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OVERVIEW

1. Purpose - This manual has been prepared to document the policies and procedures for the administration of federal awards of the City of West St. Paul ("City"). The Office of Management and Budget (OMB) Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance) requires all recipients and 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 and procedures are part of the necessary internal controls and are required as a precondition to receiving federal funds. These policies and procedures are intended to be sufficiently comprehensive to adequately meet such requirements. However, in no case are these policies and procedures intended to supersede or limit Federal or State laws or regulations, Local ordinances, City policies, or the provisions of individual grant agreements.
2. 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.
3. Revisions - Guidance provided by the Federal government through the OMB Uniform Guidance (UG) Compliance Supplement are expected to be updated each year. Such updates are considered by the City as they become available, and policies and procedures will be revised accordingly.
4. Compliance Failures - Compliance failures, whether noted internally by management or through the external audit process, will be addressed immediately by reviewing the reason for the failure with responsible personnel and devising an improved process to encourage compliance in the future.

General 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:

1. The City will account for its operations in accordance with the Generally Accepted Accounting Principles (GAAP) applicable to local units of government.
2. The City will comply with the Super Circular issued by the Office of Management and Budget (OMB), Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (2 CFR 200).

3. The City will comply with all contractual requirements detailed in its duly executed grant agreements with awarding agencies and subrecipients.
4. The City will contract annually with an independent, certified public accounting (CPA) firm for the purposes of conducting an external financial audit. To the extent that the City has expended federal awards in excess of the applicable single audit limit, the City will have a single audit performed in accordance with OMB UG.
5. To ensure continuing compliance with all applicable accounting requirements, the City may, at its discretion, contract with a CPA firm to provide internal auditing and/or consulting services.
6. The Finance Director, or their designee, shall be responsible for the maintenance of all accounting and financial records (including journals, timesheets, bank statements, audit reports and similar documents). Such records shall be retained as required by contractual or regulatory requirements. The City has adopted a records retention schedule as its official guide for records storage, filing and destruction.
7. The City and employees are required to comply with the City's conflict of interest procedures and report any potential conflicts of interest to the Deputy City Manager, or their designee. No employee, officer or agent may participate in the selection, award or administration of a contract supported by a federal award if they have a conflict of interest that is prohibited by law or city policy. Violations may result in appropriate discipline, up to and including involuntary termination.
8. The City will request prior approval from Federal agencies or pass-through entities for program or budget changes.
9. The City has implemented purchasing procedures that are at least as restrictive as federal and state purchasing procedures. Acquisitions for micro-purchases (below \$3,500 or below \$2,000 for construction are subject to the Davis Bacon Act-with regards to prevailing wages) may be awarded without soliciting bids if the City considers the price to be reasonable. Procurement for small purchases based on quotes or open negotiation may be made as authorized by Minn. Stat. § 471.345). Procurements made by sealed bid should be made to the lowest responsible bidder. Procurements made by competitive proposal must have standards to evaluate the selected recipient. Procurement made by non-competitive proposals (to one vendor) may be used only if one of the following applies:
 - a) the item is available from a single source,
 - b) an emergency exists,
 - c) the Federal agency expressly authorizes non-competitive proposals, or
 - d) competition is seen as inadequate after solicitation to several vendors.

10. Other procurement procedures include: a) contractors who develop or draft specifications for bids are precluded from bidding on them; b) the City must maintain oversight so that contractors perform work as bid; c) multiple provisions must be included in contracts (see Appendix II of grant procurement guidelines of Super Circular procedures), and; d) the City must verify to <http://www.sam.gov/> if contract is \$25,000 or more to review if the contractor is on the suspended and debarred list for Federal grants.
11. Procedures for inventory of Federal capital purchases will be maintained by the Finance Department, with the help of the City Engineer, and all items will be tracked annually. See the Equipment and Real Property Management section for further procedures.
12. The Finance Director, or their designee, are required to certify expenditures.

Purchasing and Procurement

It is the policy of the City to ensure that all disbursements of City funds are properly reviewed and authorized, are consistent with sound financial management principles, and are 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 any specific Federal, State or local law or City Council policies (the most specific or restrictive law, policy or procedure shall be followed):

1. 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 involuntary termination and/or prosecution, for any employees or officers who violate any of these requirements.
2. The City avoids acquiring unnecessary or duplicative items. Additionally, the City considers consolidating or breaking out procurements to obtain a more economical purchase, assuming the same would not violate applicable procurement regulations. And, where appropriate, the City makes an analysis of leases versus purchase alternatives, and other appropriate analyses to determine the most economical approach.
3. 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 Finance Director, or their designee, will make this determination.

4. 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.
5. The City will award a contract to a contractor who has the appropriate experience, expertise, qualifications and any required certifications 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 they submit invoices for payment to the City. Contractors should have the proper equipment or the capability to subcontract for the proper equipment necessary to complete the contracted work.
6. The City will not subcontract with or award subgrants to any person or company debarred or suspended from receiving Federal funds. The Finance Director, or designee, shall check for excluded parties at the System for Award Management (SAM) website before any procurement transaction paid with Federal funds.
7. 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. In accordance with 2 CFR 200.322, The City shall preference for the purchase, acquisition, or use of goods, products and materials produced in the United States, as appropriate and to the extent consistent with law.
8. In order to ensure objective contractor performance and eliminate unfair competitive advantage, contractors that develop or draft specifications, requirements, statements of work, or invitations for bids or requests for proposals (RFPs) are excluded from competing for such procurements. The City does not engage in the following situations that may restrict full and open competition, including but not limited to:
 - a. Placing unreasonable requirements on firms for them to qualify to do business;
 - b. Requiring unnecessary experience and excessive bonding requirements;
 - c. Noncompetitive pricing practices between firms or between affiliated

- companies;
 - d. Noncompetitive contracts to consultants that are on retainer contracts;
 - e. Organizational conflicts of interest;
 - f. Specifying only a "brand name" product instead of allowing "an equal" product to be offered and describing the performance or other relevant requirements of the procurement;
 - g. Any arbitrary action in the procurement process; and/or
 - h. The City conducts federal procurements in a manner that prohibits the use of statutorily or administratively imposed State or local geographical preferences in the evaluation of bids or proposals, except in those cases where applicable Federal statutes expressly mandate or encourage geographic preference.
9. All solicitations will incorporate a clear and accurate description of the technical requirements for the material, product or service to be procured. Such description will not, in competitive procurements, contain features that unduly restrict competition. The description will include a statement of the qualitative nature of the material, product or service to be procured and, when necessary, will set forth those minimum essential characteristics and standards to which it must conform if it is to satisfy its intended use. Detailed product specifications will be avoided, if possible.
10. 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. To accomplish this, after bids and proposals are received, but before awarding a contract, the City conducts either a price analysis or a cost analysis, depending on the type of contract, in connection with every procurement with Federal funds in excess of \$175,000 (the limit established by MN Statute 471.345, as amended from time to time).
11. The City takes all necessary, affirmative steps to assure that minority businesses and women's business enterprises, and labor surplus area firms are used when possible. To accomplish this, the City uses the following required affirmative steps:
- a. Placing qualified, small and minority businesses and women's business enterprises on solicitation lists;
 - b. Assuring that small and minority business, and women's business enterprises are solicited whenever they are potential sources;
 - c. Dividing total requirements, when economically feasible and legally advisable, into smaller tasks or quantities to permit maximum participation by small and minority businesses, and women's business enterprises;
 - d. Establishing delivery schedules, where the requirement permits, which encourage participation by small and minority businesses, and women's business enterprises.
 - e. 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.

- f. Requiring the prime contractor, if subcontracts are to be let, to take the affirmative steps listed above.
12. Federal methods provide for procurement by micro-purchase. Micro-purchase is a purchase of supplies or services using simplified acquisition procedures, the aggregate amount of which does not exceed \$25,000. 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.
 13. Small purchase procedures 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 the limit established by MN Statute 471.345, as amended from time to time. If small purchase procedures are used, price or rate quotations must be obtained from an adequate number of qualified sources.
 14. Sealed bids (the limit established by MN Statute 471.345, as amended from time to time, formal advertising, price is a major factor). The City may use an online or electronic bidding process to conduct the sealed bid process. In order for sealed bidding to be feasible, the following conditions should be present:
 - a. A complete, adequate, and realistic specification or purchase description is available;
 - b. Two or more responsible bidders are willing and able to compete effectively for the business; and
 - c. The procurement lends itself to a firm fixed price contract and the selection of the successful bidder can be made principally on the basis of price.If sealed bids are used, the following requirements apply:
 - d. The invitation for bids will be publicly advertised and bids must be selected from an adequate number of known suppliers, providing them sufficient response time prior to the date set for opening the bids;
 - e. The invitation for bids, which will include any specifications and pertinent attachments, must define the items or services for the bidder to properly respond;
 - f. All bids will be publicly opened at the time and place prescribed in the invitation for bid;
 - g. A firm fixed price contract award will be made in writing to the lowest responsive and responsible bidder, subject to the approval of the City Council;
 - h. Any or all bids may be rejected if there is a sound documented reason;
 15. The City may also establish contracts and agreements through competitive requests for proposals (RFP) (greater than the limit established by MN Statute 471.345, as amended from time to time, fixed price or cost reimbursement, with evaluation

methods). It should generally be used when conditions are not appropriate for the use of sealed bids. If this method is used, the following requirements apply:

- a. Requests for proposals must be publicized requests and identify all evaluation factors and their relative importance;
 - b. Proposals must be solicited from an adequate number of qualified sources;
 - c. The City must have a written method for conducting technical evaluations of the proposals received and for selecting recipients;
 - d. Contracts must be awarded to the responsible firm whose proposal is most advantageous for the City; and
 - e. The City may use qualification-based methods, whereby competitors' qualifications are evaluated, and the most qualified competitor is selected, in the procurement of architectural/engineering professional services, subject to negotiation of fair and reasonable compensation.
16. 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:
- a. The item is available only from a single source;
 - b. The public exigency or emergency for the requirement will not permit a delay resulting from competitive solicitation;
 - c. Any Federal awarding agency expressly authorizes noncompetitive proposals in response to a written request from the City; and
 - d. After solicitation of several sources, the Finance Director, or their designee, determined competition inadequate.
17. Time and materials type contract means a contract whose cost to the City is the sum of: the actual costs of materials, and direct labor hours charged at fixed hourly rates that reflect wages, general and administrative expenses and profit.
- a. The City may use a time and materials type contract paid with Federal funds in accordance with the above only (1) after a determination that no other contract is suitable; and (2) if the contract includes a ceiling price that the contractor exceeds at its own risk.
 - b. The City will assert a high degree of oversight in order to obtain reasonable assurance that the contractor is using efficient methods and effective cost controls.
18. The City ensures that all prequalified lists of persons, firms or products that are used in acquiring goods and services are current and include enough qualified sources to ensure maximum open and free competition. The City accomplishes this by conducting internet searches, including using vendor searches and by using other less technologically-advanced tools to locate and identify potential contractors. Federal guidelines are followed regarding the number of bids required.

19. The City requires that construction or facility improvement contracts or subcontracts exceeding the limit established by MN Statute 471.345, as amended from time to time, include a bid guarantee equivalent to five percent of the bid price from each bidder (e.g., bid bond, certified check), a performance bond on the part of the contractor for 100 percent of the contract price, and a payment bond on the part of the contractor for 100 percent of the contract price, consistent with the requirements of MN Statute 574.26.
20. The City's purchasing policy does not generally apply to the procurement activities of contractors or subcontractors and their affiliated parties after the award of a duly authorized contract or agreement, federally supported or otherwise.

Payroll and Timekeeping

The following provisions apply to the payment of employees and recording of time and effort as required and in accordance with OMB UG and other applicable laws or regulations.

1. The payroll records must be supported by a system of internal control, which provides reasonable assurance that the charges are accurate, allowable and properly allocated, including:
 - a. The total number of hours worked each day;
 - b. The use of any holiday, personal, vacation, sick or any other approved leave with pay;
 - c. The total number of hours to be paid;
 - d. The allocation of those hours to each program or department for which work was performed, when necessary; and
 - e. The dated signature or electronic signature of the employee and supervisor for each payroll period.
2. Be incorporated into the City's official records, consistent with the records retention schedule adopted by the City.
3. Reasonably reflect the total activity for which the employee is compensated by the City.
4. Encompass Federally-assisted and all other compensated activities by the City on an integrated basis but may use subsidiary records, consistent with other City procedures.
5. Support the distribution of the employee's salary or wages among specific activities if the employee works in more than one area, federally supported or otherwise.
6. Budget estimates alone do not qualify as support for charges to Federal awards, but

may be used for interim accounting purposes, provided that:

- a. The system for establishing estimates provides reasonable approximations;
 - b. Significant work changes are entered into the system in a timely manner; and
 - c. Any internal controls include processes to review after-the-fact interim charges to ensure the final amount charged was accurate, allowable and properly allocated.
7. Salaried employees charged to a Federal grant will document time and effort as outlined in Paragraph No. 1 of this section.
 8. It is the responsibility of the employee being charged to a Federal award(s) and their supervisor to clarify documentation requirements with the Finance Director, or their designee, and provide appropriate documentation as it becomes available. If an after-the-fact correction is necessary to an employee's timesheet due to errors in the allocation of time worked, such corrections must be submitted to the Finance Director, or their designee, upon approved in writing by both the employee and their supervisor. In the event a timesheet correction includes the Finance Director as either the employee or the supervisor, such corrections shall be submitted to the Deputy City Manager, or their designee.
 9. Certifications should never be signed prior to the end date of the payroll period being certified. Each certification should be provided to the Payroll Specialist when available.

Grant Administration

The following policies and procedures will also be applied, 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).

Grant Development, Application, and Approval

1. 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 Manager, or their designee, may, at their discretion, approve grant applications.

Matching Funds - Grants that require a local match must be coordinated through the Finance Director, or their designee. Funds must be identified within the budget to provide the match or a budget amendment will be required. Depending on the nature of the grant, there may also be policy implications that will require

discussion.

Refer to the section within this manual titled "Matching, Level of Effort and Earmarking" for additional information on compliance with the provisions of the OMB UG Compliance Supplement.

2. Grant Budgets - Most grants require the submission of an expenditure budget. The Finance Director, or their designee, 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 (e.g., indirect costs).

Grant Program Implementation

1. Notification and Acceptance of an 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. However, the authorization to spend grant funds is derived from the City Council through the approval of a grant budget. Such notification should also be directed to the Finance Director, or their designee.
2. Establishment of Accounts - The department that obtained the grant will provide the Finance Director, or their designee, with information needed to establish revenue and expense accounts for the project, as well as a project code for accounting purposes. This information must include a copy of a summary of the project and detail of the full project budget. The Finance Director, or their designee, shall determine the establishment of accounts.
3. Purchasing Guidelines - All other City purchasing guidelines apply to the expenditure of grant funds. The use of grant funds does not exempt any purchase from normal purchasing requirements. All typical paperwork and bidding requirements as well as normal staff approvals apply. When in doubt, the Program Director should contact the Finance Director, or their designee for further assistance. Failure to comply with applicable purchasing guidelines may result in disciplinary action, up to and including involuntary termination.

Financial and Budgetary Compliance

1. Monitoring Grant Funds - Departments may use some internal mechanism (e.g., spreadsheets) to monitor grant revenues, expenditures, budgetary compliance and other activities at the grant level. However, the Finance Director, or their designee, shall maintain similar information in the financial system of the City as the official accounting system by the granting agencies. Program Directors 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 Program Director to ensure that such records agree with the official accounting system.

2. Fiscal Years - Occasionally, the fiscal year for the granting agency will not coincide with the City's fiscal year. This may require adjustments to the City's internal budget accounts and interim financial reports as well as special procedures during fiscal year-end close. It is the responsibility of the Program Director to bring such discrepancies to the attention of the Finance Director, or their designee, at the time the grant accounts are established. The Program Director shall also provide the Finance Director, or their designee, with accurate and timely information to ensure appropriate entries in the City's accounting system.

If grant funds have not been totally expended by fiscal year-end, it is the responsibility of the Program Director to notify the Finance Director, or their designee, that budget funds need to be carried-forward to the next fiscal year, and to confirm the amounts of such carry-forwards. Carry-forwards of grant funds will be subjected to maximum allowable amounts/percentages based on the grant agreement and/or the OMB UG Compliance Supplement.

3. Grant Budgets - The terms of each specific grant will dictate whether any budget transfers between line items will be permitted. In no case will the Program Director be authorized to exceed the total budget authority provided by the grant, unless authorized by the City Council, either through the adoption of the annual budget or budget amendment.
4. Capital Assets - The Finance Director, or their designee, shall maintain an inventory of assets purchased with any grant funds, consistent with City Council policies and the regulations of the particular grant. The City must make any grant funded capital asset available for inspection during any audit. The City Council must approve of the sale of these assets. The proceeds of the sale may only be used on the grant program that purchased them, unless otherwise authorized by the regulations of the grant or grant program. All transactions that involve the acquisition or disposal of grant funded capital assets must be brought to the attention of the Finance Director, or their designee.

Record Keeping

1. Audit Work-Papers – Federal awards may be subject to external review or examination (i.e., annual audit, federal desk reviews). The Finance Director, or their designee, will prepare the required audit work papers. Program Directors may be

asked to assist in this process, if necessary.

2. Recordkeeping Requirements - Grant recordkeeping requirements may vary from one granting agency to another. Consequently, a clear understanding of these grant requirements at the beginning of the grant process is vital. The Program Director, or their designee, will maintain copies of all grant draw requests, applicable invoices and approved grant agreements, including budgets and budget amendments. These records will be made available to the Finance Director, or their designee. The Program Director should maintain all other records.

Other Guidelines

1. Specific information on policies and procedures related to compliance with the provisions of the OMB UG Compliance Supplement have been addressed later in this manual and should be considered along with the information in this section.

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.

1. To the extent that the City is required to have a single audit completed in accordance with OMB UG, the City will prepare a Schedule of Expenditures of Federal Awards ("SEFA") in accordance with Federal and State requirements. The schedule will be characterized as follows.
 - a. The schedule will include all Federal financial assistance, including: grants, contracts, property, loans, loan guarantees, interest subsidies, cooperative agreements, insurance or direct appropriations. Amounts will be reported whether received directly from the Federal government or through a pass-through entity (in the event that the City is determined to be a subrecipient and not a contractor or vendor).
 - b. The schedule will be prepared on the same basis of accounting as the related financial statements.
 - c. Federal awards will be grouped based on Federal awarding agency. Each Federal award with current expenditures will be listed along with its Assistance Listing Number, pass-through grantor name and award/pass-through grantor number, if applicable. Such information will agree to the award documentation.
 - d. If the Assistance Listing Number of a Federal award cannot be reasonably determined, it shall be reported in the schedule using the two-digit prefix for the related Federal agency, followed by "UNKNOWN."
 - e. To the extent that amounts are passed-through to subrecipients, a schedule of Federal awards provided to subrecipients will be prepared.

- f. The schedule will include footnote disclosures, as needed.
2. A number of the Federal awards received by the City are passed-through State agencies. The City will consider both the OMB UG Compliance Supplement and any applicable compliance requirements as required by the State agency.

General Information

1. Source of Information - Each year, the Federal government (through the Office of Management and Budget) issues a comprehensive document on the compliance requirements each grant recipient must follow in general terms, along with program-specific guidance for various grant awards. There are 12 compliance requirements identified.

The following pages document the policies and procedures of the City related to compliance with such procedures, as applicable. In each year that the City is subject to a single audit, applicable compliance requirements will be tested by the City's external auditors.

2. Objectives - The objectives of most compliance requirements are generic in nature. While the criteria for each program may vary, the main objective of the compliance requirement is relatively consistent across all programs. As such, the policies and procedures of the City have been based on the generic sense of the compliance requirement. For selected compliance requirements, this manual addresses the specific regulations applicable to individual grants. This is not intended to imply that a program is not subject to such policies if it is not specifically mentioned here. It is the intention of the City that all Federal awards are subject to the following policies and procedures.
3. Internal Controls - In addition to creating policies and procedures over compliance with provisions of Federal awards, the City has implemented internal controls over such compliance, generally in the form of administrative oversight, policies and procedures and/or independent review and approval. In order to document these internal control activities, all independent reviews must be signed or initialed and dated. In the case of electronic procedures, the system(s) shall provide for user authentication and timestamp any oversight actions (e.g., approval, denial).
4. Documentation - The City will maintain adequate documentation to support both the compliance with applicable requirements as well as internal controls over such compliance. This documentation will be provided to the City's external auditors and/or pass-through granter agencies, as requested, during any single audit and/or program audits.

Activities Allowed/Unallowed and Allowable Costs/Cost Principles

The requirements for activities allowed or unallowed are contained in program legislation, Federal awarding agency regulations, the terms and conditions of the award and/or other applicable regulations. The requirements for allowable costs/cost principles are contained in 2 CFR 200 Subpart E, program legislation, Federal awarding agency regulations, the terms and conditions of the award, and/or other applicable regulations.

In order to ensure compliance with these requirements, the City has implemented the following policies and procedures.

1. All grant expenditures will follow 2 CFR 200 Subpart E, State law, City policy, and the provisions of the grant agreement, which will also be considered in determining allowability. Grant funds will only be used for expenditures that are considered reasonable and necessary for the administration and activities of the program.
2. Grant expenditures will be approved by the Program Director, or their supervisor, initially through the purchasing process and when the bill or invoice is received. This will be evidenced by approval via the City's accounting software. Accounts payable disbursements will not be processed for payment by the Finance Director, or their designee, until necessary approval has been obtained.
3. Payroll costs will be documented in accordance with 2 CFR 200 Subpart E and as described in the section of this manual titled Payroll and Timekeeping. An indirect cost rate will only be charged to the grant to the extent that it was specifically approved through the grant budget and award agreement. When allowable, indirect costs will be charged based on the Cost Allocation Plan of the City.

Cash Management

The requirements for cash management are contained in OMB UG 2 CFR 200.302 and 305, program legislation, Federal awarding agency regulations, the terms and conditions of the award, and/or other applicable regulations. In order to ensure compliance with these requirements, the City has implemented the following policies and procedures.

1. Generally, 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 awarding agency.
2. Cash draws will be initiated by the Finance Director, or their designee, who will determine the appropriate draw amount. Documentation of how this amount was determined will be retained, consistent with the requirements of the grant agreement or the records retention schedule of the City, and signed and dated. In the case of

electronic procedures, the system(s) shall provide for user authentication and timestamp any oversight actions (e.g., approval, denial).

3. The physical draw of cash will be processed through the SWIFT (Minnesota's Statewide Integrated Financial Tools) payment system or through the means required by the grant agreement.
4. Supporting documentation from SWIFT or a copy of the cash draw paperwork will be filed along with the approved paperwork described in Paragraph No. 2 above and retained for audit purposes.
5. When cash is received in advance or drawn, the City will work to limit the time between the transfer of funds and disbursement by the City.

Eligibility

The requirements for eligibility are contained in program legislation, Federal awarding agency regulations, the terms and conditions of the award, and/or other applicable regulations.

1. Federal grants and applicable matching funds will only benefit those individuals and/or groups that are deemed to be eligible.
2. The Program Director, or their supervisor, will determine eligibility consistent with any applicable requirements. Documentation of how this determination was made will be retained, consistent with the requirements of the grant agreement or the records retention schedule of the City. The grant agreement shall serve as prima facie eligibility documentation.

Equipment and Real Property Management

The requirements for equipment are contained in OMB UG 2 CFR 200.310-316, program legislation, Federal awarding agency regulations, the terms and conditions of the award, and/or other applicable regulations. The following policies and procedures will also be applied, to the extent that they do not conflict with any existing City policies.

1. All equipment and real property will be used by the program for which it was acquired or improved, or, when appropriate and allowable, by other Federal programs.
2. When required, purchases of equipment will be pre-approved by the grantor or pass-through agency. The Program Director, or their designee, will be responsible for ensuring that equipment purchases have been previously approved, if required, and will retain evidence of this approval, consistent with the requirements of the grant

agreement or the records retention schedule of the City.

3. Equipment records will be maintained and an appropriate system shall be used to safeguard equipment. Equipment should be assigned to a program and physical location on the inventory. If such equipment is moved, it will be adjusted in the City's capital assets records.
4. 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 the investment.
5. The City shall, at a minimum, provide the equivalent insurance coverage for real property and equipment acquired or improved with Federal funds as provided to property owned by the non-Federal entity.

Procedures for Disposition of Equipment

1. The City will keep, sell or otherwise dispose of equipment with no further obligation unless disposal requirements are specifically detailed in the grant agreement.
2. A record of the date, reason and method of disposal or sale will be maintained with the equipment inventory consistent with the requirements of the grant agreement or the records retention schedule of the City.
3. Equipment purchased will be identified and kept in a capital asset listing. An equipment listing shall be maintained that includes the following:
 - a. Asset number and description of the equipment;
 - b. Location of the equipment;
 - c. Depreciation method and years of expected life;
 - d. Acquisition date;
 - e. Cost of the equipment;
 - f. Equipment classification;
 - g. Hours and/or miles in operation upon receipt of the equipment, if possible;
 - h. Make, model, and serial number or other identification number;
 - i. Vendor, purchase order (if applicable) and invoice number to purchase equipment; and
 - j. Disposition data, including date and sale price of the equipment.
4. A physical inventory of the equipment will be conducted periodically, and the results will be reconciled with the capital asset listing. A control system will be maintained to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage or theft will be investigated.

5. The City shall maintain any Federally supported equipment in a state of good repair, assuming it remains advisable and cost-effective to do so.

Matching, Level of Effort and Earmarking

The requirements for matching are contained in OMB UG 2 CFR 200.306, program legislation, Federal awarding agency regulations, the terms and conditions of the award, and/or other applicable regulations. The requirements for level of effort and earmarking are contained in program legislation, Federal awarding agency regulations, the terms and conditions of the award and/or other applicable regulations.

The City defines "Matching", "Level of Effort" and "Earmarking" consistent with the definitions of the OMB UG Compliance Supplement.

1. Matching, or cost sharing, means the portion of project costs not paid by Federal funds or contributions (unless otherwise authorized by Federal statute), including 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).
2. 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.
3. 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 subrecipients. Earmarking may also be specified in relation to the types of participants covered.

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

1. Compliance with Matching, Level of Effort and Earmarking requirements will be the responsibility of the Finance Director, or their designee, in concert with the Program Director, or their supervisor.
2. Adequate documentation will be maintained to support compliance with Matching, Level of Effort, and Earmarking requirements. Such information will be made available to City administration, external auditors, and pass-through or grantor agencies, as requested.

3. Level of Effort for grants administered through the State will be determined at the State level.

Period of Performance

The requirements for period of performance of federal funds are contained in OMB UG 2 CFR 200.308-309 and 344, program legislation, Federal awarding agency regulations, the terms and conditions of the award, and/or other applicable regulations. In order to ensure compliance with these requirements, the City has implemented the following policies and procedures.

1. Costs will be charged to an award only if the obligation was incurred during the funding period (unless approved by the Federal awarding agency or pass-through agency).
2. The City must, no later than 120 calendar days after the end date of the period of performance, prepare all financial, performance and other reports as required by the terms and conditions of the Federal award. The Finance Director, or their designee, which may be the Program Director, shall ensure compliance with this requirement.
3. Unless the Federal awarding agency or pass-through entity authorizes an extension, all obligations will be liquidated no later than 120 calendar days after the end of the funding period as specified by program legislation, grant agreement or other applicable regulations. The Finance Director, or their designee, shall ensure compliance with this requirement.
4. Compliance with period of performance requirements will be assigned to the Program Director, or their supervisor, approving the allowability of the activity (e.g., payment). This will be subject to review and approval by the Finance Director, or their designee, as part of the payment processing.

Procurement, Suspension and Debarment

The requirements for procurement, suspension and debarment are contained in OMB UG and 2 CFR 180, Executive Orders 12549 and 12689, program legislation, Federal awarding agency regulations, the terms and conditions of the award, and/or other applicable regulations. In order to ensure compliance with these requirements, the City has implemented the following policies and procedures.

1. Purchasing and procurement related to Federal grants will be subject to the general policies and procedures of the City as described in the section of this manual titled Purchasing and Procurement.

2. Contract files will document the significant history of the procurement, including the rationale for the method of procurement, selection of the contract type, contractor selection or rejection and the basis of contract price. The City shall retain these documents consistent with the requirements of the grant agreement or the records retention schedule of the City.
3. The Finance Director, or their designee, will be responsible for determining whether the City is entering into a transaction that may be subject to suspension or debarment procedures and executing appropriate oversight and control activities at that time. The Finance Director, or their designee, must check for excluded parties through the System for Award Management (SAM) (<http://www.sam.gov/>).

Program Income

The requirements for program income are found in OMB UG 2 CFR 200.307, program legislation, Federal awarding agency regulations, the terms and conditions of the award, and/or other applicable regulations. In order to ensure compliance with these requirements, the City has implemented the following policies and procedures.

1. The City defines "Program Income" consistent with the definitions of the OMB UG Compliance Supplement. Program income is gross income earned by a non-federal entity that is directly generated by a supported activity or earned as a result of the federal award during the period of performance.

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 Federal funds; the sale of commodities or items fabricated under a grant agreement; and payments of principal and interest on loans made with Federal funds. It will not include interest on Federal funds or proceeds from the sale of equipment or real property acquired in whole or in part under the Federal funds, unless otherwise provided in the Federal awarding agency regulations or grant agreement.

2. The City will allow Program Income to be used in one of three methods:
 - a. Deducted from allowable costs;
 - b. Added to the project budget; and/or
 - c. Used to meet Matching requirements.

In the absence of specific guidance in the Federal awarding agency regulations or grant agreement, Program Income shall be deducted from allowable costs. The Finance Director, or their designee, shall identify and verify any Program Income and determine any such deductions allowable costs.

3. Program Income, when applicable, will be accounted for as a revenue source in the

same project code as the Federal grant.

Subrecipient Monitoring

The requirements for subrecipient monitoring are found in OMB UG 2 CFR 200.332, program legislation, Federal awarding agency regulations, the terms and conditions of the award, and/or other applicable regulations.

1. On occasion, the City may pass through to or contract with other entities to administrator, implement or execute the objectives established by a Federal grant. The Finance Director, or their designee, shall identify and verify an entity as either a contractor or subrecipient and ensure appropriate compliance and monitoring accordingly.
2. The Finance Director, or their designee, will notify any entity of their status as either a contractor or subrecipient. In making such a determination, the substance of the relationship is more important than the form of the agreement.
3. A subrecipient relationship between the City and another entity may exist when the entity:
 - a. Determines who is eligible to receive what Federal financial assistance;
 - b. Has performance measured in relation to whether objectives of a Federal program were met;
 - c. Has responsibility for programmatic decision making;
 - d. Has responsibility for adherence to applicable Federal program compliance requirements; and/or
 - e. Uses the Federal funds to carry out a program as opposed to providing goods or services for a program of the pass-through entity.
4. A contractor relationship between the City and another entity may exist when the entity:
 - a. Provides the goods and services within normal business operations;
 - b. Provides similar goods or services to many different purchasers;
 - c. Normally operates in a competitive environment;
 - d. Provides goods or services that are ancillary to the operation of the Federal program; and/or
 - e. Is not subject to compliance requirements of the Federal program.
5. In the event of a subrecipient relationship, the City shall provide a written subaward. Every subaward agreement shall clearly identified to the entity as a subrecipient and include the following information:
 - a. Subrecipient name (which must match the name associated with its unique entity identifier);

- b. Subrecipient's unique entity identifier;
 - c. Federal Award Identification Number (FAIN);
 - d. Federal Award Date to the City by the Federal agency;
 - e. Subaward Period of performance;
 - f. Amount of Federal Funds obligated by this action by the pass-through entity to the subrecipient;
 - g. Total Amount of Federal Funds Obligated to the subrecipient by the pass-through entity including the current obligation;
 - h. Total Amount of the Federal Award committed to the subrecipient by the pass-through entity;
 - i. Federal award project description, as required to be responsive to the Federal Funding Accountability and Transparency Act (FFATA);
 - j. Name of Federal awarding agency, pass-through entity, and contact information for awarding official of the pass-through entity;
 - k. Assistance Listing Number and Name; the pass-through entity must identify the dollar amount made available under each Federal award and the Assistance Listing Number at time of disbursement;
 - l. Identification of whether the award is research and development; and
 - m. Indirect cost rate for the Federal award, including if the de minimis rate is charged.
6. As part of the subrecipient process, the Finance Director, or their designee, which may include the Program Director, will perform the following monitoring activities. These activities may occur before the issuance of a subaward, during the period of performance, and after the completion of the subaward.
- a. Determine subrecipient eligibility.
 - b. Clearly identify every Federal subaward, as outlined in Paragraph No. 5 above.
 - c. Evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and terms and conditions of the subawards.
 - d. Advise subrecipients of requirements imposed on them by Federal regulations, State laws, City policies and the provisions of contracts or grant agreements as well as any supplemental requirements imposed by the pass-through entity.
 - e. Monitor the activities of subrecipients as necessary to ensure that the Federal awards are used for authorized purposes in compliance with laws, regulations, the provisions of contracts or grant agreements, and that performance goals are achieved.
 - f. Ensure that subrecipients expending \$750,000 or more in Federal awards during the subrecipient's fiscal year have met the audit requirements for that fiscal year.
 - g. Issue a management decision on audit findings within six months after receipt of the subrecipient's audit report and ensure that the subrecipient takes

- appropriate and timely corrective action(s).
- h. Consider whether subrecipient audits necessitate adjustment of the pass-through entity's own records.
 - i. Require each subrecipient to permit the pass-through entity and their external auditors to have access to the records and financial statements as necessary for the pass-through entity to comply with applicable regulations.
 - j. Ensure accountability of for-profit subrecipients.
 - k. Evaluate the impact of subrecipient activities on the pass-through entity's ability to comply with applicable Federal regulations.
 - l. Comply with the Federal Funding Accountability and Transparency Act (FFATA) reporting requirements.
7. The Finance Director, of their designee, in their sole discretion may also require interim reports and supporting data from any contractor and/or subrecipient to ensure compliance with applicable regulations.

Special Tests and Provisions

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

1. The Finance Director, or their designee, 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, consistent with the requirements of the grant agreement or the records retention schedule of the City.
2. Program related compliance requirements will be the responsibility of the Program Director for the grant, unless otherwise noted in this manual.