

TO: Board of Commissioners

FROM: Administrator/Controller's Office

DATE: May 2, 2018

RE: Isabella County Financial Management Policy No. 413 – Federal Grant Management Policy

BACKGROUND

In 2013 the Federal Office of Management and Budget (OMB) updated final guidance to the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). As detailed in 2 CFR 200, the OMB set specific guidelines for financial management and internal controls in Sections 200.302 and 200.303 to require all non-Federal entities that expend Federal funds, and request reimbursement of Federal Awards, to have written procedures in place to implement the requirements of 2 CFR 200. A County policy for Federal Grant Management does not currently exist which addresses the new Uniform Guidance.

In response to the new requirements of the Uniform Guidance, the Administrator/Controller's Office has drafted the attached Federal Grant Management Policy for your consideration. Per the OMB, the County must adopt a policy to address the new requirements by September 30, 2018. The recommended policy serves to incorporate the financial management guidance and internal controls contained in the Uniform Guidance regarding cost principles. This includes reference to the Uniform Guidance written procedures for determining the Federal grant activities which are allowed and unallowed. Also included are procedures for the allowability of costs in accordance with Subpart E – Cost Principles of the Uniform Guidance and the terms and conditions of the Federal awards.

As part of these written procedures the Uniform Guidance also requires written cash management procedures that put in place requirements to assure payment methods serve to minimize the time elapsed between the transfer of funds from the funding source to the County and its

subrecipients. As such, the recommended Federal Grant Management Policy requires all of the County's Federal grants to be awarded on a cash reimbursement basis to assure compliance with cash management requirements. In other words, the County first expends its own funds and then requests reimbursement of those funds from the federal funding source.

In order to be in compliance with Uniform Guidance, and continue to receive Federal funding for applicable and appropriate grant expenditures, the recommended Federal Grant Management Policy has been developed with all of the necessary requirements included. This will allow the County to be in compliance with Uniform Guidance and should prevent related Federal Single Audit findings in our annual Federal Compliance Audit in the future.

ALTERNATIVES

The County could choose not to adopt the recommended Federal Grant Management Policy, but it must compile and adopt a policy that addresses the new Uniform Guidance requirements by September 30, 2018. Failure to adopt such a timely policy would serve to expose the County to Federal Single Audit Findings and risk future Federal grant funding.

FINANCIAL IMPACT

The attached recommended Federal Grant Management Policy should not pose any impact in terms of budgeted amounts for personnel or goods and services. The recommended policy should serve to alleviate budgetary pressures by ensuring County compliance and qualified status to receive future Federal grant funding.

OTHER CONSIDERATIONS

In the County's September 30, 2017 Audit a comment and recommendation was presented by the auditors in regards to the County's lack of written policies as required by the Uniform Guidance.

The audit comment noted that while the County had processes in place to address the Uniform Guidance, it did not have the required formal written policies in place. The auditors recommended that a new policy be adopted by the County that specifically addressed the payment process and allowability of costs for Federal grants. In addition, the auditors

recommended that current County policies addressing procurement, compensation and travel costs be updated to adhere to the requirements of the Uniform Guidance.

RECOMMENDATIONS

Consider adopting the attached Isabella County Financial Management Policy No. 413 – Federal Grant Management Policy and take effect immediately upon adoption.

ATTACHMENTS

- Isabella County Financial Management Policy No. 413 – Federal Grant Management Policy Final Draft Narrative



ISABELLA COUNTY, MICHIGAN

Federal Grant Management Policy

Financial Management Policy
No. 413

Adopted: xx/xx/xxxx
Revised: xx/xx/xxxx

1. GENERAL.

The purpose of this policy is to establish a standard set of guidelines pursuant to those established under Federal Uniform Guidance and 2 CFR 200 of the Federal Compliance Supplement, which set guidance for Federal Grantees. In order to maintain appropriate internal control over the Grants that the County has been awarded, all grant agreements must be approved by the County Board of Commissioners.

2. DEFINITIONS.

Uniform Guidance means the Office of Management and Budget's (OMB) Uniform Administrative Requirements, Cost Principles, and audit requirements for Federal Awards.

Federal Grantees means a non-Federal agency that has received a Federal grant either directly from the Federal Government or as a pass-through grantee with grant funds coming through the State, other local government, or any other properly authorized entity.

3. POLICY/PROCEDURES.

Activities Allowed/Unallowed and Allowable Costs/Cost Principles

The requirements for activities allowed or unallowed under any Federal grant award are contained in program legislation, Federal awarding agency regulations, and the terms and conditions of the award.

The requirements for allowable costs/cost principles are contained in 2 CFR 200, subpart E, program legislation, Federal awarding agency regulations, and the terms and conditions of the award. The requirements for the development and submission of indirect cost rate proposals and cost allocation plans (CAPs) are contained in 2 CFR part 200 Appendix X.

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

- A. All grant expenditures will be in compliance with the Uniform Guidance, State law, and County policy. The provisions of the grant award agreement will also be considered in determining allowability. Grant funds will only be used for expenditures that are considered reasonable and necessary as defined by 2 CFR 200.404 "Reasonable Costs" for the administration of the program.

- B. The Department Head, Elected Official, or their designee responsible for program compliance related to the Federal grant must have a strong working knowledge of Subpart E – Cost Principles of the Code of Federal Regulations (CFR) prior to and for the duration the County is in receipt of the Federal grant funding.
- C. Grant expenditures will be approved by the Department Head/Elected Official or designee initially through the budget and procurement processes as applicable. All bills or invoices must be received and approved by the Department and submitted to the Administrator/Controller’s Office for payment. This will be evidenced by approval noted on the invoice or maintained within the accounts payable software. Accounts payable disbursements will not be processed for payment until necessary approval has been obtained.
- D. Payroll costs will be documented in accordance with the Uniform Guidance with timesheets, and any other payroll records being approved at the Department level prior to payroll disbursements being processed by the Administrator/Controller’s Office.
- E. The County will be permitted to charge indirect costs to federal grants, if permitted, in various ways such as (1) the federally negotiated indirect cost rate (if one exists), (2) through the Central Services Cost Allocation Plan as prepared in accordance with 2 CFR Part 225, or (3) the de minimis rate of 10 percent. These costs will be charged on a systematic and rational basis.
- F. For grants that are not expenditure reimbursement based, such as grants that reimburse on a “per unit basis” i.e. number of meals served, number of miles driven, etc., the Department participating in such a grant is still required to document costs related to the grant. In addition program related data should be maintained at the Department level to support the number of units provided to support the amount of the grant reimbursement.

Cash Management

The requirements for cash management are contained in 2 CFR §200.305, program legislation, Federal awarding agency regulations, and the terms and conditions of the grant award.

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

- A. All of the County’s Federal grants are awarded on a reimbursement basis. As such, program costs will be expended and disbursed prior to requesting reimbursement from the grantor agency.
- B. Grant reimbursements will be initiated by the Administrator/Controller’s Office where the determination will be made as to the appropriate reimbursement amount to request. Documentation of how this amount was determined will be agreed to by the Department Head/Elected Official where the grant funds are being expended. The Department Head/Elected Official shall provide copies of said documentation to the Administrator/Controller’s Office for retention for audit purposes.
- C. Each reimbursement request will be reviewed/approved by the Department Head/Elected Official or their designee for the department where the grant funds are being expended. This

request will be signed, as required and the request will be transmitted as required to the applicable funding source for reimbursement.

4. OVERSIGHT AUTHORITY.

Oversight authority for grants management is the responsibility of the Department Head/Elected Official where the Federal grant is being conducted. Ultimate oversight authority is the responsibility of the County Administrator/Controller as required by the County Board of Commissioners. The County Administrator/Controller's Office, will constantly review Departmental management of grants to assure conformity with this policy.

5. DISCIPLINARY MEASURES.

Disciplinary measures consistent with existing law, County policy, and collective bargaining agreements will be taken in the event that County grant funding is used in violation of this policy. There are also potential negative implications with the Federal funding source including, but not limited to, the Federal funding source questioning costs charged to the grant which may require repayment or eliminating the County from eligibility for future Federal grants.