

CITY OF PORT LAVACA

Financial Policies 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 Port Lavaca 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 Mayor and City Council are responsible for the expenditure of all City funds.

FINANCIALS

A. Bank Depository

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

B. Accounts Payable

Three (3) individuals are authorized to sign checks written on the bank depository account: Mayor, City Secretary, and Finance Director. All checks require two (2) authorized signatures - one Elected Official signature and one Authorized Employee signature. No exceptions.

C. Accounting

The City Finance Director is responsible for establishing the structure for the City Chart of Accounts and for assuring that procedures are in place to properly record financial transactions and report to the City Council. The Finance Director shall provide financial reports to the Mayor, City Council, and City Manager monthly. The Finance Director meets with the City's Finance Committee on a quarterly basis to review financial statements, investment reports and the status of current audit activities and/or results.

D. Audit of Accounts

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

E. Internal Controls

Whenever possible, written procedures will be established, maintained, and assessed per 2 CFR 200.303 by the City Manager and Finance Director 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

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 Department distributes the invoices to the appropriate department for review, coding and approval that the work was performed and/or materials received. The Finance Department reviews invoices and appropriate back-up such as packing slips and receipts, verifies 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 Mayor or the Finance Director.

3. Allowability of Costs – The Finance Department will review each invoice for allowability of costs as stated in 2 CFR 200 Subpart E - Cost Principles.
4. Timeline for Payment – All payments are issued as soon as possible - within 30 days.
5. Issue Payment – The Finance Director or designee writes the checks. All checks require two (2) signatures - one Elected Official signature and one Authorized Employee signature. Authorized signatories are the Mayor, City Secretary, and Finance Director. All checks registers- computer or manual are reviewed by the City Council.
6. Payment Reconciliation – The Finance Department reconciles all bank accounts for the City of Port Lavaca.
7. Record Keeping – The Finance Department maintains all records for the City of Port Lavaca per state records retention schedule.

PROCEDURES FOR GRANT PAYMENTS

1. Invoice is received and, if necessary, a request for payment is prepared by the grant consultant and proper signatures obtained from Mayor, City Manager or Finance as authorized in the most updated grant signatory form. The Finance Department reviews the invoice and compares it to the grant budget.
2. Invoice must be approved by The Mayor, City Manager, or Finance Director. Approval is acknowledged by initialing the original invoice or through Council action.
3. Once invoice approval acknowledged by signature on the original invoice a demand check is entered into the system by the Finance Department, then printed and disbursed by the Finance Department.
4. All checks require two (2) signatures - one Elected Official signature and one Authorized Employee. Authorized signatories are the Mayor, City Secretary, and Finance Director. The two (2) signatures appear on the approved checks. Checks are then disbursed to the appropriate vendors. The Finance Director 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.
5. Copies of the request for payment, invoice, canceled check copy, and bank statement showing receipt of grant money are retained in the grant file in the Finance Department.

The Finance Department 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 five (5) calendar days for the Texas Department of Agriculture and three (3) calendar days for the Texas General Land Office from the date of the transfer of funds in accordance with 2 CFR 200.305(b), and in accordance with the provisions in the contract with the vendor.

Advance payments of federal grant funds will be deposited and maintained in the City's insured Consolidated Cash account utilizing a separate fund accounting for cash and disbursements. Interest earned is allocated on a monthly basis based upon the positive cash balance of each participating fund. The City will maintain advance payments of federal awards in interest-bearing accounts unless one or more of 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).

INTEREST EARNED PROCEDURES

The City will verify interest earned remains under \$500 per fiscal year by tracking interest earned on each grant deposit in the grant ledger; if interest does exceed \$500 per fiscal year the City will remit interest earned to the Department of Health and Human Services per 2 CFR 200.305.

These Policies and Procedures are implemented across the City of Port Lavaca administrative team of:

Mayor of the City of Port Lavaca
City Manager
Finance Director
City Accountants
City Secretary
Public Works Director
Development Services Director

PASSED AND APPROVED ON THE 14th DAY OF NOVEMBER, 2022

Jack Whitlow, Mayor

Joanna P. "Jody" Weaver, P.E.,
Interim City Manager

ATTEST:

Mandy Grant, City Secretary