

CITY OF MONTGOMERY
FINANCIAL POLICY AND PROCEDURES FOR FEDERAL GRANTS

INTRODUCTION

The purpose of financial management policies is to provide sound guidelines for planning the City's financial future. The City of Montgomery considers the expenditure of funds to be an important responsibility and requires all persons involved with the purchase of goods or services to exercise good judgment in spending taxpayers' money.

SCOPE OF AUTHORITY

The City Administrator is responsible for the expenditure of all City funds.

FINANCIALS

1. Bank Depository

The City maintains funds in a Bank, designated as its depository for banking services. The City Council reviews the selection every two years unless circumstances deem otherwise.

2. Accounts Payable

Eight (8) individuals are authorized to sign checks written on the bank depository account. Authorized signatories are the Mayor, the five (5) City Council Members, City Administrator, and Assistant City Administrator. All checks require two (2) signatures. No exceptions.

3. Accounting

The Finance Office / Senior Accountant is responsible for establishing the structure for the Chart of Accounts and for assuring that procedures are in place to properly record financial transactions and report the City's financial position. The Senior Accountant shall provide financial reports to the City Council monthly.

4. Audit of Accounts

An independent audit of the City accounts is performed annually. The Independent Auditor is retained by and is accountable directly to the City Council. The City Council reviews the selection every five years unless circumstances deem otherwise.

5. Internal Controls

Whenever possible, written procedures will be established, maintained, and assessed per 2 CFR 200.303 by the Finance Office / Senior Accountant for all functions involving cash handling and/or accounting throughout the City. These procedures will embrace the general concepts of fiscal responsibility set forth in this policy statement. Whenever possible, the City ensures duties and responsibilities are segregated so that no one individual has complete authority over a financial transaction.

PROCEDURES FOR SUBMITTING REQUESTS FOR PAYMENTS

1. Input Invoice into Record Keeping System

All invoices are entered into the City's integrated financial software system. All checks and invoices are accounted for and summarized in the monthly financial statement. Paper copies of all checks and invoices are kept and audited annually, along with the computer records as backup documents.

2. Review of Invoice

The Finance Office / Senior Accountant distributes the invoices to the appropriate department for review, coding, and approval that the work performed and/or materials received. The Finance Office / Senior Accountant reviews invoices and appropriate back-ups such as packing slips or receipts. The Finance Office / Senior Accountant also verifies the appropriate account code for the line-item expenses per department on the invoice and prepares the check for the invoices to be reviewed and signed by the City Administrator, Assistant City Administrator, Mayor or member of the City Council.

3. **Allowability of Costs**

The Finance Office / Senior Accountant and/or the City's federally procured grant administrator reviews each invoice for allowability of costs as stated in 2 CFR 200 Subpart E – Cost Principles.

4. **Unnecessary or duplicative purchases**

The Finance Office / Senior Accountant and/or the City's federally procured grant administrator will review each invoice for unnecessary or duplicative purchases per 2 CFR 200.318 (d).

5. **Issue Payment**

The Finance Office / Senior Accountant writes the checks. All checks require two (2) signatures. Authorized signatories are the Mayor, the five (5) City Council Members, City Administrator, and Assistant City Administrator. All checks registers - computer or manual are reviewed by the City Council, City Administrator, and Assistant City Administrator.

6. **Timeline for Payment**

The Finance Office / Senior Accountant is responsible for ensuring that checks are signed and disbursed within five (5) calendar days for the Texas Department of Agriculture and three (3) calendar days for the Texas General Land Office of receiving grant funds.

7. **Payment Reconciliation**

The Finance Office / Senior Accountant reconciles all City bank accounts.

8. **Record Keeping**

The City Secretary maintains all records for the City, including but not limited to payments requests, invoices, canceled check copies, bank statements showing receipt of grant money, etc.

GRANT PAYMENTS PROCEDURES

1. Invoices are received, and, if necessary, a request for payment or a request for reimbursement is prepared by the Finance Office / Senior Accountant and/or the City's federally procured grant administrator. Proper signatures are obtained from the authorized signatures for the grants. The Finance Office / Senior Accountant and/or the City's federally procured grant administrator review the invoice and compare it to the grant budget.
2. The Finance Office / Senior Accountant, City Administrator, or Assistant City Administrator must approve all invoices. Approval is acknowledged by initialing the original invoice or through City Council action.
3. Once grant funds are received, and invoice approval is acknowledged by signature on the original invoice, a demand check is entered into the system by a staff from the Finance Office / Senior Accountant, then printed. Two (2) signatures appear on the approved checks. Authorized signatories are the Mayor, the five (5) City Council Members, City Administrator, and Assistant City Administrator. Checks are then disbursed to the appropriate vendors. The Senior Accountant ensures that checks are signed and disbursed within three (3) calendar days of receiving grant funds for the Texas General Land Office and within five (5) calendar days for the Texas Department of Agriculture.
4. Copies of the request for payment, invoice, canceled check copy, and bank statement showing receipt of grant money is retained in the grant file in City Secretary's office.
5. The Finance Office / Senior Accountant is responsible for reconciling the monthly bank statements.

CASH MANAGEMENT AND DISBURSEMENT - TIMELY EXPENDITURES

The City shall make timely payments to vendors and minimize the time between transferring funds from the State Treasury and disbursement of funds to vendors in compliance with the terms and conditions of the federal contract, grant, regulation, or statute.

To ensure vendor compliance, invoices/pay applications/pay estimates will be reviewed for accuracy for such items but not limited to change order approvals, outstanding lien/payments to subcontractors, labor standards, and verification of work completed as invoiced prior to disbursement or request for funds from State Agency. The City shall notify a vendor of an error in an invoice submitted for payment by the vendor.

ADVANCE PAYMENT PROCEDURES

All advanced payments using federal grant funds will be disbursed within three (3) calendar days of receiving grant funds for the Texas General Land Office and within five (5) calendar days for the Texas Department of Agriculture, in accordance with 2 CFR 200.305(b), and in accordance with the provisions in the contract with the vendor.

When requesting advance payment, the city will proceed as follows:

1. The City Finance Office / Senior Accountant and/or the City's federally procured grant administrator reviews the invoices received to ensure compliance;
2. The City Administrator or Assistant City Administrator approves the invoices;
3. The City Finance Office / Senior Accountant and/or the City's federally procured grant administrator submits the request for payment (RFP) to the state or federal agency on behalf of the City. The submission includes copies of the invoices and any supporting documentation or deliverables;
4. The City waits for the release of funds to pay invoices approved by the City's team;
5. The City Finance Office / Senior Accountant and/or the City's federally procured grant administrator monitors the Texas Comptroller's Website and signals the City's team when federal or state funds have been released;
6. The City Finance Office / Senior Accountant prepares and issues the check once receiving confirmation that the funds have been released and notifies the vendor when the check is ready.

Advance payments of federal grant funds will be deposited and maintained in a separate insured account. The City will maintain advance payments of federal awards in interest-bearing accounts unless the following apply: City receives less than \$120,000 in Federal awards per year; the City is not expected to earn interest in excess of \$500 per year on Federal cash balances; or the depository would require an average or minimum balance so high that it would not be feasible within the expected Federal and non-Federal cash resources. (2 CFR 200.302(b)(6) and 200.305)

These Policies and Procedures are implemented through the City of Montgomery administrative team of:

Mayor
Council Members
City Engineer
City Administrator
Assistant City Administrator
City Secretary
Senior Accountant
Director of Planning and Development
Director of Public Works

PASSED AND APPROVED BY THE CITY COUNCIL OF THE CITY OF MONTGOMERY, TEXAS, ON APRIL 11, 2023.

APPROVED:

ATTEST:

Bryan Sanford
Mayor

Nicola Browe
City Secretary