside the board meeting. An Academy Board member who has a conflict of interest, real or apparent, relative to a contract or transaction that will be voted on during the public board meeting, shall not be counted in determining the presence of a quorum for purposes of the vote.

No public official or public employee shall accept an honorarium.

Academy Board members and ESP employees 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 Academy Board policy.

Any Board member found to be in violation of the conflict of interest policy or procedure may be subject to removal from the Academy Board.

### **Improper Influence**

No person shall offer or give to an Academy Board member, ESP employee or nominee or candidate for the Board, or a member of his/her immediate family or a business with which s/he is associated, anything of monetary value, including a gift, loan, political contribution, reward or promise of future employment based on the offeror's or donor's understanding that the vote, official action or judgment of the Academy Board member, ESP employee or nominee or candidate for the Board would be influenced thereby.

No Board member, ESP employee or nominee or candidate for the Academy Board shall solicit or accept anything of monetary value, including a gift, loan, political contribution, reward or promise of future employment, based on any understanding of that the Academy Board member, ESP employee or nominee or candidate that the vote, official action or judgment of the Academy Board member, ESP employee or nominee or candidate for the Academy Board would be influenced thereby.

### **Organizational Conflicts**

Organizational conflicts of interest may exist when the ESP's relationship with a subsidiary, affiliated or parent organization that is a candidate for award of a contract in connection with federally funded activities, or the ESP staff may be unable to or appear to be unable to be impartial in conducting a procurement action involving a related organization.

If the ESP has a relationship with a subsidiary, affiliate or parent organization that is a candidate for award of a contract in federally funded activities, the ESP may be unable or appear to be unable to be impartial in conducting a procurement action involving a related organization. In that circumstance, the Head of School or designee shall notify the Academy Board in writing of the potential organizational conflict of interest. The ESP shall:

1. Notify the Academy Board of the organizational relationship and include other potential contractors in the RFP;
2. The organizational relationship shall be disclosed as part of any notices to potential contractors;

3. The competitive bid, quote or other basis of valuation shall be considered by the Academy Board;
4. The Academy Board shall determine the entity to be awarded the contract.
5. The Academy Board may determine that contracting with the related organization is in the best interest of the Program.

### **Reporting**

Any perceived conflict of interest that is detected or suspected by any ESP employee or third party shall be reported to the Head of School. If the Head of School is the subject of the perceived conflict of interest, the ESP employee or third party shall report the perceived conflict of interest to the Academy Board President. Any perceived conflict of interest of an Academy Board member that is detected or suspected by any ESP employee or third party shall be reported to the Academy Board President. If the Academy Board President is the subject of the perceived conflict of interest, the ESP employee or third party shall report the matter to the Head of School, who shall report the matter to the solicitor. No reprisals or retaliation shall occur as a result of good faith reports of conflicts of interest.

### **Investigation**

Investigations based on reports of perceived violations of this policy shall comply with federal, state, and local laws, rules and regulations. No person involved the potential conflict of interest being investigated shall conduct or be involved in the investigation or review the results of the investigation. In the event an investigation determines that a violation of this Policy has occurred, the violation shall be reported to the federal awarding agency in accordance with that agency's policies, rules and regulations.

### **Disciplinary Action**

If an investigation results in a finding that the complaint is factual and constitutes a violation of this Policy, or a violation of any federal, state or local laws, rules or regulations, MVCA or the ESP, if the individual(s) who engaged in the violation(s) is an employee of the ESP, shall take prompt, corrective action to ensure that such conduct ceases and will not recur. The ESP staff shall document the corrective action taken and, when not prohibited by law, inform the complainant. Violations of this Policy may result in disciplinary action up to and including discharge, fines and possible imprisonment. Disciplinary actions shall be consistent with Academy Board policies, procedures and federal, state and local, laws, rules and regulations. Academy Board members who violate this Policy may be removed from the Academy Board and may be subject to applicable fines or other remedies under applicable federal, state and local laws, rules and regulations.

## **Procurement Policy – Federal Programs**

MVCA is committed to obtaining equipment, materials, supplies and services using federal grant funds from reputable and responsible vendors in an equitable and competitive manner and in accordance with applicable federal, state and local laws, rules and regulations.

### **Reason for Policy**

2 CFR Part 200.317 requires that grantees and subgrantees use their own procurement procedures which reflect applicable state (MCL 380.1274) and local laws, rules and regulations, provided that procurements conform to applicable federal laws, rules and regulations. In using federal funds for procurements, MVCA is required to adhere to all of the procurement standards identified in 2 CFR Part 200.317 et. seq. If the Academy's procurement policies and procedures are more restrictive than state or federal laws, rules and regulations, then the Academy's policies and procedures must be followed. The requirements listed in 2 CFR Part 200.318 will be followed, including but not limited to:

- MVCA will follow its procurement policies and procedures in accordance with applicable federal, state and local laws, rules and regulations.
- MVCA shall develop written policies and procedures for procurement. Lists of prequalified persons, firms or products that may be used by the Academy will be updated regularly to ensure full and open competition. Pre-qualified lists shall not limit competition or the procurement process.
- Only responsible contractors that have the ability to successfully fulfill the contract terms will be used.
- If available and applicable, excess federal materials, supplies or equipment will be used before purchasing new materials, supplies or equipment.
- MVCA will ensure that there is no real or apparent conflicts of interest during the procurement process.
- All transactions will be conducted in a manner providing full and open competition (See 34 CFR 80.36(c) for examples of restrictive procurement situations).
- Unnecessary or duplicative purchases shall be avoided.
- MVCA, through its ESP staff assigned to procure and award federal contracts shall perform a cost or price analysis in connection with each procurement action including contract modifications.
- Detailed records to substantiate procurement decisions, rationale and history will be maintained by the ESP on behalf of the Academy.
- MVCA shall resolve any contract or procurement disputes.
- MVCA will take all necessary affirmative steps to ensure that minority firms, women's business enterprises and labor surplus area firms are used when possible in accordance with federal laws, rules and regulations.
- MVCA shall make available, upon request of the awarding agency, technical specifications on proposed procurements where the awarding agency believes such review is needed to ensure that the item and/or service specified is the one being proposed for purchase.

- Applicable bonding requirements will be followed. Excess bonding or unnecessary experience will not be used as a requirement in the procurement process.
- MVCA contracts must contain provisions of paragraph 2 CFR 200.326.
- Contracting with faith based organizations is allowed provided that there is no discrimination for or against the organization and provided that the faith based organization offers any religious worship, instruction or proselytization at a time and in a location separate from any programs or services provided to the School and any participation in the services by beneficiaries of grant programs is voluntary

### **Policy Requirements**

Purchasing procedures using federal and non-federal grant funds will conform to applicable federal, state and local laws, rules and regulations, including but not limited to the federal regulations identified in 2 CFR. Procurements may be awarded through non-competitive means under certain circumstances as set forth in the Academy Board's Purchasing with Federal Funds Policy:

- The federally funded supplies, materials, equipment or services can be verified to be only available from a single source;
- The public necessity or emergency will not permit a delay resulting from the competitive bid process;
- A noncompetitive bid/proposal is expressly authorized by the awarding agency; or
- After solicitation of a number of sources, competition is determined to be inadequate. [See 2 C.F.R. Part 200.320 for additional guidance on when noncompetitive procurement may be used.]

Documentation of the procurement processes must be maintained as required by federal, state and local laws, rules and regulations and Academy Board policies and procedures.

Failure of the ESP staff to follow the procurement policies and procedures may subject the individual staff member of the ESP responsible for the violation to administrative and/or disciplinary action by the ESP.

## **Method of Conducting Technical Evaluations-Federal Programs**

### **MVCA Purchasing with Federal Funds Policy**

In accordance with MVCA's Purchasing with Federal Funds Policy, the purchase of all federally funded supplies, materials, equipment and services shall be at the lowest possible cost in the best interest of the Academy. All procurements shall be conducted in a manner which provides open competition and be free of any real or apparent conflict of interest. The lowest responsible bidder shall generally be awarded the contract; however, the Board of Directors reserves the right to accept any bid/proposal that it believes is in the best interest of the Academy.

When purchasing supplies, materials or equipment with Federal monies or under a Federal grant, the procurement processes shall be in accordance with MVCA's General Purchasing Policy.



When procuring services with Federal monies or under a Federal grant, if the reasonably anticipated cost is less than \$150,000.00, then the Academy shall contact a reasonable number of potential vendors and obtain informal written quotes for the services from at least three (3) vendors, to the extent possible. If the reasonably anticipated cost for services which will be funded by Federal monies or under a Federal grant is at or over \$150,000.00, competitive bidding must be used for the procurement of those federally funded services. If it is determined that a formal competitive process for the procurement of services costing less than \$150,000.00 is in the best interests of the Academy, the Academy may use an appropriate competitive bidding process to obtain bids/proposals for the services.

### **Competitive Proposals**

The Operations Manager shall prepare a Request for Proposals (RFP) with specific detail regarding the nature and specifications of the supplies, materials, equipment or services that is being sought by MVCA. Vendors shall be requested to respond in a sealed bid, with details regarding the goods or services being sought. If more than one (1) vendor submits a proposal, the contractor shall be selected after a technical review of all of the proposals. The following requirements shall apply:

1. The requests for proposals shall be publicized and identify all evaluation factors and their relative importance. Any response to the publicized request for proposals shall be considered to the extent possible.

2. Proposals shall be submitted from an adequate number of qualified sources.

3. In order to establish reasonableness, a method of conducting technical evaluations of the proposals shall be implemented by the Operations Manager and members of the selection committee. The Operations Manager and selection committee shall perform a cost analysis to evaluate the total price, compare price quotes, determine market pricing, and analyze the cost of lease versus purchase options when selecting the recipient(s), where applicable. Considerations shall be given to:

- The quality of the item(s) to be supplied;
- Conformity to specifications;
- Suitability to the Academy's requirements;
- Delivery terms/storage fees etc.; and
- Past vendor performance although new vendors should also be considered.

The Operations Manager shall maintain complete records and documentation of the competitive bidding process and the reason(s) for the committee's decision to award the contract to the vendor. The records and documentation must be retained in accordance with Michigan's Records Retention and Disposal Schedule for Michigan Public Schools and any federal document retention requirements.

## **Non-Competitive (Sole Source) Proposals**

Procurement of federally funded supplies, materials, equipment or services through solicitation of a proposal from only one source may be used only when one or more of the following circumstances apply:

- The federally funded supplies, materials, equipment or services can be verified to be only available from a single source;
- The public necessity or emergency will not permit a delay resulting from the competitive bid process;
- A noncompetitive bid/proposal is expressly authorized by the awarding agency; or
- After solicitation of a number of sources, competition is determined inadequate.

If the Operations Manager determines that the sole source option applies, the Operations Manager shall maintain documentation outlining how the decision was reached relative to the sole source option. Documentation shall include:

- Authorization for the awarding entity or pass-through entity;
- Verification of the uniqueness of the services;
- The specific experience of the vendor selected; and
- A cost or price analysis.

## **Travel Policy–Federal Programs**

*Travel:* Travel costs are the expenses for transportation, lodging, subsistence, and related items incurred by ESP employees who are in travel status on official business of a grant recipient. 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 selected days of the trip, and results in charges consistent with those normally allowed in like circumstances in the recipient's non-federally funded activities and in accordance with the recipient's written travel reimbursement policies. 2 C.F.R §200.474(a).

Costs incurred by ESP employees, and Board of Directors for travel, including costs of lodging, other subsistence, transportation and incidental expenses, shall be reasonable and otherwise allowable. Such costs or expenses shall not exceed charges normally permitted by MVCA as part of MVCA's regular operations as set forth in the ESP's and MVCA's written travel policy for ESP staff and MVCA's travel policy for the board of directors. If travel costs are charged directly to the federal award, documentation shall be maintained by the Operations Manager or the Head of School which justifies that: (1) participation of the individual is necessary to the federal award; and (2) the costs are reasonable and consistent with MVCA's established policies. 2 C.F.R §200.474(b).