

Federal Grants Policy and Procedures

This policy is to document federal grant procedures and to form a policy according to OMB Federal requirements. These procedures will be decentralized which means each department will oversee and document the requirements and fulfillment thereof for federal grant requirements; this could and probably should also be used for more sizable and complex state grants.

Under federal guidelines the City (including the Port Authority) will need to have what is called a single audit when we earn (may be different than actual receipt of) greater than \$750,000 in federal monies (grants). Under these guidelines it further defines major grants as those of \$750,000 or more. When a program reaches this size it is more likely to be audited; however, smaller grants may be audited to reach a certain dollar amount of dollars that must be audited.

Please note that in most cases this money is funneled through the state so just because it comes from a state department does not mean it is a state grant. You will need to review the grant document in each case and determine whether it is a state or federal grant; if you are not sure get a definitive answer from the grant representative from the state. At this same time obtain the Catalog of Federal Domestic Assistance (CFDA) number from the agency if it is not in the grant document. This is a five digit number in this format: ##.### (two numbers which denotes an administering federal department, and then 3 numbers which is the grant number within the federal department. According to regulations we will also need the Federal award ID and year; name of federal awarding agency; and pass-through entity's name (if applicable). All of these items will need to be included in the financial system.

General Grant Guidance:

1. Find a project or purchase that fits a federal grant criteria.
2. The responsible department will contact the appropriate state or federal department (whichever the case may be) to start the process and inquire about the requirements of the grant.
3. Start a file during this process and label everything well so there is no difficulty finding the documents needed when being audited. Make sure it is well laid out.
4. The responsible department will create an action form for the appropriate government body to request they approve attempting to receive this new grant.
 - a. This action form should contain ALL important information concerning this grant even INCLUDING any additional requirements that the grant may have such as continuing reporting for years to come; inability to sell an asset after used for certain amount of time; required future upkeep of an asset at local entities expense; or other important information as deemed appropriate.
5. Responsible department needs to document all requirements and then follow the grant procedures. These requirements may need to be fulfilled before the grant can actually be applied for. Some requirements may be (please note that some of these may not be able to be documented or completed until after grant award):
 - a. Improvement plan
 - b. Is this improvement plan in a 5 year capital plan
 - c. Plans and specifications
 - d. Bidding requirements
 - e. Data requirements (i.e. invoice and receipt retention, reports, schedules, etc.)
 - f. May need to hire a consulting firm
 - g. Scope of project
 - h. Cost estimates

- i. Projected timelines
 - j. What project reports will be required
 - k. Document what steps will be needed for grant closeout
- 6. Once you have all the documents needed to apply for the grant, then apply.
- 7. Obtain all necessary grant documents and requirements once the grant is approved.
- 8. Follow through and progress through the project to completion.
- 9. File all grant reports as requested per the grant and on a timely basis. Ensure all requirements are well documented.

Internal Controls:

- 1. Uniform guidance requires our organization to have effective controls in place to manage federal awards and show compliance with Federal statutes, regulations, and terms and conditions of the award.
 - a. The section "General Grant Guidance" and following our internal policies will fulfill these requirements.
- 2. Uniform guidance requires that there are reasonable procedures in place to protect Personally Identifiable Information (PII) as sensitive by Federal agency or pass-through entity.
 - a. The City of North Mankatoas approved the Data Practices Policy that outlines different types of data and what must be followed regarding dissemination of data. This policy may not be all encompassing; however, between that and implementation of other grant rules and procedures the controls are in place to protect PPI.
 - b. Another item to consider is storage of this data. Please ensure that PPI is kept in a locking file cabinet or computer system that is only accessible to people authorized to have that access.
 - i. In regards to keeping documents within Laserfiche, it is possible to have a directory that would only be accessible to those who are authorized to have access to that directory.
 - c. Follow other normal operating procedures in regards to purchase requisitions, contracting and bidding, and submitting of claims.

Travel:

- 1. According to federal grant guidelines, our travel policy is accordance with what we allow for travel costs.
 - a. Our travel guidelines must be followed. No travel costs can be submitted that are contrary to our policies. Our travel policies are within the personnel policy guidelines and the Finance Department sends out updates to any mileage and meal per diems that have changed.
 - b. If costs for a conference are being charged to a grant directly or through an indirect cost allocation; the supporting documentation of attendance must be retained by the participant and/or department.

Financial Management and Accounting Records:

- 1. Financial system must identify all federal awards in all accounts that are received and expended by:
 - a. CFDA number and title

- b. Federal award ID and year
 - c. Name of federal awarding agency
 - d. Pass-through entity's name
2. Major Federal Grants - Each department will need to contact either the Finance Director or Assistant Finance Director with the information in number one above for major federal grants so that we can set up the appropriate Project Accounting Codes.
 - a. Project accounting is a system that works along with the main general ledger. This will allow for proper identification that the federal government is requiring.
 - b. Major federal grants will be defined as grants that require multiple entries for the receipt of the federal grant and multiple expenditure items of the federal grant. It would also be further defined as greater than \$100,000 in expenditures or revenues.
 3. Minor Federal Grants – Each department when asking for a federal grant to be receipted into the general ledger system will need to be accompanied by the information in number one above so that the information can be entered into the detailed description. The same will be true for expenditures that when entered into the system that the information required above will need to be entered into the detail description.
 - a. A minor program would be a grant that is less than \$100,000 and also only has very few number of transactions needing to be entered such as 1 receipt and 1 expenditure.
 4. Follow our procedures in relation to expenditures.
 5. Each department must know the requirements of the grant they are receiving and ensure that the allowability of costs are well documented including allowability of costs in accordance with Subpart E Cost Principles if applicable on the grant.
 6. To receive advance payments:
 - a. Written procedures must be in place by the departments to minimize time between transfer of funds and disbursement by the entity.
 7. Payments to subrecipients are:
 - a. Not required to be maintained in separate depository accounts for federal awards,
 - b. Required to be accounted for by receipt, obligation and expenditure of federal awards. Documentation must be kept and very good descriptions used on expenditures to the system. If using a project account, more defining items could be set up to provide better information but each department will need to contact finance department to aid in this endeavor.

Personnel Compensation Documentation:

1. Written policies and procedures for personnel compensation
 - a. Employees will follow current personnel policies
 - b. Management must communicate with employees how to record their time on timesheets to designate that the work is for a federal grant or possible federal grant.
 - c. When entering time information, staff must enter in these cases project accounting code so that payroll time is properly recorded.
 - d. Timesheets must be sent to finance for imaging and sorting for backup in relation to the federal grant (mostly used for FEMA grants).
 - e. Documentation must be maintained for all employees whose salaries are paid in full or in part by a federal award and used in meeting cost sharing or matching requirements on federal awards.

Conflict of Interest:

1. All potential conflicts of interest must be disclosed in writing to the federal awarding agency.
 - a. City officials need to make themselves aware of other interests that employees may have or own. For example, are they involved in a sideline business or spouse involved in a business.
 - i. Officials must be aware of their own business interests.
 - ii. Officials need to keep note of other businesses employees may be involved with.
 - iii. Possibly may want to state to their employees and ask questions whether they are involved with other businesses.
 - iv. Read and understand the code of Conduct in the City/PUC's employee handbook.
 - b. Federal award recipients must disclose, in a timely manner, all violations of Federal criminal law in writing that involve fraud, bribery or gratuities that affect a federal award. This information must be reported to the federal agency or pass through entity. If you fail to do so you may forfeit a portion or all of the federal award.

Procurement:

1. The City must have written procurement procedures that comply with federal, state, and local laws and regulations.
 - a. Follow state guidelines (which are also in our internal control procedures document) in regards to bidding and contracting.
 - b. Follow the internal controls document from the Finance Department in relation to purchasing, bidding and contracting, purchase orders, and accounts payable. *If we follow these procedures it should and must include full and open competition consistent with uniform guidance standards.*
2. Contract only with responsible contractors that can meet the requirements, and terms and conditions. Some items to consider are:
 - a. Contractor integrity
 - b. Compliance with public policy
 - c. Record of past performance
 - d. Financial and technical resources
3. Conflicts of interest for procurement:
 - a. Follow our code of conduct in the personnel policy manual.
 - b. Avoid purchasing unnecessary or duplicative items under the grant contract.
 - c. Maintain sufficient detailed records to provide an audit trail for the procurement.
4. Identify the procurement method: Under federal guidelines there are different sizes of purchases and requirements that they follow.
 - a. Micro purchases are purchases not to exceed \$3,000.
 - i. Follow our normal purchasing procedures in the internal control documents. Issue purchase requisitions when policy requires.
 - ii. Distribute as equitably as possible among qualified suppliers.
 - iii. Policy is that you should get more than one price quote if possible but is not required if the price is reasonable.
 - iv. Purchasing from small and minority businesses, women's business enterprises and labor surplus firms when possible. Steps must include
 1. Placing qualified small and minority businesses and women's business enterprises on a solicitation list;
 2. Assuring that small and minority business, and women's business enterprises are solicited whenever they are potential sources;

3. Dividing total requirements, when economically feasible, into smaller tasks or quantities to permit maximum participation by small and minority businesses and women's business enterprises;
 4. Establishing delivery schedules, where the requirement permits, which encourage participation by small and minority businesses and women's business enterprises;
 5. Using the services and assistance, as appropriate, of such organizations as the Small Business Administration and the Minority Business Development Agency of the Department of Commerce; and
 6. Requiring the prime contractor, if subcontracts are to be let, to take the affirmative steps listed in these five items above.
- b. Small purchase procedures which are relatively simple and informal procurement methods for securing services and supplies of less than \$150,000 under federal guidelines.
- i. Follow City guidelines in relation to purchasing, and contracting and bidding for these items and follow state statutes which would require competitive quotes above \$25,000 and sealed competitive bids after \$100,000 except possibly for emergencies.
 - ii. Stay in contact with the federal or state agency you are coordinating this grant with to ensure compliance.
 - iii. Purchasing from small and minority businesses, women's business enterprises and labor surplus firms when possible. Steps must include
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 5. Using the services and assistance, as appropriate, of such organizations as the Small Business Administration and the Minority Business Development Agency of the Department of Commerce; and
 6. Requiring the prime contractor, if subcontracts are to be let, to take the affirmative steps listed in these five items above.
- c. Sealed bid procurements with formal advertising are for items exceeding \$150,000 (> \$100,000 for the city).
- i. Follow city guidelines in relation to contracting and bidding which are the same as MN State statute (> \$100,000).
 - ii. Stay in contact with the federal or state agency you are coordinating this grant with to ensure compliance.
 - iii. Purchasing from small and minority businesses, women's business enterprises and labor surplus are firms when possible. Steps must include
 1. Placing qualified small and minority businesses and women's business enterprises on a solicitation list;
 2. Assuring that small and minority business, and women's business enterprises are solicited whenever they are potential sources;

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- d. Sealed bid procurements without formal advertising are for items exceeding \$150,000.
This would be a rarity that this will occur.
- i. Follow city guidelines in relation to contracting and bidding (> \$100,000) which are the same as MN State statute.
 - ii. Stay in contact with the federal or state agency you are coordinating this grant with to ensure compliance.
 - iii. Purchasing from small and minority businesses, women's business enterprises and labor surplus are firms when possible. Steps must include
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 6. Requiring the prime contractor, if subcontracts are to be let, to take the affirmative steps listed in these five items above.
 - iv. Complete cost/price analysis;
 1. Method used and level of analysis depends on facts surrounding the procurement action;
 - v. Recipient must make independent estimates before receiving bids or proposals.
- e. Non-competitive proposals or bids
- i. Review use of non-competitive proposals, if used and when to use:
 1. Item or service is available from only one source;
 2. Public emergency exists;
 3. Awarding agency or pass-through entity expressly authorizes non-competitive proposals in response to a written request from the city/puc;
 4. Competition is inadequate after a solicitation is issued.
- f. RECIPIENT MUST ENSURE THAT AWARDED CONTRACTS ARE NOT AWARDED TO A CONTRACTOR THAT IS DEBARRED OR SUSPENDED.
- i. Verify in Excluded Parties List System (EPLS) in the System for Award Management (SAM).

Report Certification:

1. An authorizing official needs to sign a certification regarding the filing of documents.
 - a. When the grant is approved by the governing body. Have the official that will be signing the grant documentation approved for all of the grant documents going forward including this certification.
 - b. Certification: "By signing this report, I certify to the best of my knowledge and belief that the report is true, complete, and accurate, and the expenditures, disbursements and cash receipts are for the purposes and objectives set forth in the terms and conditions of the Federal award. I am aware that any false, fictitious, or fraudulent information, or the omission of any material fact, may subject me to criminal, civil or administrative penalties for fraud, false statements, false claims or otherwise. (U.S. Code Title 18, Section 1001 and Title 31, Sections 3729-3730 and 3801-3812)."

Financial Reporting:

1. Use OMB approved government wide data collection instrument (currently SF-425 Federal Financial Report).
2. Frequency of reporting will be identified in the grant documents. Check your documentation.
3. If more guidance is needed, please check with the federal agency or pass-through entity.

Performance Reporting:

1. Uniform guidance requires Federal agencies to include performance goals or measures in awards and recipients are to report against those goals or measures.
 - a. Read and understand the grant document in relation to performance reporting requirements.
 - b. Performance reporting will require the following:
 - i. Recipients are to relate financial data to performance accomplishments;
 - ii. Oversight and monitoring must cover each program or activity.
 - iii. Performance report timeframes will be defined by awarding agency or pass-through entity.
 - c. Expectations of performance reports (non-construction):
 - i. Comparison of actual accomplishments of each federal award for the established reporting period by submitting:
 1. Quantifiable data (cost/units) when available
 2. Trend data or data analysis
 3. Other defined measures
 - ii. Reasons why goals were not met:
 1. Analysis/reason why goals not met
 2. Explanation of any cost overruns
 3. *(Identification of or if goals will be met)*
 - d. Expectations of performance reports (construction)
 - i. On-site technical inspection reports
 - ii. Certified percentage of completion data
 - iii. Additional reports as required by Federal agency
 - iv. Data and Information that identifies:
 1. Significant developments between scheduled reporting dates, e.g., delays, problems, adverse conditions

2. Identify any action taken, contemplated, or assistance needed
3. Identify favorable conditions
- v. Policy and Procedures considerations:
 1. Entities should consider having procedures that describe when to start collecting data for the report, who shall review the report, who shall sign the report, and when the report will be submitted.
 2. Build in a timeline for submission and know the reportable measures for the reporting period to eliminate constant revisions.
 3. For special data collection, procedures may need to reflect unique steps to take to collect and analyze data for reporting purposes - may require interim procedures to satisfy current reporting.

Allowable costs:

1. Uniform guidance provides a listing of certain items of cost that require prior written approval. This should be covered in the grant documents or in indirect cost principles. I am not aware of any indirect costs that we currently charge to federal grants. If you believe there are indirect costs that we should be charging to a federal grant you will need to do more research.
 - a. Recipients must seek written approval from cognizant agency for indirect costs.
 - b. Recipients make the request in advance of incurrence of special or unusual costs.
 - c. Agency written approval should include timeframe or written agreement.
 - d. Please see list found at section 200.407 at ECFR.gov (Electronic Code of Federal Regulations).

Documentation:

1. Documents associated with a particular action (examples):
 - a. Travel, e.g., airline tickets, authorized travel request, hotel receipts, conference registration, mileage records, etc.
 - b. Procurement, e.g., request to buy (purchase), quotes from suppliers, written agreement/contract to purchase or an order, receipt of goods or completion of services, invoice, etc.
 - c. Personnel Compensations (T&E), e.g., timesheets, calendars with worked hours, approved or authorized schedules.
 - d. Performance Reports, e.g., activities completed, associated costs, log of attendees/those served, publications or written material, etc.
 - e. Financial Reports, e.g., receipts, invoices, payroll schedules, etc.