GRANT MANAGEMENT PROCEDURES

Baker County

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Introduction

THIS MANUAL was created for use by Baker County staff involved in the financial and program administration of grants. It takes a comprehensive approach to grant management, focusing especially on federal Office of Management Budget rules in effect with federally funded and pass-through grants. All employees involved in any aspect of grant management should keep this Manual and use it as reference. This Manual includes:

1. Baker County policies that affect all grants and sub-awards administered by the County
2. Summaries of policies, formatted in "At a glance" boxes
3. Office of Management and Budget verbiage from circulars and OMB 2 CFR 200 (also known as the "OMB Super Circular", "Omni Circular" or "the Uniform Guidance")

Starting December 26, 2014, the Office of Management and Budget requires compliance with what is called the OMB Super Circular or Uniform Guidance (2 CFR 200). It was amended in 2018 and this is the current document that must be adhered to. This set of rules and amendments combined and replaced other previous circulars. Many of the provisions and requirements are the same as they were previously, but a few significant changes and priority areas were made in the new guidance. Grants that are signed after that date will be administered under the new rules. Grants that are signed before that date are generally governed by the old rules, although grants that have allocations approved through what OMB calls "incremental funding" will be subject to 2 CFR 200.

Major changes in the new guidance include an emphasis on the importance of internal controls and an emphasis on the importance of sub-award monitoring. Requirements for this second issue, sub-award monitoring and management, were significantly strengthened and built upon in the new rules.

This manual is a working document, and necessary changes may periodically be identified, especially if federal rules change. An annual review and, if necessary, process to approve changes is advised.

Obtaining the Uniform Guidance: An electronic copy of the Uniform Guidance can be located by searching online for "2 CFR 200". Make sure it is the 2020 rules.

Other specific changes in the OMB Uniform Guidance that likely affect Baker County includes the following:

1. Federal funders must recognize and use a recipient's negotiated indirect cost rate unless it meets specific exception requirements in the Super Circular.
2. A new provision allows non-federal entities that have never had an indirect cost rate to charge a 10 percent de minimis rate.
3. Costs for civic and community memberships are allowable now but require funder approval, while costs for business, professional, and technical memberships and subscriptions are still allowed under OMB rules without approval.

4. The section on employee morale was removed, and that is no longer an allowable expense. The new rules recognize that what may otherwise be considered "entertainment" can have a legitimate program purpose and is allowed with funder approval. "Employee Health and Welfare" costs are still allowed when appropriate, customary, and allocable.
5. The rules regarding "Documentation of Personnel Services" which were previously under "time and Effort Reporting Requirements" have been changed and broadened to recognize alternative approaches to time sheets.

The Uniform Guidance states audit rules took effect December 26, 2014. With audits, since we look back in time, the previous circulars will still be used prior to this date regarding compliance considerations for programs that occurred before then.

An electronic version of these can be obtained at:
https://www.whitehouse.gov/omb/grants circulars

Also, commonly in effect with federal grants is what OMB calls "attachments to the common rule". For example, federal department such as Labor, Commerce, Energy, Homeland Security, and Agriculture, have department attachments to the OMB common rules. Attachments to the grant are normally mentioned in the grant agreement, but can also be checked by finding the program description at the website below and using a "CTRL F" search with keyword "CFR".

www.cfda.gov

This website, the Catalog of Federal Domestic Assistance, allows users to find all federal programs by using a five digit CFDA number.

The attachments themselves can be found online by searching on the CFR number.

OMB content is identified and formatted in a box as in the following important section on internal controls, from 2 CFR 200:

OMB §200.303 Internal Controls
The non-federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "internal Control Integrated Framework", issued by the Committee of funding Organizations of the Treadway Commission (COSO)

(b) Comply with Federal statutes, regulations, and the terms and conditions of the Federal awards.

(c) Evaluate and monitor the non-Federal entity's compliance with statutes, regulations, and the terms and conditions of the Federal awards.

(d) Take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings.

(e) Take reasonable measures to safeguard protected personally identifiable information and other information the Federal awarding agency or pass-through entity designates as sensitive consistent with applicable Federal, state, local, and tribal laws regarding privacy and obligations of confidentiality.

The topic of internal controls is an important concept addressed throughout this manual and applies to all funding entities. Good internal controls are emphasized significantly in new federal grant management guidelines that began December 26, 2014. The purpose of the manual is to help Baker County staff continue to identify, exercise, and improve internal controls.

The government Accountability Office segments internal controls in five standards, and Baker city staff should consider these five standards whenever managing grants, participating in audits, and making grant related decisions.

PRINCIPLES OF GRANT MANAGEMENT

GAO: Five internal control standards

Control Environment
Management and employees should establish and maintain an environment throughout the organization that sets a positive and supportive attitude toward internal control and conscientious management.

Risk Assessment
Internal control should provide for an assessment of the risks the agency faces from both external and internal sources.

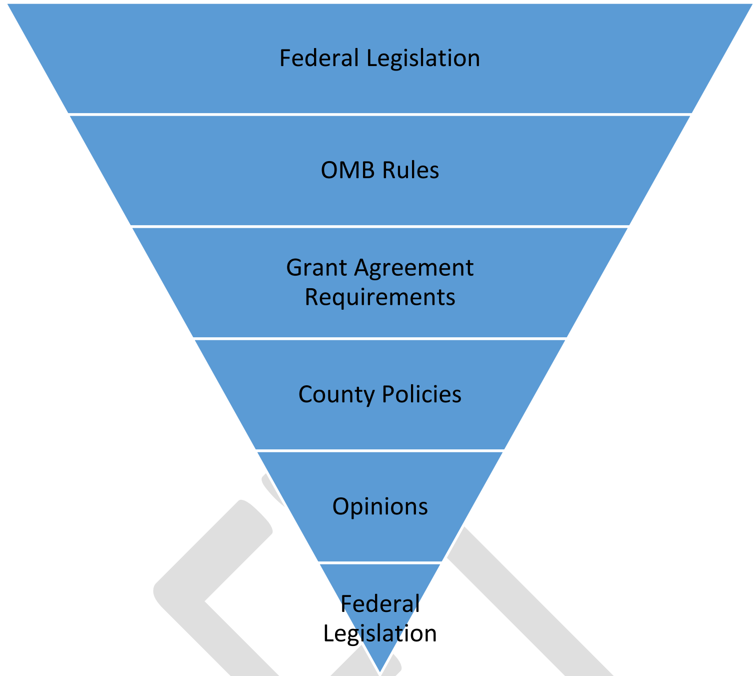
Control Activities
Internal control activities help ensure that management's directives are carried out. The control activities should be effective and efficient in accomplishing the agency's control objectives.

Information and Communication
Information should be recorded and communicated to management and other within the entity who need it and if a form and within a time frame that enables them to carry out their control and other responsibilities.

Monitoring
Internal control monitoring should assess the quality of performance over time and ensure that the findings of audits and other reviews are promptly resolved.

What supersedes what?

When the rules DO NOT conflict, the most restrictive rule applies.



This chart shows the order in which rules are generally in effect when rules at different levels conflict, such as when a rule in the grant agreement is different or more restrictive than the policy in this manual. In that case, the grant agreement rule trumps. Generally, the County tries to avoid policies that are out of sync with OMB rules.

When the rules are not in conflict, all rules must be followed, resulting in the most restrictive rule being the critical compliance threshold. Adherence to the most restrictive rule will serve to meet all other rules.

County staff must read and monitor program and agreement rules closely to ensure compliance in those situations when the funder's rule is stricter that the County's policy.

All other rules such as those set by funders in grant agreements, whether they are government agencies, foundations, or corporations, are also in effect and generally supersede Baker County policies.

In short, make sure the County adheres to the most restrictive rule, and defer to higher level ruling in situations when the rules conflict.

Baker County Grant Cost Accounting Standards
Appendix V to Part 200, State/Local Government Central Service Cost Allocations Plans, contains important details on how, and what, costs can be allowable, allocable, or unallowable. Below are Baker Count's Policies on costs:

Unallowable or Special Permission Costs

Expenses for grants must have a business purpose and be consistent with OMB and Baker County Rules. For grants, the expense must also meet any additional criteria or restrictions that have been established by the granting agency including pre- and post-award costs. Costs commonly restricted by specific funder guidelines include:

- Food
- Construction
- Expenses that supplant normal costs

Costs NEVER allowed at Baker County for grant funding

- Illegal drugs, narcotics or controlled substances
- Cash advances from purchasing cards
- Items for personal use
- Membership fee for private clubs or social organizations
- Traffic citations for either personal or County vehicles
- Parking citations reimbursement
- Political contributions
- Child care costs
- Gifts to other nonprofit organizations or charities
- Alcoholic beverages
- Bad debts

Only allowed with special County permission

- Air conditioner/heaters
- Audio/visual equipment
- Computer hardware/software and related peripheral equipment
- Furniture
- Dues, membership fees, subscriptions. These are only allowed for business, professional, and technical purposes
- Cost for cell phones and internet connections at home are not allowed unless the expense is essential

This list is not all inclusive, and with any questionable cost, you will need to contact Administration for clarification.

Allowable Costs

The County will only directly pay or reimburse for properly substantiated business expenses. For those to qualify as a business expense they must:

- Serve a legitimate business purpose
- Include adequate and appropriate explanations and documentation

Advances in excess of substantiated expense must be returned within a reasonable period of time.

For an allowable charge to be posted to a grant, the cost must be incurred during the award period and meet the following standards:

Must be reasonable
A cost is considered reasonable if a "prudent person" would have purchased this item for this price. Some questions that should be asked before purchasing the item include:
- Was the cost necessary?
- Did cos meet certain factors such as arm's length bargaining, did it comply with federal and state laws and regulations and did it meet the funder's agreements terms and conditions?
- Did the individual exercise prudence under the circumstances?
- Did the individual act in accordance with institutional policies and practices and funded agreements?

Must be allocable
A cost for goods or services is allocable if it can be assigned to the activity on some reasonable basis. It also must fit into a budget line item and be consistent with budget narrative language. A cost is allocable to a funded agreement if:
- The cost is incurred solely to advance the work, or
- The cost benefits both the funded agreement and other work of the County, in proportions that can be reasonably estimated.

Must be treated consistently
Costs incurred for the same purpose in like circumstances must be treated the same. This is important when classifying expenses as either direct or indirect costs.

<u>Important reminders</u>
1) Costs cannot be shifted to other funded agreements to meet deficiencies created by overruns.
2) cost cannot be transferred to an account with an unexpended balance during the last months of a project simply to deplete the balance of funds.

THE PHASES OF A GRANT

1) GRANT PROPOSAL DEVELOPMENT

The proposal development process is in place to assist staff in achieving grant support for their project or program. Once an idea has been formulated, it is important to discuss with the Department Head and the appropriate Commissioner, and others as needed, to develop the idea and craft a budget. Approval is required for all grants and is obtained by completing a Staff Reports and attending a Commission session to explain the project or program.

The County will meet or negotiate all funder requirements as appropriate pertaining to signatories on grant proposals and agreements. However, generally, only the County Commission Chair can be the signatory.

At-A-Glance: Important issues while writing and accepting grants

Following is a list of critical issues to consider and in many cases discuss with other County staff when writing or submitting a grant:

- Are there matching or cost share requirements?
- Does this grant involve adding staff or expanding work time? (to determine the long term effect on the County)
- Are there building or space issues that need to be approved by the Commission?
- Are there equipment purchases in the grant? (OMB generally defines equipment as single items that costs more than $5,000, and those items must be specifically approved by the funder and later tracked as inventory)
- Are there special or unusual administrative requirements?
- Are there sign-off requirements with state agencies or other entities?
- What County departments will be involved, and are personnel trained and informed?
- Are there possible conflict of interest or procurement issues involved with the grant, the project, or with possible contractors?
- Is this a sole-source contract situation? (this should be an exception rather than a standard approach)
- Does the grant involve sub-awards or contracts?

Additional issues to consider:

- What is the amount to be awarded?
- What are the start and end dates?
- What expenses does the grant cover?
- What documentation is required to support each line item?
- Are bids required?
- Do we need to create a sub-award agreement or a contract?
- What are the terms and conditions and the reporting requirements?
- What is the method of payment: electronic transfer, reimbursement, or up-front?

Pre-Award Costs

Federal Office of Management and Budget rules generally state pre-award costs are not allowed as direct costs or allowed to meet cost share with federal awards (also called "matching requirements").

2) BEGINNING THE PROJECT

At-A-Glance: checklist to begin the grant

- Work with the appropriate Department Head, Administrator, or other staff to set up your grant's administrative structures, account and processes
- Connect with staff members, and consider holding meetings
- Connect with the funder's program officer
- Set up a box folder or binder and begin documentation (see the next section for an example)
- Notify partners and staff, and work with appropriate County staff to publicize or report the award and sub-award as needed
- Work with the Human Resources Department to proceed with hiring procedures
- Work with Financial Department to set up an electronic accounting system
- Work with Administration to set up sub-award agreements and contracts

When setting up box folders, binders, or an electronic system to track a grant, it is advisable to provide a draft table of contents to the program officer from the funding agency to receive input and guidance on any tracking and reporting needs. Additional binders may be required for sub-award agreements or to track special issues, such as project evaluation and construction issues.

3) PROJECT ADMINISTRATION

Tips for good ongoing project administration

- Keep in touch with the funding agency
- Meet with staff and budget staff regularly
- Keep on track with process objectives and performance measures
- Collect necessary data, and complete required evaluation processes
- Maintain communication with contractors and other partner agencies
- Complete all necessary reports (usually quarterly and/or annually)
- Review expenditures on a monthly basis
- Use a box folder or binder to maintain records of grant activities and budget expenditures (or do that with file cabinets or an electronic system)

As the project manager you are responsible for creating a record keeping system to track the documents for each particular grant, tracking documents using an electronic system, or use some combined approach using these methods.

Document tracking is a key factor in good grant management. The documentation method used will usually involve the use of a box folder, a binder, the electronic equivalent of that, or a combinations of methods. A well-organized binder serves two purposes – 1) it allows the grant manager to see what needs to be done while working towards completion of the award, and 2) it allows the grant manager to quickly address funder or auditor questions.

Box folder or binder management
(This outline is an example of how one box folder or binder might be organized. The content and chapters generally vary based on the project. Your system may, or course, also include the electronic equivalent of some or all of this.)

- Request for Proposals, or whatever the funder calls it – can be included in the Appendix if it's extensive
- Proposal
    - Narrative
    - Budget
    - Attachments
- Notice of Grant Award
- Grant Agreement/Contract
    - Amendments
- Reports
    - Narrative
    - Financial
- Major receipts
- Procurement documentation and selection process
- Evaluation content
- Building related documents
- Correspondence
    - Letters
    - Emails

4) CLOSEOUT AND POST-AWARD REQUIREMENTS

Some federal grants allow a 90-day period for closeout procedures, which may include completing grant reports and completing evaluation activities to verify grant impacts and adherence to measurable outcome objectives. Many funders allow this time spent closing out the grant to be billed to the grant, although all other project costs are no longer allocable. It is customary that funders allow 30 days for invoicing and paying costs that occurred during the grant period. However, each funder is different so check with them before making any assumptions.

Time spent to ensure documentation of all grant issues can save time later if the grant is reviewed by the funder or is selected for audit. Staff members are encouraged to make sure all grant binders and record keeping systems are complete before considering the grant completed.

At-A-Glance: Tips for closeout procedures

- Submit the final narrative and financial reports, which are usually due within 90 days of the end of the grant agreement
- Describe how objectives and outcomes were met
- Show how all funds were expended on allowed expenditures or report unspent funds
- Make sure the funder closes out the grant
- Determine if there is inventory from the grant that will need to be tracked based on depreciated value (OMB states items worth $5,000 must be inventoried at least every two years)
- Analyze whether residual supplies are work $5,000 or more of total value, as OMB requires amounts above that must be addressed by negotiation with the funder
- Determine if the funder covers staffing costs during the closeout period (sometimes allowed up to 90 days after the grant closes

Tips for post-award requirements to be coordinated between the grant administrator and the Financial office:

- Address any audit requirements or inquiries
- Retain records in accordance with the most restrictive rules of the funder, the County, the State, or any other pertinent stakeholder
- Follow rules that govern the retention or disposal of grant equipment and property, especially for any item that was purchased for $5,000 or more
- Track and document inventory for items purchased with federal funds (required at least every two years for items worth $5,000)
- Request permission from funder if intending to sell, dispose of, or repurpose equipment purchased with the grant
- Make sure to understand the County can only keep funds that were either 1) reimbursed to the County for the direct cost for the grant project, 2) collected through allowable indirect cost, or 3) allowed as income under the terms of the grant (and in such a case income will be subject to audit under OMB's rules regarding "addition method" or "used-for-match method".)

Activities Allowed or Unallowed, Allowable Costs, and Cost Principles

All cost billed to a specific grant should pass the "AARC test".

- Allowable – expenditure is in accordance with OMB rules and all other grant rules
- Allocable – expenditure was for the grant project and fits into a budget line item
- Reasonable – expenditure is consistent with market prices and passes the "headline test"
- Consistent – expenditure is consistent with County policies and past practices

OMB 2 CFR 200 provides guidance on "selected items of cost" in 200.41 through 200.475. This is an alphabetized list, and each of these specific sections defines rules on a specific cost, running from "advertising and public relations" through "trustees". Costs that are always unallowable include alcoholic beverages, bad debt, and general County promotional activities. Costs sometimes allowable include advertising and memberships. Costs that require funder approval, along with strong project connectivity, include entertainment and fund raising.

It is strongly advised that costs are NOT billed to a federal grant if that costs fails, or is in question of failing.

In all grants, it is usually best to manage funds based on the concept, "if it is not documented, it did not happen". Costs may be questionable of not allowed if they do not meet OMB, other funders and the County's documentation requirements. A good approach is to seek a consensus with the funder, and if needed, obtain formal approval, if the cost appears valid but may look in any way questionable. A good example of this are OMB rules regarding costs for activities that may otherwise be considered entertainment but serve a clear program purpose.

OMB 200.438

Costs of entertainment, including amusement, diversion, and social activities and any associated costs are unallowable, except where specific costs that might otherwise be considered entertainment have a programmatic purpose and are authorized either in the approved budget for the Federal award or with prior written approval of the Federal awarding agency.

C) Cash Management

OMB 200.306

For non-federal entities other than states, payment methods must minimize the time elapsing between the transfer of funds from the US Treasury of the pass-through entity and the disbursement by the non-federal entity whether the payment is made by electronic transfer, issuance or redemption of checks, warrants, or payment by other means.

Many funders turn this general concept of "minimize the time elapsing" into a specific number of days.

D) Davis Bacon Act

Federal grant recipients are required to verify that contractors and sub-contractors on construction and renovation projects are paying laborers and mechanics wages and fringe in compliance with the Davis Bacon Act. The Davis Bacon Act is 1931 legislation that protects workers from being taken advantage of by contractors that would attempt to win federal awards on the back of unfair labor practices.

It is rare that the County will coordinate construction or renovation using federal funds, but if that is conducted, care is required to make sure the Davis Bacon Act is followed correctly. Construction and renovations of $2,000 or more paid with federal funds are usually subject to the Davis Bacon Act requirements. The paperwork and monitoring requirements for a construction project under Davis Bacon are extensive. The Housing and Urban Development Department has a guide titled "Making Davis Bacon Work", and it can be downloaded on the internet for guidance.

E) Eligibility

Program and financial staff members are responsible to understand and follow eligibility restrictions regarding delivering services. Restricted grant funds will not be used to serve ineligible participants. Such restrictions usually focus on the income of the participants but can be based on other factors such as employment status, age, or race. The restriction will show up in the grant agreement or equivalent documents. Participant eligibility restrictions can also be identified by finding that specific federal grant at www.cdfa.gov and reading the "beneficiary eligibility" restrictions section in the grant synopsis.

F) Equipment and Real Property Management

The County will track all property purchased with federal grant funds in accordance with the following policies and concepts:

For federal grants, equipment means tangible personal property, including information technology systems, having a useful life of more than one year and a per-unit acquisition cost which equals or exceeds the lesser of the capitalization level established by the non-federal entity for financial statement purposes. The County will track all equipment purchased with federal or flow-through funds in accordance with this requirement. The OMB rules on inventory tracking require highly specific information to be recorded.

The County will not sell or dispose of equipment worth $5,000 or more purchased with federal grant funds without the approval of the funding organization, as per OMB requirements. Under OMB Super Circular rules, "items with a current per unit fair market value of less than $5,000 may be retained, sold or otherwise disposed of with no further obligation to the Federal awarding agency" (as per OMB 2 CFR 200.131.e.1.). That means, from the federal government's perspective, an equipment item becomes a supply item after it depreciates to be worth less than $5,000.

OMB 200.313
…(1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of funding for the property, who holds the title, the acquisition date and cost of the property, percentage of Federal participation in the project costs for the Federal award under which the property was acquired, the location use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.

G) Matching, Level of Effort, Earmarking
With federal grants, matching and cost share will be calculated and documented in accordance with federal rules and, additionally, according to the grant agreement rules. For example, federal rules allow both cash and in-kind matches (non-cash, such as volunteer work) to be counted toward a match. Many grant agreements allow only cash matches and funders are allowed to restrict that issue. Calculation and documentation for a cash match should mirror that which would be required for a cost. If it cannot be counted as a cost, then it cannot be counted as a match.

Some awards and sub-awards made with federal funds allow both in-kind and cash matches. The Uniform Guidance has requirements for calculating and documenting the value of in-kind matches for facilities, equipment, and volunteers in 2 CFR 200.306.

H) Period of Availability of Federal Funds
Grant expenses are generally allowed only for costs that are incurred during the grant period. No pre-award or post award costs will be billed to a grant unless it is approved by the funder and specifically allowed in the grant agreement, such as with the following circumstances:

1. Post awards costs for closeout, such as staff time preparing a final report, are sometimes allowed by the grant agreement for 90 days after the end of the grant period
2. Specific pre-award costs with federal grants are sometimes allowed with funder approval in the grant agreement, with 90 days being the typical maximum pre-award period

I) Program Income
The County will comply with federal rules regarding program income with all federal grants and federal flow-through awards.

Below is information on federal rules regarding income, and these paragraphs are summarized from 200.307 in the OMB Super Circular. Income rules for a specific federal grant may vary by funder, although they generally involve the deduction, addition, or cost sharing/matching methods described below. The deduction method is in effect unless another method is set in the grant agreement, although research grants automatically use the addition method.

OMB rules encourage non-Federal recipients to earn income to defray program costs where appropriate. Many funders in practice prefer that recipients avoid income to avoid the management issues involved.

The three types of methods generally used regarding income are as follows:

1. **Deduction**. Ordinarily program income must be deducted from total allowable costs to determine the net allowable costs. Program income must be used for current costs unless the Federal awarding agency authorizes otherwise. Program income that the non-federal entity did not anticipate at the time of the federal award must be used to reduce the federal award and non-federal entity contributions rather than to increase the funds committed to the project.
2. **Addition**. With prior approval of the federal awarding agency, program income may be added to the federal award by the federal agency and the non-federal entity. The program income must be used for the purposes and under the conditions of the federal award. Income used in this way is auditable during the grant period. Income that comes in after the close of the grant is not restricted in this manner.
3. **Cost sharing or matching**. With prior approval of the federal awarding agency, program income may be used to meet the cost sharing or matching requirements of the federal award.

Income after the period of performance. There are no federal requirements governing the disposition of income earned after the end of the period of performance for the federal awards, unless the federal awarding agency regulations or the terms and conditions of the federal award provide otherwise. The federal awarding agency may negotiate agreements with recipients regarding appropriate uses of income earned after the period of performance as part of the grant closeout process.

J) Reporting

The County will strive to meet all reporting requirements of all funders and to avoid late or incomplete reports.

OMB rules require federal grant funders and recipients use the following two documents for reporting purposes, although flow through grants, such as from a state agency, will use other forms:

1. SF-425 – the Federal Financial Report, also often called the “FFR”. This reports on expenditures.
2. SF-PPR – The Federal Performance Progress Report. This reports on objectives, outcomes, and program compliance.

The County will complete required grant reports for state, local, foundation, corporate, or other funders as required. Most funders that require reports use a two-tier system similar to that used in federal grants, one to report for program matter, and another for financial activities.

K) Special Tests and Provisions
There are compliance requirements that are unique to each program. They will generally be specified in the grant agreement, although federal legislation can also set requirements. For example, some grants funded through federal agencies require the purchase of construction and manufactured goods to meet "buy American" provisions.

The County will strive to meet all special provisions of grant funders, such as those commonly found in grant agreement "Terms and Conditions" sections. The County staff must read closely grant agreement documents and requirements to ensure that all grant provisions are followed.

FINANCIAL MANAGEMENT AND COST ALLOCATION PRINCIPLES

General Financial Management Concepts
The County's financial management internal control policies are in place to ensure and safeguard that all incoming grant funds are used solely for authorized purposes. Revenues and expenses for each program are tracked through separate business units and/or funds, as appropriate.

The County generally uses the reimbursement method as a way to collect funds from the US Treasury, state agencies or local governmental entities. In cases when advanced payment is used with governmental grants, the County will minimize the time elapsing between transfer of funds and expenditures. The County will comply with all grant agreements, such as those specifying funds must be used within a specific number of days. When early drawdown is done with a federally funded grant and the drawn down funds would be expected to accrue more than $500 in normal interest bearing bank account, the funds will be deposited in an interest bearing account separately from other funds. This will allow the County to comply with the new Uniform Guidance provision that requires:

Important Control Factors
Financial control environment factors will meet the following requirements:

- Staff are familiar with policies and procedures
- Management staff demonstrate the importance of integrity and ethical values
- Integrity of financial and operational results take priority over reporting acceptable performance targets
- Collaboration, communication, and team effort are emphasized
- Plans and performance are periodically assessed
- Performance targets are realistic and attainable whenever possible
- Employees are given the time, tools, and resources necessary to accomplish mission and objectives

- Records are maintained in accordance with guidelines issued by sate and federal administrative rules and also those set in Section IV of this policy and procedure manual

Training: fiscal staff and department staff working with grants will be:

- Familiar with purchasing policies and procedures
- Familiar in the use of reports and reporting tools
- Familiar with accounting skills
- Familiar with grant management policies and procedures

Financial reconciliations will be conducted as follows:

- Ledgers will be reviewed on at least a monthly basis by the staff in charge of the grant
- Whenever possible, staff performing reconciliations will be separate from staff initializing and finalizing transactions
- Reconciling differences, negative balances, and unsupported transactions will be investigated and corrected in a timely manner
- The Financial Office will review reconciled ledgers and supporting documentation in a timely manner
- Financial reports will compare budgeted balances with actual financial activity
- Staff managing grants will understand the rules associated with different types of grants, such as federal, state, and foundation grants.

Collections, deposit, and cash fund issues will be conducted as follows:

- Collection and deposit functions are segregated from accounting functions whenever possible
- All revenue transactions are recorded promptly, and deposits are made in a timely manner
- Passwords are kept safe, as are access keys to any location that is financially sensitive
- Accounts receivable billings are issued in a timely manner and are tracked and accounted for responsibly

Cost Allocation Principles

A cost is allocable to a particular grant or contract if the goods or services involved are able to be directly assigned to the specific grant or contract. Costs that cannot be assigned to a specific program are generally consider as indirect costs and should not be billed to a grant except under the indirect cost line item.

Expense Allocation Policies:

If an expenditure solely benefits on project, it should be charge entirely to that benefitting project. However, sometimes and expenditure can benefit two or more projects. Organization supplies are an example of an expense that could potentially benefit more than one project. When this occurs, the expenditure must be charged in the same proportions as the benefits on the respective projects.

Any costs allocable to a particular grant agreement may not be shifted to other grants to meet deficiencies cause by overruns(deficits) or other fund considerations. Costs cannot be shifted to avoid restrictions imposed by law or terms of the funded agreement or for other reasons of convenience.

OMB circulars provide two methods for allocating an allowable direct cost to two or more grants. The County generally uses the proportional benefit approach to allocation and rarely, if ever, uses the interrelationship approach. The interrelationship method is allowable, however, especially if it has been discussed with a funder that concurs with the reasonableness of the allocation approach.

The Proportional Benefit Rule

The proportional benefit rules apply when it is possible to determine the proportional benefit of the cost to each project. The cost allocated according to the proportion of the benefit provided to each of the projects.

The Interrelationship Rule

The interrelationship rules apply when it is not possible to determine the proportional benefit to each project because of the interrelations type of the work involved. The cost is distributed on any reasonable and rational basis because the proportional benefit cannot be identified and applied to the individual projects.

Allocation Methodologies and Guidelines

All expenditure allocations must be done on a rational basis. Prohibited allocation methodologies include any methodology based on rotation of budgets, funding or available funds.

- ***Always*** document the allocation methodology. Allocation methodologies must be documented and auditable. Documentation should include support for the specific costs allocated and indicate how the allocation methodology is logically related to the cos being allocated. This support should be retained by the department and be made available for review. Always remember to document why measure such as headcount, square footage or hours directly relate to the benefit received.
- **Allocated expenditures on a routine basis.** Do not wait until the end of the fiscal year or the end of the grant year to allocate expenditures.
- **Allocation methodologies should be reviewed periodically to ensure they are reasonable.** Methodologies based on samplings and surveys should be reviewed and updated at least once each fiscal year.
- **Allocation methodologies need to be reviewed when the project begins and ends to ensure compliance.**

The following are some examples of allocation methodologies. Other reasonable methodologies can be developed, provided that they meet OMB allocation principles.

- **Allocation based on usage**: the cost of supplies and other costs allocated based upon the quantity used on each project

- **Allocation based upon the number of hours**: the cost of computer equipment allocated based upon the number of hours logged for each project
- **Allocation bases upon the number of clients served**: the cost of supplies and other costs allocated based upon the number of clients served.
- **Allocation based upon FTEs:** The cost of renting space allocated based upon the number of FTEs working on each project.

COST SHARE

<u>Policy Statement</u>

Baker County engages in cost sharing when it is in the best overall interest of the County, but limited to situations in which it is mandated by the funder per solicitation or policy guidelines, or deemed appropriate in light of specific and compelling circumstances. This section sets forth County policy on cost sharing and to provide guidance on the appropriate and consistent management and reporting of cost sharing throughout the term of the grant.

<u>Reason for Policy/Purpose</u>

This policy has been developed to:

- Define cost sharing and set forth the County's position on cost sharing in support of funded projects
- Advise the staff regarding the contractual, financial, and administrative implications of any commitment of cost share
- Ensure that cost sharing procedures conform to the applicable requirements

<u>Definition of Cost Sharing:</u>

Cost sharing represents the funded project for program costs (direct and indirect) that would normally be borne by a funder but instead are covered by the County or a third party, such as a subcontractor or an unfunded collaborator. For the purpose of this policy, "cost matching" should be treated interchangeably with the term "cost sharing"; however, the term "cost matching" often refers to cost sharing agreements in which the amount of funder funding is based on an equal or proportionate commitment from the County.

Procedures

1. **Types of Cost Sharing**

   There are three main types of cost sharing:

   <u>Mandatory Cost Sharing</u>: cost sharing required by the funder as a condition of eligibility for an award. Typically, a mandatory cost sharing requirement must be communicated in a proposal solicitation. In these situations, a proposal must demonstrate/commit to the required cost sharing. Mandatory cost sharing is typically explicitly referenced in an award document. Mandatory cost sharing must be properly documented and tracked for cost accounting and compliance purposes.

Voluntary Committed Cost Sharing: Cost sharing not required by the funder as a condition of award but provided at the discretion of the institution. This cost sharing is referenced within a proposal and becomes a binding, auditable obligation; it is often, though not always, referenced in an award document. Voluntary committed cost sharing must be properly documented and tracked for cost accounting and compliance purposes.

Voluntary Uncommitted Cost Sharing: Cost Sharing not required by the relevant program solicitation, not referenced in the proposal or award, and not formally traced or auditable. The most common form of voluntary uncommitted cost sharing is staff effort that is in addition to the of the level of effort originally committed to the funded project.

2. Baker County's Position on Cost Sharing

The County may engage in cost sharing if it is in the best overall interest of the County, but limited to situations in which it is mandated by the funder per solicitation or policy guidelines, or deemed appropriate in light of specific and compelling circumstances. The County does not typically cost share on a voluntary basis, consistent with its objective of maximizing funder cost reimbursement. A voluntary cost sharing commitment should be made only when the competitive forces and perceived institutional benefit of receiving the award are deemed to be sufficiently strong to warrant the commitment.

Cost sharing represents an administratively complex and high-risk business objective. It can also increase the audit risk of a funded project.

3. Impacts of Cost Sharing

Financial Impact: Cost Sharing can redirect resources from departments limiting those units' capabilities. The inherent forfeiture of indirect costs produced by cost sharing represents a County subsidy. That is, the County loses the ability to accrue indirect cost on project expenses that were cost shared as opposed to charged to a funded project.

Administrative Impact: Cost sharing presented in a proposal becomes a binding obligation at the award stage that the County must monitor, document, and report on. This represents a significant organizational administrative burden across many units and management levels at the County.

Staff Impact: In situations where staff effort is cost shared in support of a mandatory or voluntary committed cost sharing requirements, staff's ability to conduct other projects by be limited. Staff can also be affected by the burden to monitor, document, and report committed cost sharing.

Compliance Impact: In general, cost sharing increases the compliance risk of a funded project. Cost sharing increases the County's audit exposure, and any audit findings determining that cost sharing did not occur, or did not occur to the committed level, could result in consequences including, but not limited to, disallowance of cost and termination of award.

Facilities and Administrative Impact: The County's total amount of mandatory and voluntary committed cost sharing, salary and non-salary, must be included in the direct cost base for calculating the facilities and administrative impact.

4. Forms of Cost Sharing

All cost sharing contributions, including those from third party sources, must met the guidelines to be considered allowable cost sharing on a funded project.

If a cost does not meet the appropriate criteria to be an allowable cost on a funded project, it cannot be considered a cost share contribution.

Cash: Cash contributions used to cost share must come from an allowable, non-funded source, such as appropriated or discretionary accounts. Cash can be used to fund salaries, fringe benefits, travel, equipment, supplies, and other allowable direct costs.

Effort: An effort commitment is the portion of time committed to a particular funded project in relation to an individual's total activities at the County. This commitment represents a contractual obligation to a funded project, whether the effort is charge or cost shared to the project. When staff makes an effort commitment to a funded project without requesting the associated salary, the staff is establishing a cost share commitment, as the County is assuming from the funder the cost of the staff's project time, inclusive of salaries and fringe benefits. Cost sharing effort can occur either at the proposal stage as a commitment or at the award stage as a previously uncommitted but quantifiable contribution to the project.

Unrecovered Facilities and Administrative: Facilities and Administrative costs, including indirect costs are real costs associated with conducting funded activity. In situations where allowable direct costs are cost shared, the Facilities and Administrative associated with these direct costs cannot be assessed, but still represent a quantifiable loss and should be considered cost sharing. In situations where indirect costs are limited by the funder based on a flat amount, the difference between that funded activity's designated rate and the funder's limit/cap may be considered cost sharing. The County's intention to count unrecovered indirect costs as cost sharing may otherwise be required.

Third-Party: Third party contributions represent cost sharing provided by an entity external to the County. Third-party cost shared commitments and expenditures must follow the same guidelines the County follows in order for them to be considered allowable and appropriate cost sharing. Examples include sub-awardee cost sharing, donated equipment, and contributed time or services from an extramural party.

MISC.

1. **CONFLICT OF INTEREST**
   The purpose of this conflict of interest policy is to protect the County's interests when contemplating entering into an arrangement that might benefit the private interest of an officer, trustee, director, or employee of the County.

OMB 2 CFR 200:

"The non-federal entity must disclose in writing any potential conflict of interest of the Federal awarding agency or pass=through entity in accordance with applicable Federal awarding agency policy." (*200.112, Conflict of Interest*)

"No employee, officer, or agent may participate in the selection, award, or administration of a contract supported by a Federal award if he or she as a real or apparent conflict of interest. Such a conflict of interest would arise when the employee, officer, or agent, and member of his or her immediate family, his or her partner, or an organization which employs or is about to employ any of the parties indicated herein, has a financial or other interest in or a tangible personal benefit from a fire considered for a contract." (*200.318, General Procurement Standards*)

"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 must be excluded from competing for such procurements." (*200.319, Competition*)

Note: Section 200.450, Professional services costs, prohibits "officers and employees" of the non-federal entity from being contractors paid with federal funds.

2. **MANDATORY DISCLOSURES**
   As per OMB Uniform Guidance, 2 CFR 200, Baker County must disclose, in a timely manner, in writing to the Federal awarding agency or pass-through entity all violations of Federal criminal law involving fraud, bribery, or gratuity violations potentially affecting the Federal award. Non-Federal entities, such as Baker County, that have received a Federal award are required to report certain civil, criminal, or administrative proceedings to SAM. Failure to make required disclosures can result in any of the remedies described in §200.338, Remedies for noncompliance, including suspension or debarment.

3. **GRANT DOCUMENTATION**
   Baker County staff will generally track and monitor grant activity through the use of either a physical project binder, the electronic equivalent of that, or a combination of the

two methods. Some federal funders require one method or the other and will be included in the grant contract.

The binder based system allows staff to identify what has been completed and what needs to be accomplished regarding both program and financial activity. The system is also extremely effective in demonstrating grant compliance and communicating with funders and auditors.

4. RECORD RETENTION OF FEDERAL GRANT RECORDS

Baker County will meet all funder requirements regarding records retention and those that appear at any other relevant governance level, such as state record retention rules that apply to flow-through grants. The County will, at a minimum, retain records for six years in accordance with the County's policy regarding both federal and non-federal grants. This six-year period is in excess of OMB rules that requires grant records be retained for federally funded grant projects for three years from the closeout or final formal inquiry, in keeping with the following OMB requirements.

Non-federal grants usually have a specified record retention timeline within the grant agreement.

5. INVENTORY TRACKING

Baker County will track all property purchased with federal grant funds in accordance with the following:

OMB 200.313

…(1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of funding for the property, including the FAIN, who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the project costs for the Federal award under which the property was acquired, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.

Note: the FAIN is the Federal Award Identification Number specific to that on grant agreement.

The County will not sell or dispose of equipment worth $5,000 or more purchased with federal grant funds without the approval of the funding organization, as per OMB requirements. Under OMB Super Circular rules, "items with a current per unit fair market value of $5,000 or less may be retained, sold or otherwise disposed of with no further obligation to the Federal awarding agency" (OMB 2 CFR 200.313.e.1). That means from the federal government's perspective and equipment item becomes a supply item after it depreciates to be worth less than $5,000.

6. **LEFTOVER FEDERALLY FUNDED SUPPLIES**

"Supplies" in this context refers to expendable materials and supplies including equipment with an original useful life of one ear or less or an original unit cost of less than $5,000.

If there is a residual inventory of unused supplies exceeding $5,000 in total aggregate value upon termination or completion of the project or program, the grantee may retain the supplies for use on federally and non-federally funded activities with approval of the funder. However, as OMB rules, funding organizations are required to negotiate residual supply issues in excess of $5,000 to determine whether the County should keep the supplies, return those, pass them to another organization, or provide reimbursement to the federal government for its share. Therefore, if more than $5,000 in residual supplies remain at the end of the grant, it is advised the federal or pass-through agency be contacted for disposition instructions. If supplies with an aggregate value of $5,00 or less are leftover, the County may retain the supplies for use on federal or non-federal funded activities without funder approval.

7. **TRAVEL AND MEALS**

In general, Baker County's staff reimbursement from state or federal grants is limited to the following and the requests must be approved by the Administration office or Commission.

- The *actual* or per diem cost of meals, not to exceed the maximum allowable federal per diem rate
- The *actual* cost of lodging, not to exceed the current federal rate in the locale to which the employee is travelling
- The *actual* cost of coach airfare
- The federal rate for mileage based on actual, verifiable miles
- The *actual* cost of a rental car and fuel
- The *actual* costs of other necessary travel costs such as cabs, tips, business related

§ 200.474 Travel costs

- (a) *General*. Travel costs are the expenses for transportation, lodging, subsistence, and related items incurred by employees who are in travel status on official business of the non-Federal entity. Such costs may be charged on an actual cost basis, on a per diem or mileage basis in lieu of actual cost incurred, or on a combination of the two, provided the method used is applied to an entire trip and not to selected days of the trip, and results in charges consistent with those normally allowed in like circumstances in the non-Federal entity's written travel reimbursement policies. Notwithstanding the provisions of §200.444 General costs of government, travel costs of officials covered by that section are allowable with the prior written approval of the Federal awarding agency or pass-through entity when they are specifically related to the Federal award.

- (b) *Lodging and subsistence*. Cost incurred by employees and officers for travel, including costs of lodging, other subsistence, and incidental expenses, must be considered reasonable and otherwise allowable only to the extent such costs do not exceed charges normally allowed by the non-Federal entity in its regular operations as the result of the non-Federal entity's written travel policy. In addition, if these costs are charge directly to the Federal award documentation must justify that:
- (1) Participation of the individual is necessary to the Federal award; and
- (2) The costs are reasonable and consistent with non-Federal entity's established travel policy
- (c)(1) Temporary dependent care costs (dependent is defined in 26 USC 152) above and beyond regular dependent care that directly results from travel to conferences is allowable provided that:
- (i) the costs are a direct result of the individual's travel for the Federal award;
- (ii) The costs are consistent with the non-Federal entity's documented travel policy for all entity travel; and
- (iii) Are on temporary during the travel period.
- baggage fees, tolls, and parking verified by receipts

8. DOCUMENTATION OF PERSONNEL EXPENSES

Baker County will follow OMB Super Circular provisions (2 CFR 200) regarding tracking and allocating staff time and effort to grants. The OMB rules are stated in full at the end of this subsection, but time allocation records in general:

1. Must be incorporated into the official agency records and be supported by a system of internal controls
2. Must reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities
3. Can't rely solely on budget estimates (i.e. estimates determined before the services are performed)

At-A-Glance: salary allocation documentation

Monthly time records are an option for funders that desire that time and effort be recorded on a frequent basis. Staff can prepare "after the fact" monthly time sheets that allocate all work be either hours or percentage.

Employees are encouraged, but not required, to keep work journals, notes, and calendars to aid in the preparation of accurate time reports.

Non-compliance regarding these important federal requirements can result in disallowed salary and benefits expenditure, associated decrease in the recovery of facilities and administration costs, penalties, fines and other legal action.

For the sake of thoroughness and for review by Baker County staff, the new OMB rules on "Standards for Documentation of Personnel Expenses" are stated in full as follows in the green box below. Previous OMB circulars call this issue "time and effort reporting", and in the Super

OMB §200.430 Standards for Documentation of Personnel Expenses
(a) *General*. Compensation for personal services includes all remuneration, paid currently or accrued, for services of employees rendered during the period of performance under the Federal award, including but not necessarily limited to wages and salaries. Compensation for personal services may also include fringe benefits which are addressed in § 200.431 Compensation - fringe benefits. Costs of compensation are allowable to the extent that they satisfy the specific requirements of this part, and that the total compensation for individual employees:

(1) Is reasonable for the services rendered and conforms to the established written policy of the non-Federal entity consistently applied to both Federal and non-Federal activities;

(2) Follows an appointment made in accordance with a non-Federal entity's laws and/or rules or written policies and meets the requirements of Federal statute, where applicable; and

(3) Is determined and supported as provided in paragraph (i) of this section, Standards for Documentation of Personnel Expenses, when applicable.

(b)Reasonableness. Compensation for employees engaged in work on Federal awards will be considered reasonable to the extent that it is consistent with that paid for similar work in other activities of the non-Federal entity. In cases where the kinds of employees required for Federal awards are not found in the other activities of the non-Federal entity, compensation will be considered reasonable to the extent that it is comparable to that paid for similar work in the labor market in which the non-Federal entity competes for the kind of employees involved.

(c)Professional activities outside the non-Federal entity. Unless an arrangement is specifically authorized by a Federal awarding agency, a non-Federal entity must follow its written non-Federal entity-wide policies and practices concerning the permissible extent of professional services that can be provided outside the non-Federal entity for non-organizational compensation. Where such non-Federal entity-wide written policies do not exist or do not adequately define the permissible extent of consulting or other non-organizational activities undertaken for extra outside pay, the Federal Government may require that the effort of professional staff working on Federal awards be allocated between:

(1) Non-Federal entity activities, and

(2) Non-organizational professional activities. If the Federal awarding agency considers the extent of non-organizational professional effort excessive or inconsistent with the conflicts-of-interest terms and conditions of the Federal award, appropriate arrangements governing compensation will be negotiated on a case-by-case basis.

(d) Unallowable costs

(1) Costs which are unallowable under other sections of these principles must not be allowable under this section solely on the basis that they constitute personnel compensation.

(2) The allowable compensation for certain employees is subject to a ceiling in accordance with statute. For the amount of the ceiling for cost-reimbursement contracts, the covered compensation subject to the ceiling, the covered employees, and other relevant provisions, see 10 U.S.C. 2324(e)(1)(P), and 41 U.S.C. 1127 and 4304(a)(16). For other types of Federal awards, other statutory ceilings may apply.

(e) *Special considerations*. Special considerations in determining allowability of compensation will be given to any change in a non-Federal entity's compensation policy resulting in a substantial increase in its employees' level of compensation (particularly when the change was concurrent with an increase in the ratio of Federal awards to other activities) or any change in the treatment of allowability of specific types of compensation due to changes in Federal policy.

9. SUPPLANTING

The concept of "no supplanting' or "supplement, not supplant" are requirements common to many state and federal funded grants. The term supplant means to replace, so "no supplanting" requirements means all costs billed to the grant should be new costs. Supplanting is not prohibited under OMB rules, or even addressed in the Super Circular. Funders will address no supplanting rules in proposal guidelines and grant agreements.

There are two common scenarios in which a funding agency will presume supplanting has occurred. In both cases, once the presumption of supplanting has been made, it is Baker County's responsibility to rebut the presumption.

1. *Providing services required under state or local law*. Any services that an entity is required to provide under state law, local policy, or policy at another level must be provided using state of local funds.
2. *Providing same services as those provided in prior years with state or local funds*. If state of local fuds were used in the prior year to provide services, and those services are provided again the current yea, the funder may presume a supplanting situation has occurred if the state or local funds are replaced by federal funds. Even in cases where a

budget shortfall is anticipated, the entity may not plan to use federal funds to cover a shortage of state or local funds.

10. INDIRECT COSTS

The new OMB Uniform Guidance made (19) changes to the indirect cost rules, and those changes are generally in favor of an entity being able to claim its full indirect cost rate. Previously rates were often capped at amounts such as 5,10, or 15 percent. Under new guidance, federal agencies generally must accept negotiated indirect cost rates.

Nonprofits, municipalities, and tribal entities are empowered to elect an automatic indirect cost rate of 10%, called a "de minimis rate" in the guidance, but only if the entity has never had an approved rate, which can be used indefinitely.

11. SUB-AWARDING POLICIES

Baker County is responsible for financial and programmatic monitoring of sub-recipients. Baker County is responsible for ensuring that sub-recipients are in compliance with the requirements of appropriate standards for good business practices, including maintaining adequate internal controls and verifying completion of federal single audits when those are required.

The County will use a sub-award agreement, reporting, site visits, regular contact, or other means to provide reasonable assurance that sub-recipients administer awards in compliance with laws, OMB requirements, and grant requirements.

Baker County will ensure the following items are appropriately addressed when making sub-awards:

1. Determining whether the relationship is a sub-award or a contract will be based on OMB definitions in 2 CFR 200.330 and will be clearly identified in Baker County agreements.

2. Sub-award reporting and monitoring will meet OMB requirements in 2 CFR 200.331, including appropriate navigation of the following issues:

a. Reporting of require information items to funder
b. Correct use of indirect cost rates
c. Correct completion of closeout procedures
d. Other requirements detailed in 2 CFR 200.331
e. Consider imposing specific sub-award conditions upon a sub-recipient if appropriate
f. Monitor the activities of the sub-recipient as necessary to ensure that the sub-award is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the sub-award; and that sub-award performance goals are achieved.
g. Reviewing financial and performance reports required by the funding entity and Baker County.

h. Following-up and ensuring that the sub-recipient takes timely and appropriate action on all deficiencies pertaining to the funding entity provided to the sub-recipient from the pass-through entity detected through audits, on-site reviews, and other means.

i. Consider taking enforcement action against noncompliant sub-recipients as described in §200.338 Remedies for noncompliance of this part and in program regulations.