

# **Montgomery County Board of Commissioners**

## **Ordinance 2023-13**

### **Adopting Internal Control Policy Regarding Federal Grants and Cost Principles**

**Whereas**, the Montgomery County government is periodically the recipient of federal awards, such as federal grants, to complete projects or provide services; and

**Whereas**, when the County is a recipient of federal award, the County is responsible for administering the federal funds according to federal, state, and local laws, as well as according to the federal award itself; and

**Whereas**, when administering certain federal awards, federal law requires the County to adhere to certain accounting principles to ensure that that the federal government pays for costs associated with the administration of the awards; and

**Whereas**, the accounting principles that the County is required to comply with are contained in the Code of Federal Regulations, 2 C.F.R Part 200, Subpart E “Cost Principles”; and

**Whereas**, the County maintains a local Internal Controls Policy and ensures that personnel receive training on Internal Controls; and

**Whereas**, the Board of Commissioners finds that it is in the best interest of the County to adopt an internal control policy addressing Cost Principles that incorporates 2 C.F.R. Part 200, Subpart E by reference in order to ensure adequate controls over and accounting for federal awards.

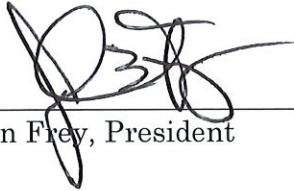
**Therefore, it is ordained** that the County Internal Controls Policy be amended to include a Cost Principles policy, attached as Exhibit A.

**It is further ordained** that all other provisions of the Montgomery County Code not specifically amended by this ordinance shall remain in full force and effect.

**It is further ordained** that this ordinance shall become effective upon adoption.

Ordained this 14<sup>th</sup> day of August, 2023

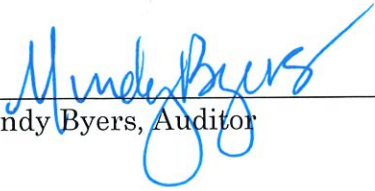
**Montgomery County Board of Commissioners:**

  
\_\_\_\_\_  
John Frey, President

  
\_\_\_\_\_  
James D. Fulwider, Vice President

  
\_\_\_\_\_  
Dan Guard, Member

**Attest:**

  
\_\_\_\_\_  
Mindy Byers, Auditor

## Exhibit A

### Policy 4: Allowable Costs / Cost Principles

**4.01 Application:** The Office of Management and Budget (the “OMB”) prescribes the cost accounting requirements associated with local governments’ administration of federal awards (the “Cost Principles”). The requirements are contained in 2 CFR Part 200, Subpart E. The Cost Principles applicable to Montgomery County apply to all federal awards received by the County, unless the County is not required to account to the federal awarding agency or pass-through entity for actual costs incurred.

**4.02 Purpose:** It is the County’s intent to comply with 2 CFR 200, Subpart E, and adopts the regulation as an Internal Control policy by reference. It is the intention of the County to aid the County and its employees in administering federal awards. The guidelines contained in this policy are non-exclusive and not intended to list all the requirements of the Cost Principles that the County shall follow when administering federal awards.

#### 4.03 Cost Principle Guidelines

- (1) **Basic Guidelines.** Except where otherwise authorized by statute, cost must meet the following general criteria in order to be allowable under federal awards. Unallowable costs are either expenses that are unallowable by nature or unallowable activities.
- (2) **General Cost Allowability Criteria.** All costs expended under an applicable federal award must meeting the follow general criteria:
  - a. **Be necessary and reasonable for the proper and efficient performance and administration of the federal program.**
    - i. When determining whether a cost is necessary, consideration shall be given to:
      1. Whether the cost is needed for the proper and efficient performance of the federal award;
      2. Whether the cost is identified in the approved project budget or application;
      3. Whether the cost aligns with identified needs based on results and findings from a needs assessment; and
      4. Whether the cost addresses project goals and objectives
    - ii. When determining reasonableness of cost, consideration shall be given to:
      1. Whether the cost is the type generally recognized as ordinary and necessary for the proper and efficient performance of the federal award;
      2. The restraints or requirements imposed by federal, state, and other laws and regulations and terms and conditions of the award;

3. Market prices for comparable goods or services for the geographic area;
  4. Whether relevant individuals involved in the administration of the award acted with prudence under the circumstances; and
  5. Whether the County significantly deviates from its established practices and policies when incurring costs in ways that unjustifiably increase the award's cost.
- b. **Be allocable to the award.** A cost is allocable to the federal award if the goods and services involved are chargeable or assignable to the federal award relative to the benefit derived by the federal grant.
  - c. **Consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the County.**
  - d. **Consistent treatment.** A cost cannot be assigned to a federal award as a direct cost if any other cost for the same purpose in like circumstances has been assigned as an indirect cost under another award.
  - e. **Adequately documented.**
  - f. **Be determined in accordance with generally accepted accounting principles, unless provided otherwise by 2 CFR 200, Subpart E.**
- (3) **Allowable Costs – Local Government-Wide Central Service Costs:** If the County provides certain services to operating agencies on a centralized basis, a process is required whereby cost associated with the central service can be identified and assigned to the benefitted activities on a reasonable and consistent basis. The County must submit these costs to be allocated under the federal award, and such submissions shall meet the requirements of 2 CFR 200, Appendix V, paragraph D.
- (4) **Selected Items of Cost.** In addition to the basic guidelines, the following selected items of cost are generally allowable or unallowable as follows:

Select Cost Item	2 CFR Part 200 Reference	Allowability	Items of Cost Requiring Prior Approval
Advertising and public relations costs	§200.421	Allowable with restrictions	
Advisory councils	§200.422	Allowable with restrictions	
Alcoholic beverages	§200.423	Unallowable	
Audit services	§200.425	Allowable with restrictions	
Bad debts	§200.426		
Bonding costs	§200.427	Allowable with restrictions	
Collection of improper payments	§200.428	Allowable	
Compensation for personal services	§200.430	Allowable with restrictions; special conditions apply	X (related to the salaries of

			administrative and clerical staff)
Compensation – fringe benefits	§200.431	Allowable with restrictions	X (related to costs for IHEs)
Conferences	§200.432	Allowable with restrictions	
Contingency provisions	§200.433	Unallowable with exceptions	
Contributions and donations	§200.434	Unallowable if made by local government; not reimbursable but value may be used as cost sharing or matching if made to local government	
Defense and prosecution of criminal and civil proceedings, claims, appeals, and patent infringements	§200.435	Allowable with restrictions	
Depreciation	§200.436	Allowable with qualifications	
Employee health and welfare costs	§200.437	Allowable with restrictions	
Entertainment costs	§200.438	Unallowable with exceptions	X
Equipment and other capital expenditures	§200.439	Allowability based on specific requirements	X
Exchange rates	§200.440	Allowable with restrictions	X
Fines, penalties, damages, and other settlements	§200.441	Unallowable with exceptions	X
Fundraising and investment management costs	§200.442	Unallowable with exceptions	X
Gains and losses on disposition of depreciable assets	§200.443	Allowable with restrictions	
General costs of government	§200.444	Unallowable with exceptions	
Goods or services for personal use	§200.445	Unallowable if goods or services; allowable if	X

		housing but with restrictions	
Idle facilities and idle capacity	§200.446	Idle facilities – unallowable with exceptions; idle capacity – allowable with restrictions	
Insurance and indemnification	§200.447	Allowable with restrictions	X
Intellectual property	§200.448	Allowable with restrictions	
Interest	§200.449	Allowable with restrictions	
Lobbying	§200.450	Unallowable	
Losses on other awards and contracts	§200.451	Unallowable (but should be included in the indirect cost rate base for allocation of indirect costs)	
Maintenance and repair costs	§200.452	Allowable with restrictions	
Materials and supplies costs, including computing devices	§200.453	Allowable with restrictions	
Memberships, subscriptions, and professional activity costs	§200.454	Allowable with restrictions	X
Organization costs	§200.455	Unallowable except federal prior approval	X
Participant support costs	§200.456	Allowable with prior approval of the federal awarding agency	X
Plant and security costs	§200.457	Allowable; capital expenditures subject to §200.439	
Professional service costs	§200.459	Allowable with restrictions	
Proposal costs	§200.460	Allowable with restrictions	
Publication and printing costs	§200.461	Allowable with restrictions	

Rearrangement and reconversion costs	§200.462	Allowable (ordinary and normal)	X
Recruiting costs	§200.463	Allowable with restrictions	
Relocation costs of employees	§200.464	Allowable with restrictions	
Rental costs of real property and equipment	§200.465	Allowable with restrictions	
Selling and marketing costs	§200.467	Unallowable with exceptions	X
Specialized services facilities	§200.468	Allowable with restrictions	
Student activity costs	§200.469	Unallowable unless specifically provided for in the federal award	
Taxes (including Value Added Tax)	§200.470	Allowable with restrictions	
Telecommunication costs and video surveillance costs	§200.471	Unallowable	
Termination costs	§200.472	Allowable with restrictions	
Training and education costs	§200.473	Allowable for employee development	
Transportation costs	§200.474	Allowable with restrictions	
Travel costs	§200.475	Allowable with restrictions	X