

# GRANTS FINANCIAL MANAGEMENT POLICY

## INDEX

Executive Summary .....	1
I. Application.....	7
a. Preparation.....	8
b. Review .....	8
c. Submission.....	8
II. Internal Controls .....	9
a. Operating Controls.....	9
b. Accounting Controls .....	9
c. Compliance Controls .....	10
d. Personnel.....	10
e. Sub grantee/Subcontractor Monitoring.....	10
f. Record keeping .....	11
g. Cash Management.....	12
h. Documentation.....	13
i. Audit Trail.....	13
III. Reports and Reimbursement Requests.....	13
a. Preparation.....	13
b. Review .....	14
c. Submission.....	14
d. Reconciliation .....	14
IV. Grant Revenue Recognition.....	15
V. Grant Fund .....	15
VI. Cash Match .....	15
VII. In-Kind Match.....	16
VIII. Indirect Cost Allocation.....	16
IX. Budget.....	17
X. Electronic Transactions.....	17
a. Application and Setup.....	18
b. Payment Systems .....	18
c. Reporting and Controls.....	18
c. Electronic Signatures .....	19

XI. Attachments (Forms) ..... 19

- a. Grant Request for Application and Checklist ..... 19-a
- b. Sample Council Agenda and Resolution ..... 19-b
- c. Georgia Code of Ethics ..... 19-c
- d. “What Are In-Kind Services?” ..... 19-d
- f. Budget Form ..... 19-e

## **EXECUTIVE SUMMARY**

1. Only Columbus Council can grant authority to apply for a grant.
2. Individuals responsible for applying for a grant (throughout this policy referred to as Grant Managers) must first request permission by completing the Grant Request for Application and Checklist and submitting it to the Finance Director by way of Grant Compliance Accountant, and then prepare and submit a resolution and agenda report to Council for approval. The resolution must be reviewed by the Finance Department before placing on the Council agenda.
3. Small grants will be reviewed by Finance to assure that the benefits of the grant outweigh the costs of servicing the grant.
4. Grant Managers are responsible for the accuracy of all information requested in the application. Full compliance is required.
5. Funds applied for must NOT be used to supplant existing funds. Supplanting occurs when the grant funds replace funds already budgeted by the City.
6. Completed applications must be submitted to the Finance Department for review before sending to granting agency.
7. All grant applicants must obtain and use the Grant Request for Application and Checklist from Finance for guidance and compliance throughout the grant startup process.
8. Following all the guidelines in the Grant Request for Application and Checklist will assure that Finance is aware of who the “grant manager” will be (responsible for reporting and reimbursement requests, etc.), what the Finance department’s role will be, who will be submitting the grant to Council for approval, and allow Finance to assist as needed.
9. No grant can be accepted (i.e., no contract initiated) without the approval of Council.
10. Only individuals authorized by Council can sign the grant contract and related forms. This means the Mayor, the City Manager, or their designee, as approved by Council.
11. The grant process is an internal control system. The primary objectives of an internal control system are to safeguard assets, ensure the reliability of accounting data, and to comply with management policies and grant terms and conditions.
12. Operating controls help assure that procedures are used efficiently and effectively and in accordance with management policies. These controls include written procedures, budgetary systems, performance measurement, financial record keeping and systems to assure compliance with grant terms and conditions and federal requirements.

13. Grant managers are responsible for assuring that the program operates fully in compliance with all Columbus Consolidated Government policies and procedures, including the city's procurement ordinance.
14. Grants must abide by any control procedures mandated by the grant in its terms and conditions whenever these procedures are more restrictive than those required by the City.
15. Grant managers must assure that each subcontractor or sub recipient is aware of and abides by all applicable policies and procedures.
16. Grant duties must be segregated to insure that no employee is in a position to authorize, execute and approve any transaction.
17. Only personnel with the proper authorization are allowed to purchase goods and services.
18. Accounting controls should be in place to facilitate timely review of all financial activity, with internal audits as necessary.
19. Compliance controls should be in place to ensure the proper disbursement and usage of grant funds, that matching requirements are followed, and that other requirements or limitations have been complied.
20. Those personnel directly involved in the execution of grant programs should be thoroughly familiar with the controls placed upon each grant, as these controls may vary tremendously from one grant to another.
21. When sub grantees or subcontractors are involved, the grant manager(s) must be able to document the sub grantee's/subcontractor's compliance with all grant reporting, record keeping, and internal operating and accounting control requirements. This includes reviewing audit reports for the previous year as well as for each year that the contract is in force.
22. The grantee department must not make any award, either through sub grant or contract, at any tier, to any party which is debarred or suspended or is otherwise excluded from or ineligible for participation in federal assistance programs.
23. The grantee department is also responsible for ensuring that the sub grantee complies with all applicable City of Columbus policies and procedures related to the execution of the grant, such as proper purchasing policies and procedures and federal employment guidelines.
24. Any sub grant/subcontract must indicate any clauses required by federal statute and executive orders and their implementing regulations.
25. Grantees (and sub grantees where involved) must maintain records that adequately identify the source and application of funds provided for financially assisted activities.

26. If the method used for financial reporting is inconsistent with the modified accrual method used by the City's accounting system, then all grant financial reports must be reconciled by the grant manager with the City's general ledger for the period being reported.
27. Most grants will be set up in the Multi-Grant Fund (Fund 216) using the City's General Ledger Chart of Accounts, with the appropriate department number and a unique unit number to segregate the revenues and expenditures of each grant from all others.
28. The budget established for the grant must not exceed the total amount of the grant plus any local cash matching funds that may be a part of the grant program.
29. The budget must be at a level of detail that is at least equal to that dictated by the grant.
30. The Grant Manager must abide by the policies and procedures outlined in the grant's contract dealing with line item budget overruns and budget amendments.
31. Under no circumstance is the grant allowed to exceed its total budgeted expenditures without prior approval of the Finance Director, City Manager, and City Council.
32. The Grant Manager is responsible for assuring that their grant financial reports reconcile with the expenditures and revenues for the same period on the reports generated for the grant by the Grant Compliance Accountant.
33. Cash management policies dictated by the grant will supercede the City's policies ONLY when the grant's policies are more restrictive than the City's.
34. Reimbursement requests and drawdowns should occur as soon after the corresponding expenditures as possible in order to maximize cash flow and minimize outstanding receivables.
35. Because the City provides the operating funds for the grant programs, late grant reimbursements result in cash outlays that the City needs for its daily operations.
36. All source documents (i.e., purchase documents, contracts, time and attendance records, delivery receipts, vendor invoices, and reimbursement/advance requests) must be kept on file by grant personnel.
37. A copy of all source documents must be sent to the Grant Compliance Accountant. In keeping with OMB requirements beginning in FY16, machine-readable (digital) transmission (i.e., computer-generated or scanned documents) is required.
38. Providing a proper audit trail of all information is both required and crucial.
39. Grant record keeping systems should organize and summarize transactions for the preparation and support of financial statements and reports.

40. The grant contract is the final authority on reporting and reimbursement requirements of each particular grant.
41. Unless requested by the grantee department and approved by the Finance Department in advance, the Grant Manager is responsible for preparing and submitting all reports required by the grant.
42. Unless varying accounting methods or reporting requirements of the grant dictate, the monthly and/or quarterly grant financial reports prepared by the Grant Compliance Accountant for the grant managers will be the basis for all grant financial reporting. If other information is utilized (i.e., purchase card receipts, purchase orders, or time and attendance reports), the total reported dollar amounts must reconcile with the monthly/quarterly financial reports by the completion of the grant or the end of the current fiscal year, whichever occurs first.
43. The grant's budget resolution must identify who will be authorized to submit the grant documents (i.e., the application, the contract, and the reimbursement requests). This will be the Mayor, the City Manager, OR their designee, and must be worded as such in the resolution.
44. The individual who prepares a report or reimbursement request must never be the same individual who signs the report or request. When electronic signatures are required for online submission, the individual whose signature is being electronically signed must initial each page of a printout of the material being transmitted online to indicate that he or she has read the information. This must occur BEFORE the signature is submitted.
45. All financial reports and reimbursement requests prepared for the grant will be sent to the Grant Compliance Accountant for review before they can be signed off by the appropriate official and sent to the grant's issuing agency.
46. All grant reports must be prepared within five days of their submission deadline whenever possible in order to allow sufficient time for review by the Grant Compliance Accountant, correction of any errors, and signing by the authorized official.
47. The submission date is the final date on which the report can be submitted to the grantor in order to allow enough time to be received by the deadline for that report.
48. The Grant Manager is responsible for reconciling the reports with the General Ledger when the reports are prepared using information other than the Grant Compliance Accountant's financial reports.
49. Grant revenue is recognized when it is earned. This may create a receivable at the end of the fiscal year for revenue earned but not yet received.

50. The Georgia Department of Community Affairs' Uniform Chart of Accounts dictates the grant fund each grant will reside in. The fund must be indicated in the Council resolution for acceptance of the grant.
51. Once a grant is awarded, the Grant Manager is responsible for coordinating the establishment of the budget with Financial Planning. The Grant Compliance Accountant can provide assistance if needed and if available, but is not responsible for requesting or establishing the grant's budget.
52. All required cash matches must be indicated in the grant's resolution to be adopted by Council and budgeted as an expense to the City.
53. The source of an in-kind match cannot be funded by another grant or used as an in-kind match for another grant.
54. Indirect costs are central service costs incurred by the City in the process of hosting the grant program and should be included in the grant's application for funding whenever the grant allows for the reimbursement of indirect costs.
55. The Grant Manager is responsible for finding out if their grant allows for the reimbursement of indirect costs and coordinating the application for and calculation of indirect cost reimbursement with the Grant Compliance Accountant.
56. Awarded revenues and expenditures of the grant must be identical to the revenues and expenditures established in the City's General Ledger for the grant, except that the City's budget may have more detail than the grant.
57. If the budget period for the grant (as noted in the grant award or contract) extends beyond the end of the City's current fiscal year, the Grant Manager must work with the Grant Compliance Accountant and with Financial Planning to carry the remaining balance of the grant over into the City's next fiscal year.
58. All individuals working with grants should have the training and equipment necessary to facilitate electronic grant transactions, as the OMB began requiring transactions to be done electronically beginning with fiscal year 2016.
59. Submission and setup of electronic grants will involve different procedures and usually require more time to accomplish.
60. All electronic files sent as e-mail attachments must first be forwarded to the Grant Compliance Accountant for review.
61. All financial reports and reimbursement requests filed over the Internet must be sent to the Grant Compliance Accountant for review in advance of their submission.

62. No individual except for the Mayor, the City Manager, or his or her designee as indicated in the grant's adopted budget resolution, is allowed to possess an electronic signature. Just as no one is allowed to forge another person's signature, no one is allowed to use another person's electronic signature without his or her explicit approval.
63. The individual approved by Council in the budget resolution as the designee for the Mayor or City Manager must bear full responsibility for the proper use and safeguarding of the electronic signature, just as if they were signing a paper document.
64. The grantee is responsible for ensuring the protection of all sensitive data stored and/or transmitted electronically in the performance of the grant program.
65. The Columbus Consolidated Government has no centralized grants management function. There is no grants administrator or grant coordinator. The role of the Grant Compliance Accountant is not to perform the application or reporting of grants but to oversee the financial compliance and timely financial reporting of the grants. Grant managers are responsible for the management, reporting, and closure of their grants. The Grant Compliance Accountant can assist with these functions by applying financial data as needed, but does not prepare applications or reports for transmittal.
66. Any compensation of employees by grant funding will be completely overseen by the City Manager, to include examination, evaluation and approval.
67. All remedial and forward action on any decisions arrived at by the City Manager regarding compensation of city employees through grant funding will be authorized by City Council to the City Manager.
68. The Finance Department will review and establish, as necessary, internal control policies and procedures to monitor and find any compensation that may be deemed discretionary and which could lead to unfair or discriminatory compensation.
69. All decisions regarding grant funded compensation, including corrective actions implemented by the City Manager, will be reviewed and by City Council for adoption as necessary.
70. Free-lance, contractual grant writers utilized and remunerated by grant funds must be procured through the Purchasing Division and following all procurement policies, including formal bidding, if the dollar threshold requires it. All such writers must pass Purchasing Department guidelines for establishment as a vendor, including the possession of a valid business license and federal identification number suitable for IRS Form 1099 reporting. Because most grants do not allow for compensation of expenditures incurred before the grant has been awarded and accepted, this practice is strongly discouraged. City employees involved in the grant process are encouraged to write their own grants, but under no circumstance is a city employee to be remunerated for grant writing services. If a subrecipient is to be involved in the grant program, and the subrecipient is to use their



professional expertise in writing the grant, this will be allowable as long as all duties and expectations of both parties are identified in the subrecipient contract or MOU.

71. As with all governmental employees, all City employees operating grant-funded programs are required to abide by the Georgia Code of Ethics, found in Georgia Code Title 45: Public Office and Employees, O.C.C.A. 45-10-1, including Part V, which states that any person in government service should “never discriminate unfairly by the dispensing of special favors or privileges to anyone, whether for remuneration or not, and never accept, for himself or his family, favors or benefits under circumstances which might be construed by reasonable persons as influencing the performance of his governmental duties” and also Part VI, which states and any person in government service should “make no private promises of any kind binding upon the duties of office, since a government employee has no private word which can be bonding on public duty” (which is why City Council must approve ALL contracts), and finally, Part VII, which states that any person in government service should “engage in no business with the government, either directly or indirectly, with is inconsistent with the conscientious performance of his governmental duties.” Anything that would cause a grant manager to benefit personally and directly from the performance of a grant-funded program, is considered doing business with the government.

## **I. APPLICATION**

Grants are the primary vehicles used by the federal and state governments for disseminating budget-related legislation involving state and local governments. The grant process is used not only to distribute the funds to the appropriate recipients, but to also provide for control and feedback, which are the means used to assure that the legislation is accomplishing its prerogatives.

All management personnel within the Columbus Consolidated Government should bear the fiscal responsibility for being aware of grants that may be available for their area of operations and for taking action to attempt to obtain any appropriate grant. These individuals should have access to the most up-to-date information on grant sources and the resources for completing and submitting the applications. The City has no centralized grants management function. All departments must conduct their own searching, application, and management of grants.

The authority to submit an application for any grant can only be granted through a resolution of City Council. The individual(s) who will be responsible for applying for the grant must first request permission from Finance to prepare a resolution and accompanying agenda report for submission to Council for approval. This is accomplished by completing a Grant Request for Application and Checklist, which can be found in the Forms database under Finance. Under most circumstances, the resolution and agenda report are to be prepared and submitted via the City’s Municode database system for Council agenda items. The resolution and agenda report

MUST be reviewed and signed off by the Finance Director, Financial Planning/Assistant Finance Director, and the Grant Compliance Accountant before submission to the City Manager's Office for inclusion as an agenda item. The Grant Request for Application and Checklist serves both to inform Finance of the grant application as well as to insure that all proper steps are undertaken and all necessary communication between the Finance Department and the grant applicant is undertaken, which helps to assure that each step of the grant's approval, application, and acceptance process is followed according to the City's policies and procedures.

#### **a. Preparation**

The department manager, finance manager, or grant manager who has primary responsibility for the administration of the grant on the local level (heretofore referred to as the "Grant Manager") may request the assistance of the Grant Compliance Accountant, Financial Planning, or any relevant management or technical personnel if and where needed during the application process. The person(s) completing the application is (are) responsible for the accuracy of the information requested for in the application. No application should be submitted without fully complying with the requirements set forth for its completion.

When preparing the application, it is extremely important to make sure that the funds being applied for are not to be used to **supplant** existing funds. Supplanting means using funds received from a grantor to cover the costs of items that are already budgeted in the City's operating budget. An example would be using a grant intended for hiring additional police officers to pay the salaries of officers already on the force.

#### **b. Review**

Once the application is completed, it must be submitted to the Finance Department for review by the Grant Compliance Accountant and Financial Planning Division Manager, as well as to any appropriate higher management, before its submission. Completion of the Grant Request for Application and Checklist will provide information to Financial Planning and the Grant Compliance Accountant indicating who will be the Grant Manager (responsible for overseeing the fulfillment of the grant), any personnel additions or changes to be funded by the grant, who will be requesting reimbursements and/or filing any required compliance reports, what role Finance will have, when will the grant be submitted to Columbus Council for approval and who will submit it.

#### **c. Submission**

The Grant Request for Application and Checklist lists all of the information needed by Finance and details the required steps and information needed for submitting the resolution and agenda report to Council. This checklist has been prepared to assure that all detail has been included and errors corrected before submission to Council, since the consequences of these errors can be significantly magnified if not discovered until after the grant has been initiated. All persons submitting grant applications or awards to Council for approval are required to contact the Grant Compliance Accountant or Financial Planning first and obtain a copy of the checklist before proceeding further.

No grant can be accepted (i.e., no Columbus Consolidated Government employee has the authority to enter into a contract with the awarding agency) without the approval of the Columbus City Council. Since the receipt of grant funds and the expenditure of those funds (as well as any local “matching” funds required) in fulfilling the grant contract require an amendment to the budget, each grant awarded must be accompanied by a resolution approved by Council before the budget can be amended and the City can enter into a contract with the awarding agency. Only individuals authorized by the City and the grant requirements can sign the contract. Normally this means the City Manager or the Mayor (who is the Chief Executive Officer in the City’s Mayor-Council form of government).

## **II. INTERNAL CONTROLS**

As with any operation, the management of grants programs is dependant upon an effective internal control system. The grant process is in itself an internal control system used by federal and state governments to enact and enforce legislation through the dissemination of funds. The primary objectives of an internal control system are to safeguard assets, ensure the reliability of accounting data, and to comply with management policies and grant terms and conditions. **Unless stated otherwise, all grants follow the OMB Uniform Administrative Requirements, Cost Principles, and Audit Requirements listed in 2 CFR Chapter I and Chapter II, Parts 200, 215, 220, 225, and 230.**

### **a. Operating Controls**

Operating controls help to assure that procedures are used efficiently and effectively and in accordance with management policies. Included in these controls are written procedures, budgetary systems, performance measurement, financial record keeping systems that provide the results of financial transactions and the appropriate means of accumulating and maintaining supporting documentation, and systems to provide assurance of compliance with grant terms and conditions, as well as other federal requirements.

The grant checklist is used as a tool to ensure to Finance, management, and other related authorities within the City’s operations that the significant compliance controls of the grant have been addressed before that grant is brought before City Council for acceptance

### **b. Accounting Controls**

The department manager, department finance manager, and/or Grant Manager is/are responsible for assuring that the program operates fully in compliance with all policies and procedures that are already established by the Columbus Consolidated Government for its daily operations. This includes the City’s procurement ordinance. In addition, the grant program must also abide by any control procedures mandated by the grant in its terms and conditions whenever these procedures are more restrictive than those already in force. Whenever a subcontractor or sub recipient is involved, the department manager, department finance manager, and/or Grant

Manager is/are also responsible for assuring that each subcontractor or sub recipient is aware of and abides by all applicable policies and procedures.

The policies and procedures should, as a minimum, always address the following three goals of accounting controls:

1. To ensure an appropriate separation of duties, so that no employee is in a position to authorize, execute, and approve any transaction.
2. To ensure that only personnel with the proper authorization are involved in the purchase of goods and services.
3. To facilitate timely review of all financial activity, with internal audits as necessary.

### **c. Compliance Controls**

Compliance controls are of primary interest to federal grantors. They are important for evaluating a grantee's system for ensuring the proper disbursement and usage of grant funds, that matching requirements are followed, and that other requirements or limitations have been complied with.

Those personnel directly involved in the execution of grant programs should be thoroughly familiar with the controls placed upon each grant, as these controls may vary tremendously from one grant to another.

### **d. Personnel**

The hiring and compensation of personnel with grant funding presents a different and unique set of problems. Careful consideration must be undertaken to avoid supplanting, which can occur if grant funding is used to compensate existing employees without prior approval of the grantor. The hiring of employees for the purpose of a grant program is unique in that these hires are not permanent hires unless specifically authorized by the City Manager, who has ultimate control over the hiring and compensation of all City personnel. And because they are not permanent hires, they do not normally qualify for health insurance, life insurance, retirement, and any similar benefits that may currently be offered to permanent, full-time City employees. Because of these unique issues, any grant manager wishing to apply for a grant must obtain approval of the City Manager, via the Finance Director, for the creation and remuneration of any new employee positions to be compensated by grant funding, as well as the partial or total transfer of salary and benefits of any existing employees to any grant funded programs. This approval must be obtained before the grant goes to City Council for approval.

### **e. Sub grantee/Subcontractor Monitoring**

While the City of Columbus is normally the recipient of state and federal grants, an occasion may arise where the City acts in the role of being a conduit for channeling the grant funds to a sub recipient (sub grantee), or where the grant project requires contracting with other parties for

fulfillment of the grant. The City department responsible for receiving and disbursing these grant funds is required to monitor a sub grantee's reporting, record keeping, and internal operating and accounting control systems.

The department must not make any award, either through subcontract or contract, at any tier, to any party which is debarred or suspended or is otherwise excluded from or ineligible for participation in federal assistance programs (Executive Order 12549).

The City is liable to the agency awarding these grants just as if the City was the actual recipient of these funds. The department must be able to document proper compliance of the sub grantee or subcontractor to help protect the City if a question of liability should ever arise. This includes the sub grantee's compliance with all grant record keeping, reporting, and control requirements. The department must ensure that the sub grantee or subcontractor is aware of all requirements imposed upon them by federal statutes and regulations. The department is also responsible for ensuring that the sub grantee complies with all applicable City of Columbus policies and procedures related to the execution of the grant, such as proper purchasing policies and procedures.

If the sub grantee/subcontractor has an annual audit performed for the fiscal period preceding the grant award, the Grant Manager is responsible for obtaining and forwarding to Finance an official copy of the audit report. Likewise, the Grant Manager is responsible for ensuring that the sub grantee/subcontractor submits in a timely manner an official copy of the final audit report for any audits performed during any fiscal year in which the grant was in force. If the sub grantee/subcontractor is not required to have an annual audit, then the Grant Manager is responsible for obtaining the financial compilation or financial review reports of the sub grantee/subcontractor for the preceding fiscal year as well as the most recent monthly or quarterly financial reports for the current fiscal year and submitting these to Finance for review before the award of any contract.

Any sub grant/subcontract must indicate any clauses required by federal statute and executive orders and their implementing regulations.

#### **f. Record keeping**

Grantees (and sub grantees where involved) must maintain records that adequately identify the source and application of funds provided for financially assisted activities.

Grant records will be kept on the cash, accrual, or modified accrual bases, depending upon which basis is required or allowed by the grant. If the method used is inconsistent with the modified accrual method used by the City's accounting system, then all grant financial reports must be reconciled by the Grant Manager with the City's general ledger for the period being reported.

All personnel responsible for daily administration of the grant must have an adequate knowledge of the City's accounting system and its policies and procedures regarding purchases and record keeping.

The Georgia Department of Community Affairs (DCA) Uniform Chart of Accounts guidelines will be strictly adhered to in determining which fund each grant will reside in. Any grant whose projected total expenditures will exceed 2% of the General Fund's budgeted total operating expenditures will be placed in a separate fund. All grants below the 2% materiality test and not used for financing General Fund operations will be placed in the Multi-Grant Fund (Fund 216). The City is allowed to place grants for General Fund operations in the General Fund but as a policy chooses to also place these grants in the Multi-Grant Fund to simplify the organization and tracking of these grants. Grants used to finance major construction projects for general government operations must be placed in the Capital Projects Fund 508. Grants for enterprise fund purposes must be placed within the appropriate enterprise fund. These reasons explain why the Job Training, METRA, Neighborhood Stabilization, and CDBG grants, along with the recent Greenspace grant, reside in separate funds, while most of the remaining grants are placed in the Multi-Grant Fund. Each grant will be set up and budgeted using the City's General Ledger chart of accounts, placing the grant under the department responsible for the grant and with a unique unit number. This allows for the separation of expenditures and receipts of each grant for reporting and tracking needs, which is usually required by the grant contract.

The budget established for the grant must not exceed the total amount of the grant plus any local cash matching funds that may be a part of the grant program, as authorized by City Council in the adoption of the grant's budget resolution. The budget must be at a level of detail that is at the least equal to that dictated by the grant. The individual in charge of monitoring expenditures for the grant must be aware of and abide by the policies and procedures outlined in the grant's contract dealing with line item budget overruns and budget amendments. If the grant's budget is to be amended, Financial Planning must be notified in order for the budget to likewise be adjusted in the General Ledger. Under no circumstance is the Grant Manager or department in charge of the grant allowed to exceed the total budget of the grant (including any local match) without prior approval of the Finance Director, City Manager and City Council. Unless the grant's resolution is worded "...to amend the (fund's) budget by the amount actually awarded" (or similar wording), any grant award or adjustments that increase grant expenditures and revenues beyond the amount stated in the resolution will require an additional authorization by Council.

The Grant Compliance Accountant will provide monthly and quarterly financial information for all active grants. The Grant Manager is responsible for assuring that their grant financial reports reconcile with the expenditures and revenues on the Grant Compliance Accountant's reports. Even when the two reports do not reconcile (i.e., due to differences in cash versus accrual reporting or use of purchase cards) on monthly or quarterly levels, they must definitely reconcile at the end of the fiscal year. The total of all expenditures and revenues reported for the grant during the fiscal year should equal the total indicated in the General Ledger at the end of the fiscal year. The Grant Manager is responsible for working with the Grant Compliance Accountant to make sure that any receivables, payables, or transfers needed to reconcile the General Ledger with grant reports as well as to match revenues with expenditures are completed at the end of the fiscal year.

#### **g. Cash Management**

This policy is not to supercede the cash management policies already in place and enforced by the City. Any cash management policies dictated by an individual grant will supercede the City's policies only when the grant's policy is more restrictive than that already enforced by the City. The timing of draw down requests for advancements should be monitored to minimize the amount of idle cash. Likewise, reimbursement requests should be timed to occur as soon after the corresponding expenditures as possible in order to maximize cash flow and minimize outstanding receivables. All of the information necessary to prepare requests for advances or reimbursements must be available in the grant's record keeping systems.

It is of utmost importance to remember that, because the City provides the operating funds for the grant programs, late grant reimbursements result in the tying up of cash that the City needs for its daily operations.

#### **h. Documentation**

Grant personnel must keep copies of all source documents, as well as forward copies to the Grant Compliance Accountant, for documenting the transactions in the grant's record keeping system. Source documents include purchase documents, contracts, time and attendance records, delivery receipts, vendor invoices, and reimbursement/advance requests (including petty cash requests). The documentation is intended to track each grant transaction and support the validity of the financial data in the record keeping system. The City's existing policies and procedures for maintaining the documentation are to be followed in all circumstances.

#### **h. Audit Trail**

Providing a proper audit trail is crucial for internal and external reviews of the reported financial transactions as well as the grant's and the City's accounting control system. The record keeping system used by grant personnel should organize and summarize transactions for the preparation and support of financial statements. The overall record keeping system should be able to trace financial statement balances through the General Ledger, cash ledgers, and any other journals utilized to the origin of detailed accounting transactions and their supporting documentation. This will be accomplished if the proper purchasing procedures are followed, the correct general ledger accounting is utilized, and all source documents and supporting information are properly maintained.

### **III. REPORTS AND REIMBURSEMENT REQUESTS**

Unless dictated by the grant, the common rule for state and local government grant administration (as detailed in ¶313 of the *Federal Grants Management Handbook*, available from the Grant Compliance Accountant) and OMB 2 CFR Part 200 (also available from the Grant Compliance Accountant) will prescribe the procedures to be followed for reporting grant expenditures and unexpended funds, requesting reimbursements or advances, and preparing reports. They also define accounting terms used in preparing the reports and provide illustrations of the reports and detailed instructions for preparing them. The grant contract is the final authority on reporting and reimbursement requirements of each particular grant.

### **a. Preparation**

Unless requested and approved by all parties in advance, the Grant Contact Person is responsible for preparing and submitting all reports required by the grant. Unless varying accounting methods or reporting requirements of the grant dictate, the monthly and/or quarterly financial reports prepared by the Grant Compliance Accountant will be the basis for all grant financial reporting. If other information is utilized (i.e., purchase card receipts, purchase orders, or time and attendance reports), the total reported dollar amounts must reconcile with the monthly/quarterly financial reports by the completion of the grant or the end of the current fiscal year, whichever occurs first.

The grant's budget resolution must identify who will be authorized to submit the grant documents (i.e., the application, the contract, and the reimbursement requests). This will be the Mayor, the City Manager, OR their designee, and must be worded as such in the resolution. To satisfy the Generally Accepted Accounting Principle (GAAP) of segregation of duties, the individual who prepares a report or reimbursement request should never be the same individual who signs the report or request. Section X of this policy addresses preparation and submission requirements for electronic filing of grants and their reports and reimbursement requests, since there is no paper document to sign in electronic submission.

### **b. Review**

All financial reports and reimbursement requests prepared for the grant will be sent to the Grant Compliance Accountant for review before they can be signed off by the appropriate official and sent to the grant's issuing agency. The purpose of this requirement is not only to assure that the reports are prepared in compliance with all financial reporting requirements, but also to update the Grant Compliance Accountant on the status of the grant's activity and fulfillment of compliance requirements.

### **c. Submission**

All grant reports must be prepared within five days of their submission date in order to allow sufficient time for review by the Grant Compliance Accountant, correction of any errors, and signing by the authorized official. The submission date is the final date on which the report can be submitted to the grantor in order to allow enough time to be received by the deadline for that report. Unless agreed upon by all parties, the Grant Manager is responsible for preparing and submitting all reports (both financial and programmatic) to the granting agency, with responsibility not only for the timeliness of the submission but also for the thoroughness and accuracy of the materials being submitted.

### **d. Reconciliation**

As previously stated, all reported expenditures and revenues must reconcile with the City's General Ledger. The Grant Manager is responsible for reconciling the reports with the General Ledger when the reports are prepared on a basis other than the Grant Compliance Accountant's



financial reports (which are prepared directly from the General Ledger). The Grant Manager is also responsible for assuring that total expenditures reconcile with all submitted reports as well as with total reimbursements requested at the completion of the grant. The Grant Compliance Accountant is ultimately responsible for assuring that all revenues and expenditures as reported for each grant reconcile with the General Ledger at the end of the fiscal year.

#### **IV. GRANT REVENUE RECOGNITION**

Under accrual accounting, grant revenue is recognized when it is earned. Thus it is important that reimbursement requests be filed as close to the corresponding expenditures (which results in the revenue being earned) as possible. However, under modified accrual, used by the City, the revenue is reported on the cash basis (when received) until the end of the fiscal year. At this point, any revenues (or portions of revenues) that have not been received by the end of the fiscal year but are to be received by the grants due to having been earned before the end of the fiscal year are recorded as revenue through accounts receivable. Likewise, if a grant has been reimbursed up front and the expenditures do not match the amount of revenues received, then the remaining revenue is deferred to the next fiscal year as unearned revenue. If this process is adhered to properly, then revenues and expenditures for each grant will match at the end of the fiscal year. The Grant Manager is responsible for providing the Grant Compliance Accountant with all of the information necessary for documenting and reconciling the end of year revenue recognition. This includes, but is not limited to, any outstanding requests for reimbursement, any end of year accounts payable items (i.e., late invoices), P-card transactions purchased but not yet billed/recorded, any expenditures to be posted by journal voucher or other means after June 30, and the grant's fourth quarter financial report.

#### **V. GRANT FUND**

All grants will be established in the appropriate fund that they should reside in according to the DCA Uniform Chart of Accounts guidelines mentioned in Section II-5. This means that with the exception of Job Training (Fund 220), METRA (Fund 751), and Community Reinvestment (Funds 210 through 215), most remaining grants will be placed in the City's Multi-Grant Fund (Fund 216). The resolution adopted by Council for the acceptance of the grant must indicate that the fund in which the grant will be established will be amended by the amount of the grant. Once a grant is awarded, the Grant Manager is responsible for contacting Financial Planning and requesting the establishment of the grant's budget in the appropriate fund. In certain circumstances, expenditures for the grant may occur within the grant department's operating budget and require a transfer to move the expenditures to the grant's budget in the Multi-Grant Fund. When this occurs, the Grant Manager will request a transfer to be performed by the Grant Compliance Accountant.

#### **VI. CASH MATCH**

Many grants, especially Federal grants, require that the grantee contribute a portion of the cost of the grant program. If this portion is required to be a cash match, then the grantee must budget for the expenditure of these funds. This must be explicitly indicated in the resolution for the grant to be adopted by Council. Because the City's funds are required for a cash match, the match is budgeted as an expense in the grantee department's fund (usually the General Fund) and a revenue in the Multi-Grant Fund (or other fund, if residing elsewhere). The Grant Compliance Accountant is responsible for transferring the correct percentage or dollar amount of funds as needed to properly match the amount of grant revenues received by the end of the fiscal year.

## **VII. IN-KIND MATCH**

Some grants allow for expenditures already budgeted in the grantee's operations to be used as the match for the grant. This is known as an in-kind match, because it is fulfilled by existing expenditures that are applied towards the grant. In-kind expenditures are mostly in the form of existing salaries and related personnel expenditures but can also be parts of the operating budget, such as rent, telephone, or materials. The items used and dollar amounts of each item used must comply with those allowed by the grant and be indicated in the application for the grant. The Grant Manager is responsible for tracking and recording these expenditures in grant reports. He or she is also responsible for assuring that these expenditures are not funded by other grants or used as an in-kind match in any other grant. Because the in-kind match is provided by funds already budgeted, a budget amendment is not needed, nor is the in-kind amount budgeted in the grant's budget, but the in-kind specification must still be mentioned in the grant resolution.

## **VIII. INDIRECT COST ALLOCATION**

Many grants not only fund grant program direct expenditures but also will pay for the grant program's appropriate share of indirect costs. Indirect costs are costs incurred by the City in the process of hosting the grant program. Examples of these indirect costs are the time spent working on the grant by Financial Planning and Accounting (particularly the Grant Compliance Accountant's time), Human Resources' costs and time in hiring individuals who directly or indirectly work in the grant program, Vehicle Maintenance costs for maintaining vehicles used in the grant program, the costs of maintaining computers used directly or indirectly in the grant program, and the costs associated with allocating physical space as needed for the performance of the grant program.

The Grant Manager is responsible for finding out if the grant being applied for allows for the reimbursement of indirect costs, for finding out how much indirect cost the grant will pay for, for contacting the Grant Compliance Accountant to find out how much indirect cost can correctly be allocated to the grant, and for including the amount of indirect cost as part of the budget for the grant program in its application. It is important that all of this is done in the application process for the grant, as indirect costs can almost never be added after the grant has been awarded.

The Grant Compliance Accountant is responsible for maintaining the City's Cost Allocation Plan (or Indirect Cost Rate, if changed) in accordance with OMB 2 CFR Part 200 Appendix V

regulations for fair and equitable disbursement of all indirect costs. The Grant Compliance Accountant is also responsible for working with all Grant Contact Persons to determine the appropriate amount or percentage of indirect cost for each grant application when allowed, as well as for updating all appropriate grantee departments each year when the new Cost Allocation Plan is adopted.

Utilizing the reimbursement of allocated indirect costs to the full extent possible is crucial to maximizing the City's revenue potential for covering expenditures, and is even more critical in times of tight operating budgets that might not otherwise be able to afford the cost of hosting a new grant program. When the City is reimbursed for its fair share of grant program costs, more funds are freed up for use in other areas, and a corresponding reduction in the need for budget tightening is realized.

## **IX. BUDGET**

The Grant Manager is responsible for coordinating the budget for the grant with the Financial Planning Division of the Finance Department. The budget for the grant will be established in the appropriate fund of the City's General Ledger, as previously described in Section V. The Grant Contact Person must make a formal request to Financial Planning to have the budget established, and is responsible for assuring that the budget is set up properly. The budget established in the City General Ledger must be identical to the budget as awarded for the grant, except that the City's budget may have more detail than the grant's budget. For example, the grant may have a portion of its funding for "Telephone Expenses", while the City's budget for that same amount may be further broken up into "Telephone", "Long Distance" and "Mobile Phone." If this is the case, then the totals for each subgroup must remain the same as the totals for each line item or subgroup in the grant's budget.

The Grant Manager must abide by all rules established by the grantor (and normally listed in the grant contract) regarding budget amendments and exceeding the budgeted expenditures for any line item. If the grant's budget is amended, then the City's General Ledger budget must also be amended to stay in line with the grant budget.

Under no circumstance is the total of expenditures for the grant allowed to exceed the budget authorized by City Council.

If the budget period for the grant (as noted in the grant award or contract) extends beyond the end of the City's current fiscal year, the Grant Manager must work with the Grant Compliance Accountant and with Financial Planning to carry the remaining balance of the grant over into the City's next fiscal year.

## **X. ELECTRONIC TRANSACTIONS**

Following the trend of almost all other activities, grant activities are rapidly changing over from the paper environment to the electronic environment. As of the establishment of this policy, all

federal agencies are required to give grantees the option to conduct all grant management activities electronically. Some agencies or programs already require electronic capability to participate, and this will likely become mandatory for all grants sometime in the near future. Already, electronic payment is required throughout the federal government (with a few exceptions).

The Federal Financial Management Assistance Improvement Act of 1999 was created to simplify and unify the application, reporting and administration processes of grant programs through the use of uniform administrative rules, common application and reporting systems, and standard electronic technology. However, federal agencies still have a long way to go in order to adopt uniform procedures, forms, and systems. Therefore, there are varying report formats and reimbursement systems that grant personnel must become familiar with.

The State of Georgia is in the process of transitioning to an electronic, paperless grant environment. Most state agencies have begun to give grantees the option of receiving funds electronically and some programs are now requiring electronic transactions.

Because of this transition, all personnel involved in the application, submission, and financial, programmatic, and reimbursement reporting of grants must be well trained in electronic transaction procedures as well as possessing the equipment necessary for the transactions to take place. And because of their nature, electronic transactions require the adoption of new policies and procedures.

#### **a. Application and Setup**

The submission and setup of electronic grants will involve totally different procedures and will often require more time to accomplish. There may be more levels of approval required to ensure tighter control over the process, and these approvals may involve paper signatures that must be mailed in before the electronic transactions can begin. Or, if totally electronic, these individuals may have to be assigned different levels of security and be required to approve the document (or portion of the document) before it can be forwarded to the next level of approval or back to the Grant Manager.

#### **b. Payment Systems**

Most electronic grant reimbursements are made through the Automated Clearing House (ACH) using various vendor-specific software programs. Various older reporting systems, such as mail, fax, and touchtone phone systems, have been replaced by online, digital systems. Setting up a system for ACH transactions requires additional information and approvals to be submitted in advance. Along with authorization from the appropriate official (the Mayor, City Manager, or their designee), the Finance Director and an official of the bank being used by the City are usually also required. For this reason, any Grant Manager or department needing to establish an ACH system for their grant must allow ample time for the completion of the ACH form and must coordinate with the Revenue division for obtaining the banking information and signature for the form.

### **c. Reporting and Controls**

Most electronic reporting is handled by completion of a spreadsheet (usually created by the grantor) or PDF file (i.e., Adobe) and submitting it as an e-mail attachment, or by supplying the requested information over the Internet via the grantor's web site.

The Grant Manager is responsible for reconciling all electronic financial reports with the City's General Ledger report. In addition, all files sent as e-mail attachments must first be sent to the Grant Compliance Accountant for review. All reports filed via the Internet must be printed and sent to the Grant Compliance Accountant, and if they are financial reports, must be reviewed by the Grant Compliance Accountant in advance of their submission to the grantor.

Unless superceded in this section, all control procedures mentioned earlier in this policy are applicable to electronic reporting.

### **d. Electronic Signatures**

No individual except for the Mayor, the City Manager, or his or her designee as indicated in the grant's adopted budget resolution, is allowed to possess an electronic signature. Just as no one is allowed to forge another person's signature, no one is allowed to use another person's electronic signature without his or her explicit approval.

This results in an additional burden placed upon the individual authorized to sign for the grant, since this individual must receive, review, attach their signature (usually by means of a PIN number) and transmit the electronic document to the grantor. For that reason, the Mayor and City Manager are allowed to designate the authority to another individual to either create their own electronic signature or to use the electronic signature for the Mayor or City Manager. This individual can only be the one approved by Council in the budget resolution and must bear full responsibility for the proper use and safeguarding of the electronic signature, just as if they were signing a paper document. In all instances where one individual submits information electronically signed by another individual, the person submitting the information must print out a copy of the information being transmitted and have the signing authority initial the bottom corner of each page to indicate that he or she has read and understands the information being transmitted. This printout must be submitted to the Grant Compliance Accountant for keeping in the audit file of the grant involved.

## **XII. ATTACHMENTS (FORMS)**

- a. Grant Request for Application and Checklist**
- b. Sample Council Agenda and Resolution**
- c. Georgia Code of Ethics**
- d. "What are In-Kind Services?"**
- e. Budget Form**