

City of Marshall

Policy Number: Chapter 1 Section 3 (1-309)

Marshall, Minnesota

Adopted: November 9, 2021

ADMINISTRATIVE POLICY

Revised:

FEDERAL GRANT POLICY

POLICIES – FEDERAL GRANTS OVERVIEW

Purpose - This manual has been prepared to document the policies for the administration of federal awards of the City of Marshall pursuant to Title 2; Subtitle A; Chapter II; Part 200 of the Code of Federal Regulations.

The Office of Management and Budget (OMB) Uniform Grant Guidance Compliance Supplement (UGG) 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 are part of the necessary internal controls and are required as a precondition to receiving federal funds. These policies are intended to be sufficiently comprehensive to adequately meet such requirements. However, in no case are these policies 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 are expected to be updated each year. Such updates are considered by the City as they become available, and policies will be revised accordingly.

The City Administrator, Director of Administrative Services, and designees are authorized and required to establish and document policies to ensure compliance with the provisions of federal and state regulations and the provisions of grant agreements. Such policies are documented herein and will be reviewed and updated as necessary.

GRANT ADMINISTRATION

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

- Grant Development, Application, and Approval
 - *Authorization* – Prior to development of a grant proposal, each department shall obtain approval from the City Administrator.
 - *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 indirect costs.
- *Matching Funds* – Grants that require cash local matches must be coordinated through the Finance Department to determine the strategy for securing matching funds. At a minimum, funds must be identified within the existing budget or Capital Improvement Plan. 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?)
 - *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.
- Grant Program Implementation
 - *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. The City Administrator and/or the Director of Administrative Services shall designate a Grant Manager who will be responsible for administering the grant.
 - *Documentation* – The Grant Manager shall create a file for the grant, including but not limited to the following documents:
 - ❖ Grant application and respective submittal information
 - ❖ Notice of grant award
 - ❖ Fully executed grant agreement
 - ❖ City Council support (i.e. resolutions, minutes, etc.)
 - ❖ Budgets
 - ❖ Reimbursement request forms
 - ❖ Contact information for awarding agency
 - *Establish Financial Framework* – The Grant Manager shall provide the Finance Director with information needed to establish revenue and expense accounts for the project, as well as a project activity code for tracking purposes.
 - Grant Program Compliance
 - *Identification* – The Grant Manager, in conjunction with the City Administrator and/or Finance Director shall fully read the grant agreement/contract to identify and summarize compliance requirements and references to specific laws and regulations.
 - *Training* – The Grant Manager, in conjunction with the City Administrator and/or Finance Director shall identify whether City staff is capable of ensuring compliance and whether training is necessary.
 - *Compliance Supplement* – The Grant Manager shall obtain the appropriate Compliance Supplement published by the OMB.
 - *Internal Controls* – The Grant Manager, in conjunction with the City Administrator and/or Finance Director shall establish an appropriate system of internal controls and document

policies to ensure compliance with the provisions of federal and state regulations and the provisions of grant agreements.

- *Audit* – The Finance Director shall inform the City’s independent auditors that the City has been awarded a federal grant and discuss and plan for the possibility of a single audit.

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:

- *Accounting Standards* - The City will account for its operations in accordance with the Generally Accepted Accounting Principles (GAAP) applicable to local units of government.
- *Calendar Year*- The City accounts for its operations on a calendar year. Occasionally, the fiscal year for the granting agency will not coincide with the City’s fiscal year. This may require the Grant Manager and Finance Director to make adjustments to the City’s budget accounts and interim financial reports as well as special handling during year-end close.
- *Grant Budgets* – The City will request prior approval from federal agencies for program or budget changes. The terms of each specific grant will dictate whether any budget transfers between budgeted line items will be permitted. In no case will the Grant Manager 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 Grant Manager 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 carryforwards. Carryforwards of grant funds will be subjected to maximum allowable amounts/percentages based on the grant award agreement and/or the OMB UGG.
- *Monitoring Grant*– The Grant Manager 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 the City’s “official” accounting system by the granting agencies.
- *Grant Managers* 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 Grant Manager to ensure that the program’s internal records agree to the City’s accounting system.
- *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). All transactions that involve the acquisition or disposal of grant funded capital assets must be immediately brought to the attention of the Director of Administrative Services.

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:

- *Reporting Standards* - The City prepares its financial statements in accordance with Governmental Accounting Standards Board (GASB) guidance.
- *Audit* – Minnesota Statutes require that the financial statements of the City be audited annually by the State Auditor or a Certified Public Accountant.
- *Single 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. 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:

RECORDS RETENTION

The City has adopted the state’s records retention schedule as its official guide for records storage, filing, and destruction. In the absence of record retention in the grant agreement, the City’s state’s records retention schedule will be followed.

COMPLIANCE REQUIREMENTS

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 of the City related to compliance. 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.

ACTIVITIES ALLOWED OR UNALLOWED & ALLOWABLE COSTS/COSTS PRINCIPLES

It is the policy of the City of that only costs that are reasonable, allowable, and allocable to a federal award shall be charged to that award directly or indirectly. All unallowable costs shall be appropriately segregated from allowable costs in the general ledger in order to assure that unallowable costs are not charged to Federal awards.

CASH MANAGEMENT

In order to ensure compliance with these requirements, the City has implemented the following:

- 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.
- Cash draws will be initiated by the Finance Director in conjunction with the Grant Manager, who will determine the appropriate draw amount. Documentation of how this amount was

determined will be retained and signed/dated.

- The physical draw of cash will be processed through the means prescribed in the grant agreement.
- Supporting documentation and a copy of the cash draw paperwork will be filed along with the approved paperwork described above and retained for audit purposes.

ELIGIBILITY

In order to ensure compliance with these requirements, the City has implemented the following:

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

EQUIPMENT AND REAL PROPERTY MANAGEMENT

The City may occasionally purchase equipment and real property that will be used on a program funded by a federal grantor agency. The following policies will also be applied, to the extent that they do not conflict with or contradict any existing City policies:

- All equipment will be used in the program for which it was acquired or, when appropriate and allowable, other federal programs.
- When required, purchases of equipment will be pre-approved by the grantor or pass-through agency. The Finance Director, or Grant Manager will be responsible for ensuring that equipment purchases have been previously approved, if required, and will retain evidence of this approval.
- 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.
- 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.

MATCHING, LEVEL OF EFFORT AND EARMARKING

The City defines "matching", "level of effort", and "earmarking" consistent with the definitions of the OMB UGG:

- *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.

PERIOD OF PERFORMANCE

In order to ensure compliance with these requirements, the City has implemented the following:

- 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).
- All obligations will be liquidated not later than 90 days after the end of the funding period (or as specified by program legislation).
- 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 Director as part of the payment processing.

PROCUREMENT, SUSPENSION AND DEBARMENT

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).

- *Conflicts of Interest* – 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.
- *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.
- *Procurement Under Federal Awards* – Procurement of goods and services whose costs are charged to federal awards received by the City are subject to all of the specific purchasing policies of the City. In addition, procurements associated with federal awards are subject to the following supplemental policies:
 - 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.
 - Where appropriate, the City makes an analysis of leases versus purchase alternatives, and other appropriate analyses to determine the most economical approach.
 - 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 Director of Administrative Services and the City Administrator will make this determination.

- 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.
- 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.
- 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.
- The City will maintain records sufficient to detail the history of procurement. These records will include, but are not necessarily limited to the following: rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price.
- All solicitations will incorporate a clear and accurate description of the technical requirements for the material, product, or service to be procured. Such description must not, in competitive procurements, contain features which unduly restrict competition. The description may include a statement of the qualitative nature of the material, product or service to be procured and, when necessary, must set forth those minimum essential characteristics and standards to which it must conform if it is to satisfy its intended use. Detailed product specifications should be avoided if at all possible. When it is impractical or uneconomical to make a clear and accurate description of the technical requirements, a "brand name or equivalent" description may be used as a means to define the performance or other salient requirements of procurement. The specific features of the named brand which must be met by offers must be clearly stated. All solicitations will also identify all requirements which the offerors must fulfill and all other factors to be used in evaluating bids or proposals.
- All necessary affirmative steps will be taken to assure that minority businesses,

- women's business enterprises, and labor surplus area firms are used when possible.
 - All procurement files will be made available for inspection upon request by a federal grantor agency.
 - All contracts will require the contractor to certify in writing that it has not been suspended or disbarred from doing business with any Federal agency.
- Methods of Procurement – 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. The City will follow all procedures within its existing Purchasing Policy and use one of the following methods:
 - Procurement by Micro-Purchase - federal methods provide for procurement by micro-purchase, which 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.
 - Procurement by Small Purchase – federal methods provide for procurement by small purchase procedures, which 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 \$250,000.
 - Procurement by Sealed Bids – federal and state methods provide for procurement by sealed bids, where a fixed price contract (lump sum or unit price) is awarded to the responsible bidder whose bid, conforming to all material terms and conditions of the invitation for bids is the lowest in price.
 - Noncompetitive Proposals - 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.

PROGRAM INCOME

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.

Program income earned during the project period shall be retained by the City, and in accordance with federal grantor agency regulations, shall be used in one or more of the following:

- Added to the project budget as funds committed to the project by the federal grantor agency and the City, and used to further eligible project or program objectives.
- Used to finance the non-federal share or matching requirements.
- Deducted from the total project or program outlays

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.

Unless federal grantor agency regulations or the terms and conditions of the award provide otherwise, the City shall have no obligation regarding program income earned after the end of the project period.

REPORTING

The City strives to provide management, staff and funding sources with timely and accurate financial reports applicable to federal awards. Preparation of these reports shall be the responsibility of Grant Manager, subject to review by the Finance Director. The City shall prepare and submit financial reports as specified by the financial reporting clause of each grant or contract award document. Information will be collected with the frequency required by the terms and conditions of the federal award, but no less frequently than annually nor more frequently than quarterly except in unusual circumstances (as specified in the grant agreement).

SUB-RECIPIENT MONITORING

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

- Federal Award Identification.
 - Subrecipient name (which must match the name associated with its unique entity identifier);
 - Subrecipient's unique entity identifier;
 - Federal Award Identification Number (FAIN);
 - Federal Award Date (see §200.39 Federal award date) to the recipient by the Federal agency;
 - Subaward Period of Performance Start and End Date;
 - Amount of Federal Funds Obligated by this action by the pass-through entity to the subrecipient;
 - Total Amount of Federal Funds Obligated to the subrecipient by the pass-through entity including the current obligation;
 - Total Amount of the Federal Award committed to the subrecipient by the pass-through entity;
 - Federal award project description, as required to be responsive to the Federal Funding Accountability and Transparency Act (FFATA);
 - Name of Federal awarding agency, pass-through entity, and contact information for

- awarding official of the Pass-through entity;
- 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;
- Identification of whether the award is R&D; and
- 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:

- 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.

Passed and adopted by the Common Council this 9th day of November 2021

THE COMMON COUNCIL

ATTEST:

Mayor of the City of Marshall, MN

City Clerk