

**City of Chipley
Internal Controls
Monitoring and Oversight of State and/or Federal Grant Awards**

The City is knowledgeable and aware of the requirements that are to be reported on the SEFA and SSFA and utilizes accounting software, ADG by Tripleview, which adequately allows the City to record grant expenditures separately by Fund for each grant awarded.

Acceptance of the Award

Upon receipt of the State/Federal grant award, the City Administrator reviews the agreement in order to determine the following:

- Is the funding federal, state or other?
- Identifying number – CFDA, if Federal in origin? CSFA, if State in origin?
- Is there a pass-through entity?
- What fund will the transactions be recorded in?
- What function(s) will be permissible for grant expenditures?
- Who is the Project Manager with responsibility for the project?

This information is then used to prepare a resolution (with grant agreement attached as an exhibit) and prepared for the City Council agenda. The City Attorney receives a copy of the agenda item materials to make sure they comply with applicable law. Following legal approval and City Council approval the Administration Department has the authorized representative (per the approved resolution) sign the documents and submits to the granting agency for full execution. Upon receipt of the fully executed grant agreement, the original is retained in the Administration Office.

Appropriation of Award

Once the acceptance of the award process takes place, the Finance Director will notify the appropriate personnel (Accounts Payable Clerk) which fund, department and account number(s) will be used for the grant within the accounting software to record all transactions related to the specific grant award. A resolution for a budget amendment is prepared to include the approved award as a revenue/expenditure and is submitted to the City Council for approval. If matching funds are approved as part of the requirements of the grant, the matching funds are also included in the budget amendment. Following City Council approval, a budget amendment is posted to the ADG Fund Management System to show the award and any matching funds, as a budgeted project.

Matching, Level of Effort, Earmarking

Any funds earmarked as match for grants is approved by the City Council during the application and contract process with the granting agency.

Duplication of Benefits

All applications and projects will be reviewed for Duplication of Benefits (DOB) by the city. The granting agency is responsible for final review and approval of Duplication of Benefits. The city will not carry out any of the activities under a Sub-Recipient Grant Agreement in a manner that results in a prohibited duplication of benefits as defined by Section 312 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act of 1974 and described in Appropriations Acts. The Sub-Recipient must comply with HUD's requirements for duplication of benefits (DOB), as described in the Federal Register and HUD guidance. Sub-Recipient must carry out activities under their Grant Agreement in compliance with DEO's procedures to prevent DOB. Attached is City Resolution No. 26-40 – Duplication of Benefits Policy.

Record Keeping

Upon receipt of the award, establish a unique grant file for each grant award. The following documents must be contained in the grant file:

- Grant proposal/application
- Grant award letter/executed agreement
- All modifications to the grant award, i.e. continuations, supplements, modifications
- Council resolution(s) and any other agenda items associated with the award
- Subcontract(s)
- Reimbursement request packages
- Expenditure documentation
- All progress reports and final reports
- Any correspondence pertaining to the grant, including emails

All grant documents are stored on a Share Drive on the server, which is then backed up offsite with our IT Contractor, CLS Technology, LLC. All servers have two levels of backup off-site. CLS Technology, LLC does file/folder backups as well as full image-based BDR backups.

The City follows the records retention schedules established by the Florida Department of State for all official records. Grant-related documents are retained in accordance with these schedules, as well as any specific retention requirements outlined in the applicable grant agreement. In all cases, the City will retain grant records for the period specified in the grant agreement or six (6) years, whichever is greater.

Expenditures and Collecting Revenue

The grant agreement and grantor general policies establish the requirements for charging costs to the award, reporting those costs, and requesting reimbursement (ie. no more than once monthly, at least once quarterly, etc.). Grant awards are cost-reimbursable and direct pay. If they are cost-reimbursable they are generally supported by the City until revenues are collected. If they are direct pay the funding agency approves payment to the city and the city then makes payment to the vendor. The Administration Department or the Finance Department make sure all reimbursement request packages are prepared with applicable expenditure backup documentation in order for the

City to receive reimbursement for the grant expenditures, unless they are prepared by a contracted firm managing the grant. The supporting documentation is reviewed to make sure all invoices, cancelled checks and any and all other required documentation is included to make sure it is in accordance with the grant requirements. At this point the reimbursement package is submitted to the grantor through email or by means of a grant portal.

Equipment and Real Property Management

1. Equipment purchased with grant funds shall be used exclusively during the life of the grant for the project or program for which it was acquired.
2. Equipment purchased with grant funds must be properly maintained and safeguarded, and equipment records must be maintained using the same procedure as if purchased with City funds through the City inventory policy and procedures.
3. After the grant award is closed and equipment is no longer needed for its originally authorized purpose, the Department Head shall request approval by the City Administrator to include an agenda item to the City Council requesting approval of disposition of all equipment over \$5,000, and the Department Head shall request approval of disposition by the City Administrator for all equipment under \$5,000 following City policy and procedures for property and inventory control.

Compliance Monitoring

The post-award activity of an awarded City grant is overseen by the Administration Department through regular communication with the responsible Department Head. The Administration Department will be responsible for:

- Monitoring activities under the grant scope of work to assure compliance with applicable requirements and to ensure that performance expectations are being achieved. Monitoring of the grant must cover each program, function or activity.
- The Administration Department is responsible for ensuring that activities comply with the terms and conditions of the grant agreement/contract and ensuring that required reports are submitted by or before the specified deadlines in the award agreement.
- The Administration Department is the liaison with the grantor regarding program performance, operational requirements and monitoring, and will supervise all programmatic (operational) aspects of the grant in accordance with the terms and conditions of the grant. This department is responsible for conducting or coordinating all internal program monitoring and ensuring preparation and submission of all required program reports by or before the specified deadlines in the award agreement.
- The Administration Department is responsible for ensuring that essential support and control is provided to the recipient department so that the grant awarded ends successfully and in compliance with all budgetary policy and procedures.

Expenditure Monitoring

It is critical to the overall success of a project that grant funds are expended properly and accurately. The City Administrator and the Finance Director are familiar with budget and cost principles and reviews the requests to purchase and awards prior to payment. Both have the necessary skills to recognize allowable costs.

The process for approval and payment of grant expenditures is as follows:

- The Administration Department reviews the invoices and compares to the contracts for compliance with grant requirements and compliance with allowable costs approved in the professional services award and/or construction bid award, reviews for period of performance to ensure compliance with the terms of the agreement, and applies the proper account coding to the expenditure. At this time the invoices will be reviewed to make sure the invoicing method agrees with the agreement in place.
- The City Administrator then reviews and approves the grant expenditure for payment by signature on the invoice, making him/her aware of all expenditures being charged to the grants at all times. The invoice(s) are then forwarded to the Finance Department for their review.
- The Accounts Payable Clerk posts the expense to the general ledger and has a Finance Clerk review the expenditure edit for correctness.
- The expenditure edit is then given to the Finance Director to verify correctness.
- Once approved, the Accounts Payable Clerk updates the expenditure edit and processes the payment.
- A check stub is then attached to the invoice showing payment has been made.

After initial setup, grant awards should be reconciled on a monthly basis to ensure:

- Expenditures are allowable, allocable, necessary, and reasonable based on terms and conditions of the grant award.
- Expenditures are adequately supported by documentation.
- Award spending is commensurate with the period of performance.
- Expenditures are recorded and charged to the correct project and/or general ledger account in ADG.

Reconciliation involves checking expenditures/revenues recorded in project accounting spreadsheets to those recorded in General Ledger; and also checking revenues billed during a

reporting/billing period against expenditures charged to the project during the same period. Budget to Actual reports are reviewed by the Finance Director, City Administrator and Department Heads.

Throughout the fiscal year, the Schedule of Expenditures of Federal Awards and State Financial Assistance is prepared and updated by the City Administrator. The information is compiled with information from his/her monthly reconciliation of grant revenues/expenditures to date. The City Administrator and the Finance Director review these Schedules together for accuracy prior to being submitted to the Auditors.

Reporting

Every award has reporting requirements specified in the grant agreement. It is critical that all reports are complete, accurate, and submitted per the specified dates outlined in the agreement. Accurate and timely reporting is critical to maintaining a good relationship with the grantor. Requirements and procedures are established to ensure that grant funds are expended and accounted for in a method that provides accuracy, uniformity and consistency.

Types of Reports

- **Performance/Progress/Narrative/Status:** The grant recipient Department Head or in some cases the project engineer is required to submit project progress updates at the request of the Administration Department in order to prepare and retain performance reports that reflect grant-funded operational progress as required by the grant agreement. Management possesses the required knowledge, skills and ability to complete the reports in an accurate and timely manner. All reports are reviewed for accuracy and completeness and approved by the City Administrator prior to being submitted to the grantor. The support documentation is attached to the report and is filed in the grant files.
- **Financial:** The Finance Department or Administration Department are required to regularly submit and retain financial reports that reflect a grants fiscal health as required by the grant agreement and supporting documents.
- **Close-Out:** Dependent upon the conditions of the grant contract, after the expiration or termination of the grant, the Administration Department is required to submit all financial, performance, and other reports required in the grant conditions.

Frequency of Reports

- The frequency of the reports is specified in the grant agreement.
- The Administration Department is responsible for completing reports in a timely manner and for the report submission to the grantor by whatever means the grantor requires, electronically or by mail.

Modifications, Extensions or Cancellations

- During the course of a grant's lifetime, there are times when changes are necessary to either the budget or the project scope-of-work. Most of these changes, typically called grant amendments, are allowable, but it is important to follow the procedures written in the grant agreement or in the guides provided by the grantor. These changes must be pre-approved by the grantor agency before they are considered eligible.
- The Administration Department is responsible for ensuring that all agreements to include funding agency agreements, professional services agreements, and construction agreements remain current. Amendments will be requested and approved as necessary throughout the duration of each project. All agreements must clearly define a period of service, including both a start date and an end date. To prevent lapses in services, all agreements will be reviewed on a quarterly basis.
- Some grants allow for at least one no-cost time extension to complete a project, if necessary. These requests must be documented and written approval must be received from the grantor, usually in the form of a grant amendment/modification.
- In the event a grant must be terminated before the original completion date or returned to the grantor prior to project initiation, standard practices for closing out a grant will be completed. The City Administrator will contact the granting agency to discuss the impact on future funding from the grantor agency.

Grant Close-Out

The grant closeout is a critical piece in the life cycle of a grant. It is the process by which the City performs all necessary administrative and financial actions to satisfactorily complete all requirements set forth in the grant agreement. Preparation for closeout usually begins 60 to 90 days prior to the end date of the grant to accurately forecast expenditures and make any adjustments to accounting entries. Responsible staff are aware of the period-of-performance requirement identified in the grant agreement. A grant award is considered completed when: (1) all work funded by the award is completed, or (2) the award period-of-performance ends. The Administration Department has the prime responsibility of ensuring that a continuation, supplement, or no-cost time extension is requested in a timely manner to continue the project. The grant agreement identifies the grantor's process to close-out the award, including records retention requirements.

Suspension and Debarment

1. City of Chipley and any of its subrecipients shall not award grant assistance to applicants that are debarred or suspended, or otherwise excluded from or ineligible for participation in Federal assistance programs.
2. It is the responsibility of the Administration Department to ensure that any potential contractor or subcontractor or subawardee that will be funded through a grant award is not prohibited from receiving federal or state funds due to suspension or debarment. A person or entity debarred or suspended is excluded from federal financial and non-financial assistance and benefits under

federal programs and activities. Debarment or suspension of a participant in a program by one agency has a government-wide, reciprocal effect.

3. The Administration Department will ensure that the federal Excluded Parties List System (EPLS) site and the state Convicted/Suspended/Discriminatory/Complaints Contractor Lists are checked prior to entering into any contractual relationship or use of services.

a. Excluded Parties List System (EPLS): The System for Award Management (SAM) is the official federal system that consolidated the capabilities of CCR/FedReg, ORCA, and EPLS. It is accessed at: <https://www.sam.gov/SAM/>.

b. Convicted/Suspended/Discriminatory/Complaints Contractor Lists are accessed at: http://www.dms.myflorida.com/business_operations/state_purchasing/vendor_information/convicted_suspended_discriminatory_complaints_vendor_lists.

Federal Single Audit Act

Federal audit and annual reporting requirements are contained in 2 CFR Part 200 Subpart F (200.5 Compliance and Audit Requirements.) Non-federal entities expending **\$1,000,000** or more in a year in federal awards are required to have a single or program-specific audit conducted for that year, performed by an outside auditor. It is important that all grant activity and any changes to the grant are well documented to facilitate any audit. Audit findings made during the audit are provided to the grantor, which could prompt an audit by the grantor.

Florida Single Audit Act

The Florida Single Audit Act establishes uniform audit requirements for state financial assistance, and follows the same cost principles and requirements established in the Federal Single Audit Act, also with a **\$750,000** threshold.

https://www.dms.myflorida.com/business_operations/state_purchasing/vendor_information/convicted_suspended_discriminatory_complaints_vendor_lists