

**RESOLUTION NO. 1293**

**A RESOLUTION ADOPTING RULES FOR ADMINISTRATION OF FEDERAL AWARDS**

**WHEREAS**, The Office of Management and Budget (OMB) issued the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards in December of 2013; and

**WHEREAS**, the new rules are referred to as the Uniform Guidance (UG) and Non-Federal Agencies were given an extension for implementation until June 20, 2018; and

**WHEREAS**, the City has created an administrative policy to comply with the UG and the policy must be adopted prior to July 1, 2018.

**NOW, THEREFORE, BE IT RESOLVED** by the City of Canby City Council that Resolution 1293 with "Exhibit A" is adopted to create an Administrative Policy for the Administration of Federal Awards.

This resolution shall take effect on June 20, 2018.

**ADOPTED** this 20<sup>th</sup> day of June 2018 by the Canby City Council.

  
\_\_\_\_\_  
Brian Hodson  
Mayor

ATTEST:

  
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Kimberly Scheafer, MMC  
City Recorder

<b>CITY OF CANBY ADMINISTRATIVE POLICY</b>	Effective Date: 06/20/2018
<b>Administration of Federal Awards</b>	Resolution # 1293

**PURPOSE:** This policy is intended to:

- Establish policies and procedures over the administration of Federal Awards;
- To establish policies and procedures over the allowable costs of Federal Awards, including those passed through from the State of Oregon or other granting organizations.

**AUTHORITY:** The Canby City Council may establish rules and regulations in reference to managing the interests and business of the City under ORS 221.

**APPLICABILITY:** Every department head, elected official, employee or agent of the county (public official) who has authority to receive or expend Federal Financial Assistance is responsible for compliance with the policy. Each is responsible for ensuring that Federal Financial Assistance is administered in accordance with the purpose of the Federal Award Agreement and in compliance with all applicable laws and regulations.

**GENERAL POLICY:** All Federal Awards are subject to the established requirements as set forth by the federal government in the Uniform Guidance for Federal Awards (Uniform Guidance) and other laws and regulations as required by the Federal Award Agreement and the granting agency.

**DEFINITIONS:**

**Federal Award:** Federal Financial Assistance that a non-federal entity receives directly from a federal awarding agency or indirectly from a pass-through entity, or a cost-reimbursement contract under federal acquisition regulations that a non-federal entity receives directly from a federal awarding agency or indirectly from a pass-through entity.

**Federal Award Agreement:** the instrument setting forth the terms and conditions of a Federal Award. The instrument is a grant agreement, cooperative agreement or any other agreement providing Federal Financial Assistance, or a cost-reimbursement contract awarded under federal acquisition regulations.

**Federal Financial Assistance:** assistance that non-federal entities receive to administer a Federal Award in the form of: grants, cooperative agreements, non-cash contributions, donations of property, direct appropriations, food commodities, loans, loan guarantees, interest subsidies or insurance.

**ADMINISTRATIVE REQUIREMENTS:** Each public official that has responsibility for administering a Federal Award shall:

- a. Provide efficient and effective administration of the Federal Award through the application of sound management practices;
- b. Administer federal funds in a manner consistent with underlying agreements, program objectives, and the terms and conditions of the Federal Award;
- c. Comply with the cost principles established by the federal government, support the accumulation of costs as required by the cost principles, and provide adequate documentation to support costs charged to the Federal Award;
- d. Apply costs and cost allocations related to indirect costs and administrative charges on a consistent basis and in accordance with federal cost principles and city policy.
- e. Ensure that no profit results from the use of Federal Financial Assistance, unless explicitly authorized by the terms and conditions of the Federal Award (i.e. program income); and
- f. Establish a process of internal control, designed to achieve the objectives of the Federal Award, in a manner that also achieves the following:
  - i. Effective and efficient operations;
  - ii. Reliable reporting for internal and external use;
  - iii. Evaluating and monitoring compliance with all applicable laws and regulations;
  - iv. Taking prompt action when instances of noncompliance are identified;
  - v. Taking reasonable measures to safeguard protected personally identifiable information.

**PAYMENTS OF FEDERAL AWARDS:** Payment methods must minimize the time elapsing between the receipt of funds from the federal agency or pass-through entity and the disbursement of those funds by the city, whether the payment is made by electronic funds transfer, issuance or redemption of checks or warrants, or payment by any other means.

- a. Standard practice in the city is to operate Federal Awards on a reimbursement basis, wherein costs are incurred first, then reimbursement of those costs is requested from the federal agency or pass-through entity in order to minimize the time elapsing between transfers of funds.
- b. When the reimbursement method is not feasible, advance payments may be requested to administer a Federal Award with the following considerations:
  - i. Time elapsing between the receipt of funds from the federal agency or pass-through entity and the disbursement of those funds must be no more than 3 business days;
  - ii. Funds that cannot be disbursed within 3 business days must be deposited in an interest-bearing fund and cost center (program, service and/or project), and allocated a fair share of monthly interest earnings; and
  - iii. Interest earnings in excess of \$500 per year must be returned to the federal agency or pass-through entity.

**CONFLICT OF INTEREST:** A public official, including any department head, elected official, employee or agent of the city, shall not participate in the selection, award or administration of a contract supported by a Federal Award if he or she has a real or apparent conflict of interest. Such a conflict of interest would arise when the public official, or any member of his or her immediate family, or an organization which employs or is about to employ any of the parties indicated herein, receives a financial or other personal benefit from an organization considered for a contract supported by a Federal Award. Violations of such standards by a public official will be subject to disciplinary action in accordance with city policies.

**AUDIT REQUIREMENTS:**

- a. The city must procure or arrange for the city's audit as required by Section 200.508-200.512, under the Uniform Guidance.
- b. The city will prepare the following statements and schedules:
  - i. Financial statements that reflect its financial position, results of operations or changes in net position, and, where appropriate, cash flows for the fiscal year audited;
  - ii. Schedule of Expenditures of Federal Awards (SEFA) for the period covered by the auditee's financial statements which must include the total Federal Awards expended;
- c. Audit Finding Follow Up – the city is responsible for follow-up and corrective action on all audit findings. The city will prepare a summary schedule of prior audit findings and a corrective action plan for current year findings; and
- d. Report Submission – the city will complete the data collection form within the earlier of 30 days after receipt of the auditor's report or nine months after the end of the audit period. The reporting package must include items as listed in the Uniform Guidance Section 200.512 (c).

**ALLOWABLE COSTS:** The total cost of a Federal Award is the sum of the allowable direct and allocable indirect costs, less any applicable credits. Costs must meet the following criteria to be allowable under Federal Awards:

- a. Be necessary and reasonable for the performance of the Federal Award and be allocable (chargeable or assignable) to that Federal Award in accordance with the relative benefits received.
- b. Conform to any limitations or exclusions set forth in the Uniform Guidance or in the Federal Award Agreement as to type or amount of cost items.
- c. Be consistent with policies and procedures that apply uniformly to both federally financed and other activities of the city.
- d. Be given consistent treatment. A cost may not be assigned to a Federal Award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal Award as an indirect cost.
- e. Be determined in accordance with generally accepted accounting principles (GAAP).
- f. Not be included as a cost or used to meet cost-sharing or matching requirements of any other federally financed program in either the current or a prior period.
- g. Be adequately documented.
- h. Comply with the general cost provisions of the Uniform Guidance, 2 CFR Section 200.420. Examples of unallowable costs include, but are not limited to: alcohol, bad debts, contributions and donations, entertainment costs, goods and services for personal use, lobbying, organization costs associated with incorporation fees, and selling and marketing costs (except for prior approval of federal awarding agency).
- i. Receive prior written approval for certain items of cost as outlined in the Uniform Guidance, 2 CFR Section 200.407.

**CLASSIFICATION OF COSTS:** All costs associated with Federal Awards shall be classified as direct or indirect costs. All allowable costs should be included in the budget or the financial plan of the Federal Award Agreement. Disallowed costs will not be charged to the Federal Award.

- a. Direct Costs – Those costs that can be identified specifically with a particular cost objective or that can be directly assigned to such activities easily and with a high degree of accuracy. Examples include, but are not limited to: payroll costs of employees who work directly on the

Federal Award, materials and other expenses incurred in direct relation to administering the Federal Award, and sub recipient expenses.

- b. Indirect Costs – Those costs incurred for a common or joint purpose benefitting more than one cost objective and/or not readily assignable to the cost objective benefitted. For example, administrative costs charged to the grant based on a cost allocation plan or approved indirect cost rate would be considered indirect costs.
- c. Disallowed Costs - Those costs that the federal awarding agency or pass-through entity determines to be unallowable, in accordance with applicable federal statutes, regulations, and terms and conditions of the Federal Award. To determine whether a cost is allowed or disallowed, refer to:
  - i. The Federal Award Agreement and
  - ii. Section 200.420-475 General Provisions for Selected Items of Cost under the Uniform Guidance for Federal Awards. If unable to determine whether the cost is allowed or disallowed, contact the federal awarding agency or granting agency administering the Federal Award for further clarification.

**ADMINISTRATIVE CHARGES ON FEDERAL AWARDS:** Administrative charges must be allocated as a reimbursable cost or in-kind cost to maintain consistency in the application of administrative charges.

- a. Departments will include administrative charges in the grant application in accordance with the city's approved cost allocation plan and/or indirect cost rate.
- b. Administrative charges will be included in the budget of the Federal Award approved by the awarding agency.
- c. If the Federal Award Agreement prohibits administrative charges or has a cap on those types of costs, the department will be responsible for including those costs as an in-kind match against the Federal Award.
- d. The Finance Director or City Administrator may grant an exception to the allocation of administrative charges to a federal award.

**DISPOSAL OF FIXED ASSETS PURCHASED WITH FEDERAL AWARDS:** Funds received from federal assistance may be used to purchase fixed assets, if allowed by the awarded federal assistance contract. When the fixed asset is no longer needed for the project funded by the grant, the fixed asset may be disposed of as outlined below:

- a. Real Property includes buildings, land (including improvements), and structures. If a grantee can no longer use the real property, the federal agency will direct the City to:
  - i. Sell the property and pay the federal agency its share of the proceeds according to matching or cost-sharing ratios;
  - ii. Retain the property and pay the agency its share of the market value of the property; or
  - iii. Transfer title to the federal agency and receive its share of the market value.
- b. Equipment includes tangible personal property having an acquisition cost in excess of \$5,000 and a useful life of more than one year.
  - i. If the current market value of the equipment is less than \$5,000, the city may sell or retain it without compensating the federal government.
  - ii. If the property is worth \$5,000 or more, a grantee has several options from which to choose. In absence of instructions from the awarding agency, within 120 days after the end of federal support of the project the City may:
    - 1. Retain the equipment or
    - 2. Sell the equipment and pay the federal agency their share of the market value.

**PERIODIC REVIEW:** This policy will be reviewed by the Finance Director at least every three years.