RUSSELL BYERS CHARTER SCHOOL
responsibility. respect. resilience. reflection.

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Policy for Appropriate Use of Federal Funds

Overview of Procedures

The Head of School at Russell Byers Charter School ("School") is responsible for ensuring that all expenditures processed against grant funds are consistent with the terms of the grant and, for federal funds, compliant with the applicable federal Uniform Grant Guidance (UGG). Federal grant expenditures must be reasonable, necessary, and allocable. The Head of School or their designated representative should review requests to expend prior to processing requested expenditures. In the case of travel and meal requests, the obligations are typically incurred prior to processing and therefore require special procedures. The enclosed policy relates to the following key areas related to grant accounting:

- Non-Personnel Costs
- Vendor Invoices
- Allowability of Costs, Selected Items
- Classification of Costs, Direct vs. Indirect
- Cost Transfers
- Cash Management
- Payment
- Conflict of Interest
- Drawdowns and Reimbursement
- Procurement Procedures
- Travel Costs

Non-Personnel Costs

As with personnel costs, non-personnel costs charged to federal funds with "Supplement, Not Supplant" provisions can only be used to provide additional programs

and resources beyond what the School would have made available in the absence of the federal funding. Therefore, costs that would have been incurred had the federal funds not been available are not chargeable to federal funds containing "Supplement, Not Supplant" provisions.

Under Uniform Grant Guidance provisions, all federal grant award expenditures must be allocable to the grant program. Federal grant funds must be expended in proportion to the federal program's benefit. For example, if a computer is purchased with 100% Title I, Part A funds, the computer must be used solely for Title I, Part A purposes. Likewise, if a computer is bought with 50% Title I, Part A funds and 50% non federal funds, the computer must be used at least 50% of the time for Title I, Part A purposes. In addition, all costs supported in whole or in part with federal grant funds, must be necessary, reasonable and allocable.

In some circumstances, costs related to a single, non-personnel activity may be apportioned across more than one funding source. According to the Education Department's General Administrative Requirements (EDGAR), a school may use funds under more than one program to support different parts of the same project if (1) the School complies with the requirements of each program with respect to the part of the project assisted with the funds under that program, and (2) the School has an accounting system that permits identification of the costs paid for under each program. Additionally, the Uniform Grant Guidance provides that costs be allocated among grants proportionate to the benefit received.

For example, contract costs to develop a system to help convert multi-year grant budgets to a 12-month fiscal year basis to improve management and decision-making benefits all grant funds. An equitable methodology to apportion those costs among grant funds according to relative benefit could be to charge grants during the year based on the proportion of each grant's actual expenditures to total actual grant expenditures for the prior year. At the time of the yearly Financial Close, an analysis of each grant's actual expenditure to total actual grant expenditures for the current year could be made and a "true up" adjustment made to grant charges prior to the Financial Close.

Another example is the cost of developing a database to record employee time, produce Personnel Activity Reports (PARs), and to report time for the purpose of charging federal grants. An equitable methodology to apportion costs among the multiple federal cost objectives could be to charge federal grants based on the proportion of each federal grant's actual expenditures to total actual federal grant expenditures for the prior year. At the time of the yearly Financial Close, a "true up" calculation could be made as described above.

Another example is contract and other non-personnel costs that support general activities, but also benefit grants as well. The cost of the maintenance and administration of the School's budget development system and the development of expenditure projections and analysis falls into this category. If the School would incur these costs whether or not grants existed, then the costs are not allocable to federal

grants with supplanting provisions. The costs potentially chargeable to grants are those additional costs that occur only because of grants, and there is an equitable methodology to define and apportion those costs to grants without a Supplement, Not Supplant provision. Given that the grant only portions of these activities are not readily "allocable", the costs of these activities in whole or in part would optimally be covered by an indirect cost rate.

Invoice Content

To reconcile that the goods or services being paid for through a vendor invoice was in fact the items ordered and are allowable, the invoice must detail the goods / services as described below. For goods, most purchases are made through vendors approved by the Director of Operations and the items purchased are almost always itemized with a cost for each item. For service contracts, vendor invoice formats vary significantly. However, the program manager should convey the invoicing requirements in the contract, and remind the vendor of those requirements prior to the first invoice being submitted. The invoice should contain, in addition to standard elements (vendor name, address, date of invoice and number, etc.), the following:

- An itemized list of the service performed by date and hours to include a brief description.
- The number of hours or quantity of items provided and the cost (per hour or item cost) consistent with the terms of the contract, and the extended cost for the date (for example, number of hours x hourly rate = Cost for the date).
- Any other backup material that may be required by the terms of the contract (e.g., employee sign-in and sign-out sheets)

The program manager should review the services to ensure the invoice is consistent with the services / goods received, the detail hours tie to a summary (if provided), and the rates are consistent with the contract. Once satisfied that the invoice represents a true statement, the program manager should physically sign the invoice, date it, and indicate "approved for payment" or something similar. The invoice should be processed for payment against the encumbrance created for the good / service. See the invoice example at the end of this document.

Allowability of Cost

When determining how the School will spend its grant funds, the Director of Development's office 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.

- **Be Necessary and Reasonable for the performance of the federal award.** School 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 the School or the proper and efficient performance of the federal award.
- The restrains or requirements imposed by factors, such as: sound business practices; arm's-length bargaining; federal, state and other laws and regulations; and terms and conditions of the federal award.
- Market prices for comparable goods or services for the geographic area.
- Whether the individuals concerned acted with prudence in the circumstances considering their responsibilities to the School, its employees, its students, the public at large, and the federal government.
- Whether the School significantly deviates from its established practices and policies regarding the incurrence of 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. 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 School can demonstrate that the cost addresses an existing need, and can prove it. For example, the School may deem a language skills software program necessary for a limited English proficiency program.

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.

- **Consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the School.**

- **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.

- **Be 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.

- **Be 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 must be considered when federal grant funds are expended. As provided above, federal rules require state- and School-level requirements and policies regarding expenditures to be followed as well. For example, state and/or School policies relating to travel or equipment may be narrower than the federal rules, and the stricter State and/or School policies must be followed.

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 it is discussed 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: the express language of the regulation states 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. The item may also be unallowable because it does not meet one of the cost principles, such as being 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.

School personnel responsible for spending federal grant funds and for determining allowability must be familiar with the Part 200 selected items of cost section. The School must follow these rules when charging these specific expenditures to a federal grant. When applicable, School staff must check costs against the selected items of cost requirements to ensure the cost is allowable. In addition, State, School and program-specific rules may deem a cost as unallowable and School personnel must follow those non-federal rules as well.

The selected item of cost addressed in Part 200 includes the following (in alphabetical order):

Item of Cost	**Citation of Allowability Rule**
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

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.

Helpful Questions for Determining Whether a Cost is Allowable

In addition to the cost principles and standards described above, the Head of School can refer to this section for a useful framework when performing an 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, the School 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)?

As a practical matter, the Head of School should also consider whether the proposed cost is consistent with the underlying needs of the program. For example, program funds must benefit the appropriate population of students for which they are allocated. This means that, for instance, funds allocated under Title III of the Elementary and Secondary Education Act (ESEA) governing language instruction programs for limited English proficient (LEP) students must only be spent on LEP students and cannot be used to benefit non-LEP students. Further, under most major elementary and secondary education programs, recipients

Also, funds should be targeted to address areas of weakness, as necessary. To make this determination, the Head of School should review data when making purchases to ensure that federal funds to meet these areas of concern.

Proper Classification of Costs

RBCS shall adhere to all applicable cost principles governing the proper classification of costs, both direct and indirect, charged to grant funded projects and that proposed and actual expenditures are consistent with the grant agreement and all applicable federal

rules embodied in the Uniform Grant Guidance at 2 CFR 200 (UGG). School personnel who are responsible for administering, expending or monitoring grant funded programs should be well versed with the categories of costs that are generally allowable and unallowable.

Direct and Indirect Costs

Allowable and allocable costs must be appropriately classified as direct or indirect. In general, direct costs are those that can be identified specifically with a particular cost objective while indirect costs are those (a) incurred for a common or joint purpose benefiting more than one cost objective, and (b) not readily assignable to the cost objectives specifically benefited, without effort disproportionate to the results achieved. It is essential that each item of cost be treated consistently in like circumstances either as a direct or an indirect cost.

If an indirect cost rate is going to be utilized for charging indirect rates, the rate must first be approved by the applicable approving authority.

Cost Transfers

Any costs charged to a federal or non-federal award that do not meet the allowable cost criteria must be removed from the award account and charged to an account that does not require adherence to federal UGG or other applicable guidelines.

Failure to adequately follow this policy and related procedures could result in questioned costs, audit findings, potential repayment of disallowed costs and discontinuance of funding. The Head of School and any other individuals responsible for expending grant funds are held responsible for compliance with UGG and must understand that severe penalties and funding disallowances could result from instances of non-compliance.

Definitions

Direct costs are expenses that are specifically associated with a particular grant program that can be directly assigned to such activities relatively easily with a high degree of accuracy. Common examples of direct costs include the GPM's salary and fringe benefits, equipment and supplies for the program, subcontracted service provider, or other materials consumed or expended in the performance of the grant.

Indirect costs are incurred for common or joint objectives and, therefore, cannot be readily and specifically identified with a particular program. They are expenses that benefit more than one grant. Common examples of indirect costs include utilities, local telephone charges, shared office supplies, administrative or secretarial salaries.

Cash Management

RBCS will comply with applicable methods and procedures for payment that minimize the time elapsing between the transfer of funds and disbursement by the school, in

accordance with the Cash Management Improvement Act at 31 CFR Part 205. Generally, the School receives payment from the PA Department of Education on a reimbursement basis. 2 C.F.R. § 200.305. However, if the School receives an advance in federal grant funds, the School will remit interest earned on the advanced payment quarterly to the federal agency consistent with 2 C.F.R. § 200.305(b)(9).

According to guidance from the U.S. Department of Education (ED), when calculating the interest earned on ED grant funds, regardless of the date of obligation, interest is calculated from the date that the federal funds are drawn down from the G5 system until the date on which those funds are disbursed by the LEA.

Interest would not accrue if the LEA uses non federal funds to pay the vendor and/or employees prior to the funds being drawn down from the G5 system, commonly known as a reimbursement.

Payment Methods

Reimbursements: RBCS will initially charge federal grant expenditures to non federal funds.

The Director of Operations will request reimbursement for actual expenditures incurred under the federal grants from the PA Department of Education monthly in writing. All requests must be signed by the Head of School, and include proper documentation (receipts, invoices, purchase orders, contracts, etc.). All reimbursements are based on actual disbursements, not on obligations.

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

Reimbursements of actual expenditures do not require interest calculations.

Advances: To the extent that RBCS receives advance payments of federal grant funds, the school will strive to expend the federal funds on allowable expenditures as expeditiously as possible. Specifically, the school attempts to expend all drawn downs of federal funds within 72 hours of receipt.

The school will hold federal advance payments in interest-bearing accounts, unless an allowable exception applies. The School will begin to calculate interest earned on cash balances once funds are deposited into the School's account.

Interest will be calculated consistent with state regulations. Total federal grant cash balances will be calculated on cash balances per grant and applying RBCS's interest rate. The school will remit interest earned on grant funds annually to the U.S. Department of Health and Human Services Payment Management System (regardless of the federal

awarding agency for the grant) through an electronic medium using either Automated Clearing House (ACH) network or a Fedwire Funds Service payment. 2 C.F.R. § 200.305(b)(9). The school may retain up to $500 of interest earned per year.

Conflict of Interest

In accordance with 2 C.F.R. §200.18(c)(1), RBCS 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, officer, or agent may participate in the selection, award, or administration of a contract supported by a federal award if he or she has a real or apparent conflict of interest. Such a conflict of interest would arise when the employee, officer, or agent, any member of his or her immediate family (spouse, siblings, children, parents), his or her partner, or an organization which employs or is about to employ any of the parties indicated herein, has a financial or other interest in or a tangible personal benefit from a firm considered for a contract.

The officers, employees, and agents of RBCS 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. Any agent or employee of the school suspected of entering into such an agreement or accepting such gratuities will be placed on immediate paid leave, and pending a full investigation and hearing with the RBCS board, face termination.

Organizational conflicts of interest may exist when due to RBCS's relationship with a subsidiary, affiliated or parent organization that is a candidate for award of a contract in connection with federally funded activities, RBCS may be unable or appear to be unable to be impartial in conducting a procurement action involving a related organization. In the event of a potential organizational conflict, the potential conflict shall be reviewed by the CEO or designee to determine whether it is likely that RBCS 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 measures shall be applied:

1. The organizational relationship shall be disclosed as part of any notices to potential contractors;

2. Any RBCS 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 has determined that contracting with the related organization is in the best interests of the program involved.

The CEO or designee shall report in writing to the federal awarding agency or pass-through entity any potential conflict of interest related to a federal award, in accordance with federal awarding agency policy.

The CEO or designee must further disclose whenever, in connection with the Federal award (including any activities or subawards thereunder), it has credible evidence of the commission of a violation of Federal criminal law involving fraud, conflict of interest, bribery, or gratuity violations found in Title 18 of the United States Code or a violation of the civil False Claims Act (31 U.S.C. 3729-3733). The disclosure must be made in writing to the Federal agency, the agency's Office of Inspector General, and pass-through entity (if applicable). The CEO or designee shall also be required to report matters related to recipient integrity and performance in accordance with Appendix XII to Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. Failure to make required disclosures can result in any of the remedies described in § 200.339.

Drawdowns and Reimbursement Requests

It is the policy of RBCS to request funds from funding agencies only for immediate needs, minimizing the time between receipt of funds and disbursement. Similarly, the school will disburse funds to subgrantees in such a manner as to minimize the time between receipt of the funds by the subgrantee and use of the funds by the subgrantee for program needs.

The school receives grant funds in multiple ways. Some grant programs provide all of the funds up-front via a lump sum check or wire transfer, some grants are disbursed in regularly scheduled payments, and some grants require the school to request reimbursement after program expenses have been incurred through the use of invoices or cash drawdowns. Most funding agencies, federal and non-federal, specify the particular method required for requesting grant funds. In order to avoid funding delays (or potential penalties or funding withdrawal), the school must abide by the grantor's rules and regulations.

For federal grants awarded before 12/26/14, ***34 CFR Part 80.21*** states that a grant recipient or subgrantee of federal funds shall minimize the time elapsing between the transfer of funds from the federal government and disbursement by the grant recipient or subgrantee. Federal grants awarded on or after 12/26/14 must adhere to 2 C.F.R 200.305 which requires that an entity's payment methods minimize the time elapsing between the

transfer of funds from the United States Treasury and the disbursement of these funds. The policy requirements for requesting of funds will be as follows:

- RBCS will follow the grantor's preferred method of requesting funds while attempting to minimize the time between fund receipt and the disbursement of grant funds for program-related expenditures.
- Regardless of the method of grant fund receipt, all program expenditures that will be paid for with grant funds must be allowable and meet any applicable cost restrictions.
- Grant fund receipts will be deposited and coded to the correct account promptly and will be reported accurately to the grantor.

Procurements Using Grant Funds

RBCS is committed to securing goods and services using grant funds from reputable and responsible suppliers in an equitable and competitive manner and in accordance with applicable federal and state laws, regulations and guidance. 2 CFR Part 200.317 requires that grantees and subgrantees will use their own procurement procedures which reflect applicable state (PA School Code Section 807.1) and local laws and regulations, provided that procurements conform to applicable federal law and other standards. In using federal funds for procurements, the school is bound to adhere to all of the procurement standards identified in 2 CFR Part 200.317 et. seq. If the school's procurement policies and procedures are more restrictive than state or federal laws and regulations, school policies must be followed. 2 CFR Part 200.318 includes but is not limited to the following requirements:

Documentation on purchase orders and requisitions shall be maintained in accordance with the Charter School's Records Management Policy and records retention schedule.

Contracts shall be reviewed by the CEO prior to submission to the Board for approval.

Contracts to which the Uniform Grant Guidance apply shall contain the clauses specified in Appendix II to 2 CFR Part 200 (Contract Provisions for Non-Federal Entity Contracts Under Federal Awards), when applicable.

Micro-Purchases Not Requiring Quotes or Bidding (up to $10,000)

For purposes of this procedure, micro-purchase means a purchase of equipment, supplies or services for use in federally funded programs using simplified acquisition procedures, the aggregate amount of which does not exceed a base amount of $10,000. The micro-purchase dollar threshold is adjusted periodically by the federal

government, and the threshold most recently established and published in the Federal Register shall apply if other than $10,000.

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. Procurement by micro-purchase is the acquisition of equipment, supplies or services, the aggregate dollar amount of which does not exceed the micro-purchase threshold.

The micro-purchase maximum for federal purposes is lower than the amount below which the PA Procurement Law allows purchase for non-federal purposes to be made without obtaining at least three written or telephonic quotes or using formal competitive bidding.

To the extent practicable, the Charter School 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 Business Manager will be responsible to determine the equitable distribution of micro-purchases.

Micro-purchases may be awarded without soliciting competitive quotations if the Charter School considers the price to be reasonable. The Charter School 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.

Small Purchase Procedures (between $10,000 and $23,200)

For purposes of this procedure, small purchase procedures are those relatively simple

and informative procurement methods for securing equipment, services, or supplies that cost more than the amount qualifying as a micro-purchase and do not cost $23,200 or more. Small purchase procedures cannot be used for purchases of equipment or supplies or for construction, repair or maintenance services costing $23,200 or more because the School Code requires formal competitive bidding at that level of cost.

The base amount at which bidding is required under state law is adjusted for inflation annually, and the amount most recently established and published in the Pennsylvania Bulletin shall apply if other than $23,200. (24 P.S. Sec. 120)

Because state law does not require bidding for the purchase of services other than construction, maintenance or repairs on school facilities regardless of total cost, small purchase procedures, including a request for proposal (RFP) procedure, may be used for procurement of such other services except when the estimated total cost will be at or over the federal threshold at which formal competitive bidding is required ($250,000).

If small purchase procedures are used, written or telephonic price or rate quotations are obtained from at least three (3) qualified sources and records of quotes are maintained.

Formal Competitive Bidding ($23,200 or more)

Publicly Solicited Sealed Competitive Bids:

For purchases of equipment or supplies, or of services for construction, maintenance or repairs of school facilities, sealed competitive bids are publicly solicited and awarded to the lowest responsive and responsible bidder when the total cost is estimated to be $23,200 or more.

State law does not require bidding for the purchase of services other than construction, maintenance or repairs on school facilities regardless of total cost. For procurement of such other services for federally funded purposes to which the Uniform Grant Guidance applies, formal competitive bidding will be used when the estimated total cost will be at or over the federal threshold of $350,000.

The federal competitive bidding dollar threshold is adjusted periodically by the federal

government, and the threshold most recently established and published in the Federal Register shall apply if other than $350,000. (48 CFR Subpart 2.1)
For procurement of services costing at or over the $350,000 federal threshold other than for construction, maintenance, or repairs on facilities, the use of competitive sealed bidding is considered feasible and appropriate when:

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 a successful bidder can be made principally on the basis of price.

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

Competitive Proposals

State law does not require public school entities to solicit competitive bids for services other than construction, repairs or maintenance of school facilities, for which competitive bidding is required if the cost will be a base amount of $22,500 or more. State law allows competitive proposals relating to work on facilities in lieu of bidding only in the context of guaranteed energy savings contracts.

Federal regulations allow the use of competitive proposals as an alternative when formal bidding would otherwise be required only to procure architectural and engineering services. Other types of services for federally funded purposes to which the Uniform Grant Guidance applies, professional! or otherwise, must be procured using competitive bidding when the cost would meet or exceed the federal threshold for competitive bidding ($350,000).

In the case of services other than for construction, repairs or maintenance of school

facilities costing less than that threshold, the Charter School may use small purchase procedures or micro- purchase procedures as applicable based on total cost. A request for proposal (RFP) process can also meet or exceed the small purchase competition requirements under state law and Board policy for the acquisition of services other than for construction, repairs or maintenance of school facilities, and can be used if the total cost will be less than $350,000.

When permitted, the technique of competitive proposals is normally conducted with more than one (1) source submitting an offer, and either a fixed price or cost-reimbursement type contract is awarded. Competitors' qualifications are evaluated and the most qualified competitor is selected, subject to negotiation of fair and reasonable compensation. The Charter School shall comply with other applicable state and federal law and regulations, Board policy and administrative regulations regarding purchasing; the Charter School may consult with the school solicitor or other qualified counsel in determining the required process for purchasing through competitive proposals when necessary.

If this method is used, the following requirements apply:

a. 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.

b. Proposals must be solicited from an adequate number of qualified sources.

c. Contracts must be awarded to the responsible firm whose proposal is most advantageous to the program, with price and other factors considered.

Competitive proposals shall be evaluated by the CEO based on factors including but not limited to:

a. Cost
b. Experience of contractor
c. Availability
d. Personnel qualifications
e. Project management expertise

f. Understanding of Charter School needs

Evaluations shall be completed in a timely manner, documented and shall be reviewed by the Board.

Contract/Price Analysis:

The Charter School performs a cost or price analysis in connection with every procurement action in excess of $250,000, including contract modifications. (2 CFR Sec. 200.323(a)).

A cost analysis generally means evaluating the separate cost elements that make up the total price, while a price analysis means evaluating the total price, without looking at the individual cost elements

The method and degree of analysis is dependent on the facts surrounding the particular procurement situation; however, the Business Manager must come to an independent estimate prior to receiving bids or proposals. (2 CFR Sec. 200.323(a)). As part of the analysis, the Business Manager will enact established business practices which may include evaluation of similar prior procurements and a review process.

When performing a cost analysis, the Business Manager negotiates profit as a separate element of the price. To establish a fair and reasonable profit, consideration is given to the complexity of the work to be performed, the risk borne by the contractor, the contractor's investment, the amount of subcontracting, the quality of its record of past performance, and industry profit rates in the surrounding geographical area for similar work. (2 CFR Sec. 200.323(b)).

Negotiated Profit

In any procurement in which there has been no price competition, or in which a cost-analysis is performed, profit must be negotiated separately as an element of price. Accordingly, solicitations of bids, proposals or quotes shall require that bids, proposals, or quotes be limited to costs other than profit, and exclude profit.
To establish a fair and reasonable profit, consideration is given to the complexity of the work to be performed, the risk borne by the contractor, the contractor's investment, the

amount of subcontracting, the quality of its record of past performance, and industry profit rates in the surrounding geographical area for similar work. (2 CFR §200.323(b)) When profit must be negotiated as a separate element of the total price, it shall be negotiated by the CEO.

Noncompetitive Proposals

Procurement by noncompetitive proposals means procurement through solicitation of a proposal from only one (1) source and may be used only when one or more of the following circumstances apply:

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. An emergency exists whenever the time required for the Board to act in accordance with regular procedures would endanger life or property or threaten continuance of existing school classes.

3. The federal awarding agency or pass-through entity expressly authorizes noncompetitive proposals in response to a written request from the Charter School.

4. After solicitation of a number of sources, the Charter School determines the competition is inadequate.

In addition to standard procurement policy and procedures, the Charter School will document the grounds for using the noncompetitive method in lieu of an otherwise required competitive method of procurement, which may include written confirmation from the contractor as the sole source of the item. Documentation must be submitted to and maintained by the Business Office.

All noncompetitive proposals will ultimately be approved by the Board. The Charter School may utilize legal advice from the solicitor regarding noncompetitive proposals.

A cost or price analysis will be performed for noncompetitive proposals when the price exceeds $350,000.

Purchase Cards

The Charter School approves the use of procurement cards for permissible purchases by designated employees to improve the efficiency of purchasing activities, reduce processing expenses, improve controls for small-dollar purchases,

and streamline contractor payment.

Procurement cards may be used for purchases under federal programs. The use of procurement cards is governed by Board Procurement Cards and established administrative regulations.

Full and Open Competition

All procurement transactions must be conducted in a manner providing full and open competition consistent with 2 CFR Sec. 200.319. In order to ensure objective contractor performance and eliminate unfair competitive advantage, contractors that develop or draft specifications, requirements, statements of work, or invitations for bids or requests for proposals must be excluded from competing for such procurements. Some of the situations considered to be restrictive of competition include but are not limited to:

1. Placing unreasonable requirements on firms in order for them to qualify to do business.

2. Requiring unnecessary experience and excessive bonding.

3. Noncompetitive pricing practices between firms or between affiliated companies.

4. Noncompetitive contracts to consultants that are on retainer contracts.

5. Organizational conflicts of interest.

6. Specifying only a "brand name" product instead of allowing "an equal" product to be offered and describing the performance or other relevant requirements of the procurement.

7. Any arbitrary action in the procurement process.

The Education Department General Administrative Regulations further requires the following to ensure adequate competition.

Minority Businesses, Women's Business Enterprises, Labor Surplus Area Firms

The Charter School must take necessary affirmative steps to assure that minority businesses, women's business enterprises, and labor surplus area firms are used

when possible. Affirmative steps must include: (2 CFR Sec. 200.32'l)

1. Placing qualified small and minority business and women's business enterprises on solicitation lists.

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

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

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

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

6. Requiring the prime contractor, if subcontracts are let, to take the affirmative steps listed above.

Geographical Preferences Prohibited

The Charter School must conduct procurements in a manner that prohibits the use of statutorily or administratively imposed state, local, or tribal geographical preferences in the evaluation of bids or proposals, except in those cases where applicable federal statutes expressly mandate or encourage geographic preference. When contracting for architectural and engineering (A/E) services, geographic location may be a selection criterion provided its application leaves an appropriate number of qualified firms, given the nature and size of the project, to compete for the contract.

Prequalified Lists

The Charter School must ensure that all prequalified lists of persons, firms, or products which are

used in acquiring goods and services are current and include enough qualified sources to ensure maximum open and free competition. Also, the Charter School must not preclude potential bidders from qualifying during the solicitation period.

Solicitation Language

The Charter School must ensure that all solicitations incorporate a clear and accurate description of the technical requirements for the material, product, or service to be procured. Such description must not, in competitive procurements, contain features which unduly restrict competition. The description may include a statement of the qualitative nature of the material, product or service to be procured and, when necessary, must set forth those minimum essential characteristics and standards to which it must conform if it is to satisfy its intended use. Detailed product specifications should be avoided if at all possible.

When it is impractical or uneconomical to make a clear and accurate description of the technical requirements, a "brand name or equivalent" description may be used as a means to define the performance or other salient requirements of procurement. The specific features of the named brand which must be met by offers must be clearly stated; and identify all requirements which the offerors must fulfill and all other factors to be used in eva)uating bids or proposals.

Avoiding Acquisition of Unnecessary or Duplicative Items

The Charter School must avoid the acquisition of unnecessary or duplicative items. Additionally, consideration must be given to consolidating or breaking out procurements to obtain a more economical purchase; and, where appropriate, an analysis must be made of leases versus purchase alternatives, and any other appropriate analysis to determine the most economical approach.

These considerations are given as part of the process to determine the allowability of each purchase made with federal funds.

Use of Intergovernmental Agreements and Cooperative Purchasing

To foster greater economy and efficiency, the Charter School enters into state and local intergovernmental agreements where appropriate for cooperative purchasing or use of common or shared goods and services, as permitted by the Intergovernmental Cooperation Act and the Commonwealth Procurement Code. (53 Pa. c.s. ch. 23; 62 Pa. c.s. ch. 19)

When procuring supplies or services for federally funded purposes to which the Uniform Grant Guidance applies, the Charter School shall verify that the organization conducting the procurement pursuant to such agreements complies with the applicable requirements and standards of the Uniform Grant Guidance as outlined in this procedure.

Use of Federal Excess and Surplus Property

The Charter School considers the use of federal excess and surplus property in lieu of purchasing new equipment and property whenever such use is feasible and reduces project costs.

Debarment and Suspension

The Charter School awards contracts only to responsible contractors possessing the ability to perform successfully under the terms and conditions of a proposed procurement. Consideration will be given to such matters as contractor integrity, compliance with public policy, record of past performance, and financial and technical resources.

The Charter School may not subcontract with or award subgrants to any person or company who is debarred or suspended. For all contracts over $25,000 the Charter School verifies that the contractor with whom the Charter School intends to do business is not excluded or disqualified.

All successful contractors must provide written certification that they have not been suspended or debarred from federal projects. The Business Manager will be responsible for verification. Such verification may include accessing the online federal System for Award Management (SAM) to determine whether any relevant party is subject to any suspension or debarment restrictions.

Maintenance of Procurement Records

The Charter School must maintain records sufficient to detail the history of all procurements. These records will include, but are not necessarily limited to the following: rationale for the method of procurement, selection of contract type, contractor selection or rejection, the basis for the contract price (including a cost or price analysis), and verification that the contractor is not suspended or debarred.

Maintenance of records of procurement will be governed by Board policy relating to Records Management and established administrative regulations.

Time and Materials Contracts

The Charter School may use a time and materials type contract only: (1) after a determination that no other contract is suitable; and (2) 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 Charter School is the sum of: the actual costs of materials, and direct labor hours charged at fixed hourly rates that reflect wages, general and administrative expenses, and profit.

The Charter School must assert a high degree of oversight in order to obtain reasonable assurance that the contractor is using efficient methods and effective cost controls.

Settlements of Issues Arising Out of Procurements

The Charter School alone is responsible, in accordance with good administrative practice and sound business judgment, for the settlement of all contractual and administrative issues arising out of procurements. These issues include, but are not limited to, source evaluation, protests, disputes, and claims. These standards do not relieve the Charter School of any contractual responsibilities under its contracts. Violations of law will be referred to the local, state, or federal authority having proper jurisdiction.

Protest Procedures to Resolve Dispute

The Charter School maintains protest procedures to handle and resolve disputes

relating to procurements and, in all instances, discloses information regarding the protest to the awarding agency. Protest procedures will be acted on in accordance with current state law and regulations, established Charter School administrative regulations and the advice of the solicitor.

Food Service Program Notes:

Exemption from Bidding for Perishable Food Items -

The School Code exempts purchases of perishable food items from bidding requirements. Bidding for perishable food items is required only if the cost would be at or over the federal threshold at which formal competitive bidding is required ($250,000). Small purchase procedures may be used for purchases below $250,000, or micro- purchase procedures for purchases below $1 o,ooo. Use of bidding should be considered as an option if it is feasible and likely to result in cost savings. (24 P.S. Sec. 504(d))

Geographic Preferences

The Charter School is permitted to apply a geographic preference when procuring unprocessed locally grown or locally raised agricultural products. When a geographic preference is applied, the Charter School has discretion to determine the local area to which the geographic preference option will be applied.

Unprocessed locally grown or locally raised agricultural products means only those agricultural products that retain their inherent character. The effects of the following food handling and preservation techniques shall not be considered as changing an agricultural product into a product of a different kind or character: cooling; refrigerating; freezing; size adjustment made by peeling, slicing, dicing, cutting, chopping, shucking, and grinding; forming ground products into patties without any additives or Tillers; drying/dehydration; washing; packaging (such as placing eggs in cartons), vacuum packing and bagging (such as placing vegetables in bags or combining two (2) or more types of vegetables or fruits in a single package); the addition of ascorbic acid or other preservatives to prevent oxidation of produce; butchering livestock and poultry; cleaning fish; and the pasteurization of milk. (7 CFR

Sec. 210.21 2l5.l4a, 220.16)

Buy American -

The Charter School shall purchase, to the maximum extent practicable, domestic commodities or products for food service purposes.

Mandatory Contract Clauses -

The following provisions shall be included in all cost reimbursable contracts for food services purchases, including contracts with cost reimbursable provisions, and in solicitation documents prepared to obtain offers for such contracts: (7 CFR Sec. 210.21 2l5.l4a, 220.16)