

City of Ramsey, Minnesota

Policies and Procedures for Federal Awards Administration

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Policies and Procedures – Federal Awards Administration Overview

Purpose – This manual has been prepared to document the policies and procedures for the administration of federal awards of city of Ramsey (the “city”). The Office of Management and Budget (OMB) Uniform Administrative Requirements, Cost Principles and Audit Requirements [34 CFR Part 80, 2 CFR Part 213 and Part 6 of the Office of Management and Budget (OMB) UGG - Uniform Grant Guidance Compliance Supplement] require all sub-recipients of federal funds to establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations and program compliance requirements. Written policies and procedures are part of the necessary internal controls and are required as a precondition to receiving federal funds. These policies and procedures are intended to be sufficiently comprehensive to adequately meet such requirements. However, in no case are these policies and procedures intended to supersede or limit federal or state laws or regulations, or the provisions of individual grant agreements.

Hierarchy of Authority – In the event that conflicting guidance on the administration of Federal awards is available, the city has deemed Federal guidance to be most authoritative, followed by other State or local agencies.

Revisions – Guidance provided by the Federal government through the OMB UGG - Uniform Grant Guidance Compliance Supplement are expected to be updated each year. Such updates are considered by the city as they become available and policies and procedures will be revised accordingly.

The City Administrator, Engineer, Finance Director, and designees are authorized and required to establish and document policies and procedures to ensure compliance with the provisions of federal and state regulations and the provisions of grant agreements. Such policies and procedures are documented herein, and will be reviewed and updated as necessary, but not less than once every three years.

Training – City finance personnel and its program administrators of Federal awards will be provided the necessary training through various mechanisms, such as: (1) reviewing monthly State Aid Financial Status Report Updates, accompanying State aid payments, (2) consulting with the city’s auditors as needed for clarification, (3) participating in various training opportunities, such as those offered by appropriate professional organizations, (4) reviewing legislative updates from multiple sources, (5) membership and participation in meetings of the Governmental Finance Officers Association (GFOA), (6) certification of respective positions by the GFOA i.e.: Finance Director, (7) coordination and collaboration with individuals performing similar job functions at similar municipalities.

Compliance Failures – Compliance failures, whether noted internally by management or through the external audit process, will be addressed immediately by reviewing the reason for the failure with responsible personnel and devising an improved process to encourage compliance in the future.

General Accounting and Financial Management

It is the policy of the city to comply with all statutory, regulatory, and contractual requirements in the conduct of, and accounting for, its financial operations. The official books of record for the city will be maintained subject to the following provisions:

1. The city will account for its operations in accordance with the Generally Accepted Accounting Principles (GAAP) applicable to local units of government.
2. The city will comply with all applicable circulars issued by the Office of Management and Budget (OMB), including, but not limited to:
 - a. OMB Circular A-87 – Cost Principles for States, Local and Indian Tribal Governments.
 - b. OMB UGG - Uniform Grant Guidance – Audits of States, Local Governments, and Non-Profit Organizations (the Single Audit Act).

3. The city will comply with all contractual requirements detailed in its duly executed grant agreements with awarding agencies.
4. The city will contract annually with an independent CPA firm for the purposes of conducting the city's external financial audit. To the extent that the city has expended federal awards in excess of the applicable single audit limit (currently \$750,000), the city will have a single audit performed in accordance with OMB UGG - Uniform Grant Guidance.
5. To ensure continuing compliance with all applicable accounting requirements, the city may, at its discretion, contract with a CPA firm to provide internal auditing and/or consulting services.
6. The Finance Director shall be responsible for the maintenance of all accounting and financial records (including journals, timesheets, bank statements, audit reports, and similar documents). Such records shall be retained as required by contractual or regulatory requirements. The city has adopted the state's records retention schedule as its official guide for records storage, filing, and destruction.
7. The city and employees are required to comply with the city's conflict of interest policy and report any potential conflicts of interest to their managers. 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 violations may result in appropriate discipline. See also the city policies on conflict of interest located in the city's Personnel Policies and Procedures.
8. The city will request prior approval from federal agencies for program or budget changes.
9. The city reserves the right to delay the implementation of new federal purchasing procedures by two years which follow: Acquisitions for micro-purchases (below \$10,000 or below \$2,000 for construction subject to the Davis Bacon Act) may be awarded without soliciting bids if the city considers the price to be reasonable. Procurements for Small Purchases (less than \$175,000 - Minn. Stat. § 471.345), in which case quotations must be obtained from an adequate number of sources. Procurements made by sealed bid should be made to the lowest responsible (not necessarily the lowest) bidder. Procurements made by competitive proposal must have standards to evaluate the selected recipient. Procurement made by non-competitive proposals (to one vendor) may be used only if one of the following applies a) the item is available from a single source, b) an emergency exists c) the federal agency expressly authorizes non-competitive proposals, or d) competition is seen as inadequate after solicitation to a number of vendors.
10. Other procurement procedures include: Contractors who develop or draft specifications for bids are precluded from bidding on them. The city must maintain oversight so that contractors perform work as bid. Multiple provisions must be included in contracts (see Appendix II of grant procurement guidelines of super circular procedures). The city must verify to <http://www.sam.gov/> if contract is \$25,000 or more to review if on the suspended and debarred list for federal grants.
11. Procedures for inventory of federal capital purchases will be maintained by the Finance Department, with the help of the Engineer, and all items will be tracked annually.
12. The Finance Director (or designee) or the City Administrator are required to certify expenditures.

Purchasing and Procurement

It is the policy of the city to ensure that all disbursements of city funds are properly reviewed and authorized, and consistent with sound financial management principles, and made in compliance with all applicable federal, state and local laws. In order to meet these objectives, all disbursements of city funds shall be subject to the following provisions, to the extent that they do not conflict with or contradict with any specific federal, state or local law or Council policies (the most specific or restrictive law, policy or procedure will be followed):

1. Substantial state and federal requirements exist pertaining to standards of conduct and conflict of interest. It is

the intent of the city for all employees, officers, or agents to conduct all activities associated with procurements in compliance with the highest ethical standards, including the avoidance of any real or perceived conflict of interest. It is also the intent of the city to impose appropriate sanctions or disciplinary actions, including but not limited to termination and/or prosecution, for any employees or officers who violate any of these requirements.

2. The city avoids the acquisition of unnecessary or duplicative items. Additionally, the city considers consolidating or breaking out procurements to obtain a more economical purchase. And, where appropriate, the city makes an analysis of leases versus purchase alternatives, and other appropriate analyses to determine the most economical approach.
3. To foster greater economy and efficiency, the city enters into state and local intergovernmental agreements where appropriate for procurement or use of common or shared goods and services. This includes cooperative purchasing agreements where practical and beneficial. Depending on the purchase requested, the city may purchase it from a cooperative or inter-local agreement if the price is competitive and the goods or service are needed in a timely manner. The Finance Director and the City Administrator will make this determination.
4. The city awards contracts only to responsible contractors possessing the ability to perform successfully under the terms and conditions of a proposed procurement. The city considers such matters as contractor integrity and business ethics, compliance with public policy, ability to complete the project on time and in accordance with specifications, record of past performance, and the contractor's financial and technical resources.
5. The city will award a contract to a contractor who has the appropriate experience, expertise, qualifications, and any required certifications, necessary to perform the work. Contractors should also have the financial resources to sustain the project while the initial work is being completed and during each service period until he or she submits invoices for payment to the city as work is completed. Contractors should have the proper equipment or the capability to subcontract for the proper equipment necessary to complete the contracted work.
6. Debarment and Suspension: The city will not subcontract with or award subgrants to any person or company who is debarred or suspended from receiving federal funds. The Finance Director, or designee thereof, is required to check for excluded parties at the System for Award Management (SAM) website before any procurement transaction paid with federal funds. This list is located at: <http://www.sam.gov/>.
7. All procurement transactions paid with federal funds are conducted in a manner providing full and open competition. In an environment of full and open competition, no proposer or bidder has a competitive advantage over another. All potential proposers and bidders must be provided the same information and have the same opportunity to submit a bid or proposal. Providing a competitive advantage to one or more potential proposers or bidders over another can open up the potential for disputes and lawsuits that can be costly and can significantly delay the completion of projects.
8. 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 (RFPs) are excluded from competing for such procurements. The city does not engage in the following situations that may restrict full and open competition, including but not limited to:
 - Placing unreasonable requirements on firms in order for them to qualify to do business.
 - Requiring unnecessary experience and excessive bonding.
 - Noncompetitive pricing practices between firms or between affiliated companies;
 - Noncompetitive contracts to consultants that are on retainer contracts.
 - Organizational conflicts of interest.
 - 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.
 - Any arbitrary action in the procurement process.
 - The city conducts federal procurements in a manner that prohibits the use of statutorily or administratively imposed state or local geographical preferences in the evaluation of bids or proposals, except in those cases where applicable federal statutes expressly mandate or

encourage geographic preference.

9. All solicitations will incorporate a clear and accurate description of the technical requirements for the material, product, or service to be procured. Such description will not, in competitive procurements, contain features which unduly restrict competition. The description will include a statement of the qualitative nature of the material, product or service to be procured and, when necessary, will set forth those minimum essential characteristics and standards to which it must conform if it is to satisfy its intended use. Detailed product specifications will be avoided if at all possible.
10. The city will make independent estimates of the goods or services being procured before receiving bids or proposals to get an estimate of how much the goods and services are valued in the current market. To accomplish this, after bids and proposals are received, but before awarding a contract, the City conducts either a price analysis or a cost analysis, depending on the type of contract, in connection with every procurement with federal funds in excess of \$175,000.
11. The city takes all necessary affirmative steps to assure that minority businesses and women's business enterprises, and labor surplus area firms are used when possible. To accomplish this, the City uses the following required affirmative steps:
 - Placing qualified small and minority businesses and women's business enterprises on solicitation lists.
 - Assuring that small and minority business, and women's business enterprises are solicited whenever they are potential sources.
 - Dividing total requirements, when economically feasible, into smaller tasks or quantities to permit maximum participation by small and minority businesses, and women's business enterprises.
 - Establishing delivery schedules, where the requirement permits, which encourage participation by small and minority businesses, and women's business enterprises.
 - 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.
 - Requiring the prime contractor, if subcontracts are to be let, to take the affirmative steps listed above.
12. Federal methods provide for procurement by micro-purchase. Micro-purchase is a purchase of supplies or services using simplified acquisition procedures, the aggregate amount of which does not exceed \$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.
13. Small purchase procedures may be used in those relatively simple and informal procurement methods for securing nonprofessional services, supplies, or other property that do not cost more than \$175,000.
14. Sealed bids (\$175,000, formal advertising, price is a major factor). Requirements for sealed bids:
 - The invitation for bids will be publicly advertised and bids must be selected from an adequate number of known suppliers, providing them sufficient response time prior to the date set for opening the bids.
 - The invitation for bids, which will include any specifications and pertinent attachments, must define the items or services in order for the bidder to properly respond.
 - All bids will be publicly opened at the time and place prescribed in the invitation for bid.
 - A firm fixed price contract award will be made in writing to the lowest responsive and responsible bidder.
 - Any or all bids may be rejected if there is a sound documented reason.
 - Competitive proposal (> \$175,000, fixed price or cost reimbursement, request for proposal (RFP) with evaluation methods). Requirement for competitive proposal procedures:
 - Requests for proposals must be publicized requests and identify all evaluation factors and their relative importance.

- Proposals must be solicited from an adequate number of qualified sources.
 - The organization must have a written method for conducting technical evaluations of the proposals received and for selecting recipients.
 - Contracts must be awarded to the responsible firm whose proposal is most advantageous to the program.
 - The organization may only use qualification-based methods, whereby competitors' qualifications are evaluated and the most qualified competitor is selected, in the procurement of architectural/engineering professional services.
15. Procurement by noncompetitive proposals is procurement through solicitation of a proposal from only one source and may be used when using federal funds only when one or more of the following circumstances apply:
- The item is available only from a single source. This must be documented.
 - The public exigency or emergency for the requirement will not permit a delay resulting from competitive solicitation.
 - Any federal awarding agency expressly authorizes noncompetitive proposals in response to a written request from the city.
 - After solicitation of a number of sources, competition is determined inadequate.
16. Time and materials type contract means a contract whose cost to the city 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 city may use a time and materials type contract paid with federal funds in accordance with the above 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.
17. The city ensures 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. The city accomplishes this by conducting internet searches, including using vendor searches, and by using other less technologically-advanced tools to locate and identify potential contractors. Federal guidelines are followed regarding the number of bids required.
18. The city requires that construction or facility improvement contracts, or subcontracts exceeding \$175,000, include a bid guarantee equivalent to 5% of the bid price from each bidder (such as bid bond or certified check), a performance bond on the part of the contractor for 100 percent of the contract price, and a payment bond on the part of the contractor for 100 percent of the contract price.

Note: The city's purchasing policy does not apply to procurement by contractors or subcontractors on projects, federally supported or otherwise.

Payroll and Timekeeping

The following provisions apply to the payment of employees and recording of time and effort (as required) in accordance with Federal Cost Principles:

1. Hourly employees record time on an electronic timekeeping system each day, with the following information:
 - a. The total number of hours actually worked each day
 - b. The use of any holiday, personal, vacation, sick, or other approved time off with pay
 - c. The total number of hours to be paid
 - d. An allocation of those hours to each program or department for which work was performed, when necessary
 - e. The dated signature of the employee and his/her supervisor for each payroll period

The allocation of hours between programs or departments should be based exclusively on the actual hours worked, and not be based on available budgets, or predetermined allocation schedules.

In the event that an after-the-fact correction is necessary to an employee's timesheet due to errors in the

allocation of time worked, such corrections must be submitted to the Finance Director, and approved in writing by both the employee and his/her supervisor.

2. Salaried employees charged to a Federal grant will document time and effort as follows: the employee may document time and effort using a timesheet as described above. Timesheets must account for the total activity for which the employee is compensated and be signed by the employee. It will not be acceptable for timesheets to include the hours worked on Federal grants only.
 - a. It is the responsibility of the employee being charged to a Federal award(s) to clarify documentation requirements with the Engineer, Finance Director or designee (Assistant Finance Director) and provide appropriate documentation to the Accountant II (Payroll) as it becomes available. The employee should retain a copy of the documentation for his/her personal records.

Certifications should never be signed prior to the end date of the payroll period being certified. Each certification should be provided to the Finance Department when available. Employees should retain a copy of the certifications for his/her personal records.

Grant Administration

The following policies and procedures will also be applied, to the extent that they do not conflict with or contradict any existing Council policies:

1. Grant Development, Application, and Approval –
 - a. Legislative Approval – The point at which legislative approval is required is determined by the requirements of the grant program. If the grant must be submitted by “an individual authorized by the *legislative body*”, then City Council approval is required prior to submitting the application. If such legislative approval is not specifically required by the written terms of the grant, then the City Administrator or designee may, at his or her discretion, approve grant applications.
 - b. Matching Funds – Grants that require cash local matches must be coordinated through the Finance Department. At a minimum, funds must be identified within the existing budget to provide the match, or a budget amendment will be required. Depending on the nature of the grant, there may also be some policy implications that will bear discussion. (For example, will the grant establish a level of service that cannot be sustained once the grant funds are depleted?)

In all cases involving matching funds, the grant applicant should contact the Finance Department to determine the strategy for securing matching funds.

Refer to the section within this manual titled “Matching, Level of Effort, and Earmarking” for additional information on compliance with the provisions of the OMB UGG - Uniform Grant Guidance Compliance Supplement.

- c. Grant Budgets – Most grants require the submission of an expenditure budget. The Finance Director will review this portion of the grant request prior to submission. Frequently, a technical review will discover inconsistencies in the calculations, cost centers that might have been overlooked, or identify reimbursable expenses of which program staff may not be aware—particularly in the area of indirect costs.
2. Grant Program Implementation –
 - a. Notification and Acceptance of an Award – Official notification of a grant award is typically sent by a funding agency to the program director and/or other official designated in the original grant proposal. However, the authorization to actually spend grant funds is derived from the City Council through the approval of a grant budget. Such notification should also be directed to the Finance Department.

Adoption of the grant budget as a component of the city-wide operating budget is deemed to be sufficient approval.

- b. Establishment of Accounts – The department that obtained the grant will provide the Finance Director with information needed to establish revenue and expense accounts for the project, as well as a project code for tracking purposes. Ordinarily, this information will include a copy of a summary of the project and detail of the full project budget.
- c. Purchasing Guidelines – All other city purchasing guidelines apply to the expenditure of grant funds. The use of grant funds does not exempt any purchase from normal purchasing requirements. All typical paperwork and bidding requirements as well as normal staff approvals apply. When in doubt, the program director should contact the Finance Director for further assistance.

3. Financial and Budgetary Compliance –

- a. Monitoring Grant Funds – Departments may use some internal mechanism (such as a spreadsheet) to monitor grant revenues, expenditures and budgetary compliance, at the grant level. The Finance Director maintains all this information in financial software system as well; this is considered to be the city’s “official” accounting system by the granting agencies. Program Directors are strongly encouraged to use financial software reports provided by the Finance Department for their grant tracking.

If any “off-system” accounting records are maintained, it is the responsibility of the Program Director to ensure that the program’s internal records agree to the city’s accounting system.

- b. Fiscal Years – Occasionally, the fiscal year for the granting agency will not coincide with the city’s fiscal year. This may require adjustments to the city’s internal budget accounts and interim financial reports as well as special handling during fiscal year-end close. It is the responsibility of the Program Director to bring such discrepancies to the attention of the Finance Department at the time the grant accounts are established.
- c. Grant Budgets – The terms of each specific grant will dictate whether any budget transfers between budgeted line items will be permitted. In no case will the Program Director be authorized to exceed the total budget authority provided by the grant.

If grant funds have not been totally expended by fiscal year-end, it is the responsibility of the Program Director to notify the Finance Director that budget funds need to be carried forward to the new fiscal year, and to confirm the amounts of such carry-forwards. Carry-forwards of grant funds will be subjected to maximum allowable amounts/percentages based on the grant award agreement and/or the OMB UGG - Uniform Grant Guidance Compliance Supplement.

Capital Assets – The city is responsible for maintaining an inventory of assets purchased with grant funds. The city is accountable for them and must make them physically available for inspection during any audit. The City Council must approve of any sale of these assets. Customarily, the proceeds of the sale can only be used on the grant program that purchased them. (Refer to the specific regulations governing the original grant).

The Finance Director will coordinate this grant requirement. All transactions that involve the acquisition or disposal of grant funded capital assets must be immediately brought to the attention of the Finance Director. Refer to the city’s separate Capital Assets policy and the section of this manual titled “Equipment and Real Property Management” for additional information. [OMB Circular A-133; 34 CFR Sec. 74.34]

4. Record Keeping –

- a. Audit Work-papers – The city’s external auditors audit all grants at the end of each fiscal year. The Finance Director and Assistant Finance Director will prepare the required audit work- papers. Program Directors may be asked to assist in this process, if necessary.
- b. Record Keeping Requirements – Grant record keeping requirements may vary substantially from one

granting agency to another. Consequently, a clear understanding of these grant requirements at the beginning of the grant process is vital. The Finance Department will maintain copies of all grant draw requests and approved grant agreements (including budgets). The Program Director should maintain all other records.

5. Other Guidelines – Specific information on policies and procedures related to compliance with the provisions of the OMB UGG - Uniform Grant Guidance Compliance Supplement have been addressed later in this manual and should be considered along with the information in this section.

Year-end Closing and Reporting

The following provisions will govern the year-end close-out process of the city for purposes of external financial reporting:

1. To the extent that the city is required to have a single audit completed in accordance with OMB UGG - Uniform Grant Guidance, the city will accumulate the information necessary to prepare a schedule of expenditures of federal awards (“SEFA”) in accordance with Federal and State requirements. This schedule will be characterized as follows:
 - a. The schedule will include all federal financial assistance, including: grants, contracts, property, loans, loan guarantees, interest subsidies, cooperative agreements, insurance or direct appropriations. Amounts will be reported whether received directly from the Federal government or through a pass-through agency (in the event that the city is determined to be a sub-recipient and not a vendor).
 - b. The schedule will be prepared on the same basis of accounting as the related financial statements.
 - c. Federal awards will be grouped based on Federal awarding agency. Each Federal award with current expenditures will be listed along with its CFDA number, pass-through grantor name (if applicable) and award/pass-through grantor number (if applicable). Such information will agree to the award documentation.
 - d. If the CFDA number of a Federal award cannot be reasonably determined, it shall be reported in the schedule using the two-digit prefix for the related Federal agency, followed by “UNKNOWN”.
 - e. To the extent that amounts are passed-through to sub-recipients, a schedule of federal awards provided to sub-recipients will be prepared.
 - f. In addition to current year expenditures, the schedule will list approved award/grant amount, accrued/deferred revenue at the beginning of the year, current year cash received, current year actual expenditures, and accrued/deferred revenue at the end of the year. If expenditures were incurred relative to this award in the prior year(s), this amount should be disclosed as memorandum-only.
 - g. Any adjustments to prior year awards, expenditures, and balances (including transfers between grants) will be disclosed in the footnotes to the schedule.
 - h. Accrued/deferred revenue in the schedule shall agree to the amounts recorded as receivable/deferrals in the related financial statements.
 - i. To the extent that a separate line item is included in the financial statements for Federal revenue, this amount shall agree to expenditures in the schedule. Any reconciling items will be disclosed in the footnotes to the schedule.

Additional Federal Awards Compliance Requirements

A number of the Federal awards received by the city are passed-through the State of Minnesota. Management will consider both the OMB UGG - Uniform Grant Guidance Compliance Supplement and any applicable compliance requirements as set forth by the State of Minnesota.

General Information

Source of Information – Each year the Federal government (Office of Management and Budget) issues a comprehensive document on the compliance requirements each grant recipient is obligated to follow in general terms, along with program-specific guidance on various grant awards. There are 12 compliance requirements identified, each of which is considered individually in this manual.

The following pages document the policies and procedures of the city related to compliance with such procedures, as applicable. In each year that the city is subject to a single audit, applicable compliance requirements are expected to be tested in detail by the city's independent auditors.

Objectives – The objectives of most compliance requirements are generic in nature. While the criteria for each program may vary, the main objective of the compliance requirement is relatively consistent across all programs. As such, the policies and procedures of the city have been based on the generic sense of the compliance requirement. For selected compliance requirements, this manual addresses the specific regulations applicable to individual grants. This is not intended to imply that a program is not subject to such policies if it is not specifically mentioned here. It is the intention of the city that all Federal awards are subject to the following policies and procedures.

Controls over Compliance – In addition to creating policies and procedures over compliance with provisions of Federal awards, the city has implemented internal controls over such compliance, generally in the form of administrative oversight and/or independent review and approval. In order to document these control activities, all independent reviews must be signed/initialed and dated.

Documentation – The city will maintain adequate documentation to support both the compliance with applicable requirements as well as internal controls over such compliance. This documentation will be provided to the city's independent auditors and/or pass-through grantor agencies, as requested, during the single audit and program audits.

Activities Allowed/Un-allowed and Allowable Costs/Cost Principles

Source of Governing Requirements – The requirements for activities allowed or un-allowed are contained in program legislation, Federal awarding agency regulations, and the terms and conditions of the award. The requirements for allowable costs/cost principles are contained in the A-102 Common Rule (§ .22), OMB Circular A-133 (2 CFR section 215.27), program legislation, Federal awarding agency regulations, and the terms and conditions of the award.

In order to ensure compliance with these requirements, the city has implemented the following policies and procedures:

1. All grant expenditures will be in compliance with OMB Circular 2 CFR 200, Subpart E, State law, city policy, and the provisions of the grant award agreement, which will also be considered in determining allowability. Grant funds will only be used for expenditures that are considered reasonable and necessary for the administration of the program.
2. Grant expenditures will be approved by department heads/program managers initially through the purchasing process and again when the bill or invoice is received. This will be evidenced by signature or initials and date on the invoice or by an approval documented via email. Accounts payable disbursements will not be processed for payment by the Finance Department until necessary approval has been obtained.
3. Payroll costs will be documented in accordance with OMB Circular A-87 as described in the section of this manual titled "Payroll and Timekeeping".

4. An indirect cost rate will only be charged to the grant to the extent that it was specifically approved through the grant budget/agreement. When allowable, indirect costs will be charged based on the *Cost Allocation Plan* of the city.

Cash Management

Source of Governing Requirements – The requirements for cash management are contained in the A-102 Common Rule (§ .21), OMB Circular A-133 (2 CFR section 215.22), program legislation, Federal awarding agency regulations, and the terms and conditions of the award.

In order to ensure compliance with these requirements, the city has implemented the following policies and procedures:

1. Substantially all of the city’s grants are awarded on a reimbursement basis. As such, program costs will be expended and disbursed prior to requesting reimbursement from the grantor agency.
2. Cash draws will be initiated by the Engineer who will determine the appropriate draw amount. Documentation of how this amount was determined will be retained and signed/dated.
3. The physical draw of cash will be processed through SWIFT (Minnesota’s State-wide Integrated Financial Tools payment system) or through the means prescribed in the grant agreement.
4. Supporting documentation from SWIFT or a copy of the cash draw paperwork will be filed along with the approved paperwork described above and retained for audit purposes.

Eligibility

Source of Governing Requirements – The requirements for eligibility are contained in program legislation, Federal awarding agency regulations, and the terms and conditions of the award.

1. Federal grants will only benefit those individuals and/or groups of participants that are deemed to be eligible.

Equipment and Real Property Management

Source of Governing Requirements – The requirements for equipment are contained in the A-102 Common Rule (§ .32), OMB Circular A-133 (2 CFR section 215.34), (34 CFR section 74.34), program legislation, Federal awarding agency regulations, and the terms and conditions of the award.

The following policies and procedures will also be applied, to the extent that they do not conflict with or contradict any existing Council policies:

1. All equipment will be used in the program for which it was acquired or, when appropriate and allowable, other Federal programs.
2. When required, purchases of equipment will be pre-approved by the grantor or pass-through agency. The Finance Director, or designee will be responsible for ensuring that equipment purchases have been previously approved, if required, and will retain evidence of this approval.
3. Equipment records will be maintained and an appropriate system shall be used to safeguard equipment, as described in the city’s separate Capital Asset policy. Equipment should be assigned to a program and physical location on the inventory. If such equipment is moved, it will be noted and adjusted in the city’s capital assets records.

4. When equipment is no longer needed for a Federal program, it may be retained or sold with the Federal agency having a right to a proportionate amount of the current fair market value. Proper sales procedures shall be used that provide for competition to the extent practicable and result in the highest possible return.

Procedures for Disposition of Equipment:

- a. The city will keep, sell, or otherwise dispose of the equipment with no further obligation unless disposal requirements are specifically detailed in the grant.
- b. A record of the date, reason, and method of disposal or sale will be maintained with the equipment inventory.

Equipment purchased will be identified and kept in a capital asset listing. An equipment listing shall be maintained that includes the following:

1. Asset number and description of the equipment
2. Location of the equipment
3. Depreciation method & years of expected life
4. Acquisition date
5. Cost of the equipment
6. Equipment classification (land, building, equipment, etc.)
7. Make, Model, & Serial number or other identification number
8. Vendor and invoice number to purchase equipment
9. Disposition data including date and sale price of the equipment

A physical inventory of the property will be conducted periodically, and the results will be reconciled with the capital asset listing. A control system will be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft will be investigated.

Maintenance procedures are in place to keep the equipment in good condition.

Matching, Level of Effort and Earmarking

Source of Governing Requirements – The requirements for matching are contained in the A-102 Common Rule (§ .24), OMB Circular A-133 (2 CFR section 215.23), program legislation, Federal awarding agency regulations, and the terms and conditions of the award. The requirements for level of effort and earmarking are contained in program legislation, Federal awarding agency regulations, and the terms and conditions of the award.

The city defines “matching”, “level of effort”, and “earmarking” consistent with the definitions of the OMB UGG - Uniform Grant Guidance Compliance Supplement:

Matching or cost sharing includes requirements to provide contributions (usually non-Federal) or a specified amount or percentage of match Federal awards. Matching may be in the form of allowable costs incurred or in-kind contributions (including third-party in-kind contributions).

Level of effort includes requirements for (a) a specified level of service to be provided from period to period, (b) a specified level of expenditures from non-Federal or Federal sources for specified activities to be maintained from period to period, and (c) Federal funds to supplement and not supplant non- Federal funding of services.

Earmarking includes requirements that specify the minimum and/or maximum amount of percentage of the program’s funding that must/may be used for specified activities, including funds provided to sub- recipients. Earmarking may also be specified in relation to the types of participants covered.

In order to ensure compliance with these requirements, the city has implemented the following policies and procedures:

1. Compliance with matching, level of effort, and earmarking requirements will be the responsibility of the Finance Director.
2. Adequate documentation will be maintained to support compliance with matching, level of effort, and earmarking requirements. Such information will be made available to city administration, auditors, and pass-through or grantor agencies, as requested.
3. Maintenance of effort for grants through the State Minnesota will be determined at the State level.

Period of Performance

Source of Governing Requirements – The requirements for period of performance of Federal funds are contained in the A-102 Common Rule (§ .23), OMB Circular A-133 (2 CFR sections 215.28 and 215.71), program legislation, Federal awarding agency regulations, and the terms and conditions of the award.

In order to ensure compliance with these requirements, the city has implemented the following policies and procedures:

1. Costs will be charged to an award only if the obligation was incurred during the funding period (unless pre-approved by the Federal awarding agency or pass-through grantor agency).
2. All obligations will be liquidated not later than 90 days after the end of the funding period (or as specified by program legislation).
3. Compliance with period of performance requirements will initially be assigned to the individual approving the allowability of the expense/payment. This will be subject to review and approval by the Finance Department as part of the payment processing.

Procurement, Suspension and Debarment

Source of Governing Requirements – The requirements for procurement are contained in the A-102 Common Rule (§ .36); OMB Circular A-133 (2 CFR sections 215.40 through 215.48), program legislation, Federal awarding agency regulations, and the terms and conditions of the award. The requirements for suspension and debarment are contained OMB guidance in 2 CFR part 180, which implements Executive Orders 12549 and 12689, Debarment and Suspension; Federal agency regulations in 2 CFR implementing the OMB guidance; the A-102 Common Rule (§.36); OMB Circular A-133 (2 CFR section 215.13); program legislation; Federal awarding agency regulations; and the terms and conditions of the award.

In order to ensure compliance with these requirements, the city has implemented the following policies and procedures:

1. Purchasing and procurement related to Federal grants will be subject to the general policies and procedures of the city (described in the section of this manual titled “Purchasing and Procurement”).
2. Contract files will document the significant history of the procurement, including the rationale for the method of procurement, selection of the contract type, contractor selection or rejection, and the basis of contract price.
3. The Finance Director will be responsible for determining whether the city is entering into a transaction that may be subject to suspension or debarment procedures and executing appropriate oversight and control activities at that time.

Program Income

Source of Governing Requirements – The requirements for program income are found in the A-102 Common Rule (§.21 (payment) and §.25 (program income)); OMB Circular A-133 (2 CFR section 215.2 (program income definition), 2 CFR section 215.22 (payment), and 2 CFR section 215.24 (program income)), program legislation, Federal awarding agency regulations, and the terms and conditions of the award.

In order to ensure compliance with these requirements, the city has implemented the following policies and procedures:

1. Program income will include (but will not be limited to): income from fees for services performed, the use or rental of real or personal property acquired with grant funds, the sale of commodities or items fabricated under a grant agreement, and payments of principal and interest on loans made with grant funds. It will not include interest on grant funds unless otherwise provided in the Federal awarding agency regulations or terms and conditions of the award.
2. The city will allow program income to be used in one of three methods:
 - a. Deducted from outlays
 - b. Added to the project budget
 - c. Used to meet matching requirements

In the absence of specific guidance in the Federal awarding agency regulations or the terms and conditions of the award, program income shall be deducted from program outlays.

3. Program income, when applicable, will be accounted for as a revenue source in the same project code as the Federal grant.

Sub-recipient Monitoring

The city will ensure that every sub-award is clearly identified to the sub-recipient as a sub-award and includes the following information at the time of the sub-award and, if any of these data elements change, include the changes in subsequent sub-award modification. Required information includes:

1. Federal Award Identification.
 - a. Sub-recipient name (which must match the name associated with its unique entity identifier);
 - b. Sub-recipient's unique entity identifier;
 - c. Federal Award Identification Number (FAIN);
 - d. Federal Award Date (see §200.39 Federal award date) to the recipient by the Federal agency;
 - e. Sub-award Period of Performance Start and End Date;
 - f. Amount of Federal Funds Obligated by this action by the pass-through entity to the sub-recipient;
 - g. Total Amount of Federal Funds Obligated to the sub-recipient by the pass-through entity including the current obligation;
 - h. Total Amount of the Federal Award committed to the sub-recipient by the pass-through entity;
 - i. Federal award project description, as required to be responsive to the Federal Funding Accountability and Transparency Act (FFATA);
 - j. Name of Federal awarding agency, pass-through entity, and contact information for awarding official of the Pass-through entity;
 - k. CFDA Number and Name; the pass-through entity must identify the dollar amount made available under each Federal award and the CFDA number at time of disbursement;
 - l. Identification of whether the award is R&D; and
 - m. Indirect cost rate for the Federal award (including if the de minimis rate is charged per §200.414 Indirect (F&A) costs).

Special Tests and Provisions

In order to ensure compliance with these requirements, the city has implemented the following policies and procedures:

1. The Finance Director will be assigned the responsibility for identifying financial-related compliance requirements for special tests and provisions, determining approved methods for compliance, and retaining any necessary documentation. Program-related compliance requirements will be the responsibility of the department administering the grant.

City Council Approval: December 8, 2020