

## FEDERAL UNIFORM GRANT GUIDANCE POLICY

### Purpose

The purpose of this policy is to ensure the **City of Sauk Rapids'** compliance with the requirements of the federal Uniform Grant Guidance regulations by establishing uniform administrative requirements, cost principles, and audit requirements for federal grant awards received by the city.

### Conflict of Interest

- Employee 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 has a real or apparent conflict of interest. Such a conflict of interest would arise when the employee, officer, or agent, any 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 firm considered for a contract. The employees, officers, and agents of the city may neither solicit nor accept gratuities, favors, or anything of monetary value from contractors or parties to subcontracts. However, the city may set standards for situations in which the financial interest is not substantial or the gift is an unsolicited item of nominal value. The standards of conduct must provide for disciplinary actions to be applied for violations of such standards by employees, officers, or agents of the city.
- Organizational Conflicts of Interest: The city is unable or appears to be unable to be impartial in conducting a procurement action involving the related organization because of relationships with a parent company, affiliate, or subsidiary organization.
- Disclosing Conflicts of Interest: The city must disclose in writing any potential conflict of interest in accordance with applicable federal awarding agency policy.

### Acceptable Methods of Procurement

- The city must maintain oversight to ensure that contractors perform in accordance with the terms, conditions, and specifications of their contracts or purchase orders.
- The city's procedures must avoid acquisition of unnecessary or duplicative items. Consideration should be given to consolidating or breaking out procurements to obtain a more economical purchase. Where appropriate, an analysis will be made of lease versus purchase alternatives and any other appropriate analysis to determine the most economical approach.
- The city must award contracts only to responsible contractors possessing the ability to perform successfully under the terms and conditions of a proposed procurement. Consideration will be given to such matters as contractor integrity, compliance with public policy, record of past performance, and financial and technical resources.
- The city must maintain records sufficient to detail the history of procurement. These records will include, but are not necessarily limited to, the following: rationale for the method of procurement; selection of the contract type; contractor selection or rejection; and the basis for the contract price.

- The city alone must be responsible, in accordance with good administrative practice and sound business judgment, for the settlement of all contractual and administrative issues arising out of procurements. These issues include, but are not limited to, source evaluation, protests, disputes, and claims. These standards do not relieve the city of any contractual responsibilities under its contracts.
- The city must take all necessary steps to assure that all businesses regardless of race, gender or ethnic background have the same ability to be used when possible.
- The city must use one of the following methods of procurement:
  - Procurement by micro-purchase: acquisition of supplies or services where the aggregate dollar amount does not exceed the micro-purchase threshold, generally \$10,000, except as otherwise discussed in 48 C.F.R. Subpart 2.1 or as periodically adjusted for inflation.
  - Procurement by small purchase procedures: relatively simple and informal procurement methods for securing services, supplies, or other property that do not cost more than \$150,000 (periodically adjusted for inflation).
  - Procurement by sealed bids (formal advertising): publicly solicited and a firm, fixed-price contract (lump sum or unit price) awarded to the responsible bidder whose bid, conforming to all the material terms and conditions of the invitation for bids, is the lowest in price.
  - Procurement by competitive proposals: normally conducted with more than one source submitting an offer, and either a fixed-price or cost-reimbursement type contract is awarded. Competitive proposals are generally used when conditions are not appropriate for the use of sealed bids.
  - Procurement by noncompetitive proposals: procurement through solicitation of a proposal from only one source.
- Competition. The city must have written procedures for procurement transactions. These procedures must ensure that all solicitations:
  - Incorporate a clear and accurate description of the technical requirements for the material, product, or service to be procured. Such description must not, in competitive procurements, contain features which unduly restrict competition. The description may include a statement of the qualitative nature of the material, product, or service to be procured and, when necessary, must set forth those minimum essential characteristics and standards to which it must conform if it is to satisfy its intended use. Detailed product specifications should be avoided if at all possible. When making a clear and accurate description of the technical requirements is impractical or uneconomical, a “brand name or equivalent” description may be used as a means to define the performance or other salient requirements of procurement. The specific features of the named brand which must be met by offers must be clearly stated; and
  - Identify all requirements which the offerors must fulfill and all other factors to be used in evaluating bids or proposals.
- The city must ensure that all prequalified lists of persons, firms, or products which are used in acquiring goods and services are current and include enough qualified sources to ensure maximum open and free competition. Also, the city must not preclude potential bidders from qualifying during the solicitation period.
- Non-federal entities are prohibited from contracting with or making subawards under “covered transactions” to parties that are suspended or debarred or whose principals are suspended or

debarred. "Covered transactions" include procurement contracts for goods and services awarded under a grant or cooperative agreement that are expected to equal or exceed \$25,000.

- All non-procurement transactions entered into by a recipient (i.e., subawards to subrecipients), irrespective of award amount, are considered covered transactions, unless they are exempt as provided in 2 C.F.R. § 180.215.

### **Managing Equipment and Safeguarding Assets**

- Property Standards. The city must, 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. Federally owned property need not be insured unless required by the terms and conditions of the federal award.

The city must adhere to the requirements concerning real property, equipment, supplies, and intangible property set forth in 2 C.F.R. §§ 200.311, 200.314, and 200.315.

- Equipment

Management requirements. Procedures for managing equipment (including replacement equipment), whether acquired in whole or in part under a federal award, until disposition takes place will, at a minimum, meet the following requirements:

- Property records must be maintained that include a description of the property; a serial number or other identification number; the source of the funding for the property (including the federal award identification number (FAIN)); who holds title; the acquisition date; the cost of the property; the percentage of the 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 disposition and sale price of the property.
- A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years.
- A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft must be investigated.
- Adequate maintenance procedures must be developed to keep property in good condition.
- If the city is authorized or required to sell the property, proper sales procedures must be established to ensure the highest possible return.

### **Financial Management Requirements**

- Financial Management. The city's financial management systems, including records documenting compliance with federal statutes, regulations, and the terms and conditions of the federal award, must be sufficient to permit the preparation of reports required by general and program-specific terms and conditions; and the tracing of funds to a level of expenditures adequate to establish that

such funds have been used according to the federal statutes, regulations, and the terms and conditions of the federal award.

- **Payment.** The city must be paid in advance, provided it maintains or demonstrates the willingness to maintain both written procedures that minimize the time elapsing between the transfer of funds and disbursement between the city and the financial management systems that meet the standards for fund control. Advance payments to a city must be limited to the minimum amounts needed and timed to be in accordance with the actual, immediate cash requirements of the city in carrying out the purpose of the approved program or project. The timing and amount of advance payments must be as close as is administratively feasible to the actual disbursements by the non-federal entity for direct program or project costs and the proportionate share of any allowable indirect costs. The city must make timely payment to contractors in accordance with the contract provisions.
- **Internal Controls.** The city must establish and maintain effective internal control over the federal award that provides reasonable assurance that the city 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 Sponsoring Organizations of the Treadway Commission (COSO).

The city must comply with federal statutes, regulations, and the terms and conditions of the federal award. The city must also evaluate and monitor the city’s compliance with statutes, regulations, and the terms and conditions of the federal award. The city must also take prompt action when instances of noncompliance are identified, including noncompliance identified in audit findings. The city must take reasonable measures to safeguard protected personally identifiable information considered sensitive consistent with applicable federal and state laws regarding privacy and obligations of confidentiality.

### **Allowable Use of Funds and Cost Principles**

- **Allowable Use of Funds.** The city administration and city council will enforce appropriate procedures and penalties for program, compliance, and accounting staff responsible for the allocation of federal grant costs based on their allowability and their conformity with federal cost principles to determine the allowability of costs
  - **Definitions**
    1. “Allowable cost” means a cost that complies with all legal requirements that apply to a particular federal program, including statutes, regulations, guidance, applications, and approved grant awards.
    2. “Omni Circular” or “2 C.F.R. Part 200s” or “Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards” means federal cost principles that provide standards for determining whether costs may be charged to federal grants.
    3. “Advance payment” means a payment that a federal awarding agency or passthrough entity makes by any appropriate payment mechanism, including a predetermined payment schedule, before the non-federal entity disburses the funds for program

purposes.

- Allowable Costs. The following items are costs that may be allowable under the 2 C.F.R. Part 200s under specific conditions:

- Advisory councils;
- Audit costs and related services;
- Bonding costs;
- Communication costs;
- Compensation for personal services;
- Depreciation and use allowances;
- Employee morale, health, and welfare costs;
- Equipment and other capital expenditures;
- Gains and losses on disposition of depreciable property and other capital assets and substantial relocation of federal programs;
- Insurance and indemnification;
- Maintenance, operations, and repairs;
- Materials and supplies costs;
- Meetings and conferences;
- Memberships, subscriptions, and professional activity costs;
- Security costs;
- Professional service costs;
- Proposal costs;
- Publication and printing costs;
- Rearrangement and alteration costs;
- Rental costs of building and equipment;
- Training costs;
- and Travel costs.

- Costs Forbidden by Federal Law. 2 CFR Part 200s identify certain costs that may never be paid with federal funds. The following list provides examples of such costs. If a cost is on this list, it may not be supported with federal funds. The fact that a cost is not on this list does not mean it is necessarily permissible. Other important restrictions apply to federal funds, such as those items detailed in the 2 CFR Part 200s; thus, the following list is not exhaustive:

- Advertising and public relations costs (with limited exceptions), including promotional items and memorabilia, models, gifts, and souvenirs;
- Alcoholic beverages;
- Bad debts;
- Contingency provisions (with limited exceptions);
- Fundraising and investment management costs (with limited exceptions);
- Donations;
- Contributions;
- Entertainment (amusement, diversion, and social activities and any associated costs);

Fines and penalties;  
General government expenses (with limited exceptions pertaining to Indian tribal governments and Councils of Government (COGs));  
Goods or services for personal use;  
Interest, except interest specifically stated in 2 C.F.R. § 200.441 as allowable;  
Religious use;  
The acquisition of real property (unless specifically permitted by programmatic statute or regulations, which is very rare in federal education programs);  
Construction (unless specifically permitted by programmatic statute or regulations, which is very rare in federal education programs); and  
Tuition charged or fees collected from students applied toward meeting matching, cost sharing, or maintenance of effort requirements of a program.

- Program Allowability

Any cost paid with federal funds must be permissible under the federal program that would support the cost.

Many federal programs detail specific required and/or allowable uses of funds for that program. Issues such as eligibility, program beneficiaries, caps or restrictions on certain types of program expenses, other program expenses, and other program specific requirements must be considered when performing the programmatic analysis.

- Approved Plans, Budgets, and Special Conditions

All costs must be consistent with approved program plans and budgets.

Costs must also be consistent with all terms and conditions of federal awards, including any special conditions imposed on the city's grants.

- Training

The city will provide training on the allowable use of federal funds to all staff involved in federal programs.

The city will promote coordination between all staff involved in federal programs through activities, such as routine staff meetings and training sessions.

- Employee Sanctions. Any city employee who violates this policy will be subject to discipline, as appropriate, up to and including the termination of employment.