

ORDINANCE NO. 136-21

AN ORDINANCE ADOPTING THE UNIFORM COMPLIANCE POLICIES FOR THE CITY OF MEDINA.

BE IT ORDAINED BY THE COUNCIL OF THE CITY OF MEDINA, OHIO:

- SEC. 1:** That the Uniform Guidance Compliance Policies for the City of Medina are hereby adopted.
- SEC. 2:** That a copy of the Uniform Guidance Compliance Policies are marked Exhibit A, attached hereto and incorporated herein.
- SEC. 3:** That it is found and determined that all formal actions of this Council concerning and relating to the passage of this Ordinance were adopted in an open meeting of this Council, and that all deliberations of this Council and any of its committees that resulted in such formal action, were in meetings open to the public, in compliance with the law.
- SEC. 4:** That this Ordinance shall be in full force and effect at the earliest period allowed by law.

PASSED: September 13, 2021

SIGNED: John M. Coyne, III
President of Council

ATTEST: Kathy Patton
Clerk of Council

APPROVED: September 13, 2021

SIGNED: Dennis Hanwell
Mayor

ORD. 136-21
Exh. A

UNIFORM GUIDANCE COMPLIANCE POLICIES

CITY OF MEDINA

UNIFORM GUIDANCE COMPLIANCE POLICIES

The Office of Management and Budget's (OMB) has published the final Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (known as the Uniform Grant Guidance or UGG), which consolidated OMB circulars A-21, A-87, A-102 and A122, A-133 into a uniform set of rules. This policy contains the internal controls and grant management standards non-federal entities must use to ensure that all federal funds are lawfully expended. It describes in detail: financial management standards, including appropriate cash management procedures; allowability rules; procurement policies; property management protocols; and record retention requirements.

Federal Grant Requirements

This manual sets forth the policies and procedures used by the City of Medina to administer federal funds. The manual contains the internal controls and grant management standards used by the City of Medina to ensure that all federal funds are lawfully expended. It describes in detail the City of Medina's financial management system, including cash management procedures; procurement policies; inventory management protocols; procedures for determining the allowability of expenditures; time and effort reporting; record retention; and sub-recipient monitoring responsibilities. New employees of the City, as well as incumbent employees, are expected to review this manual to gain familiarity and understanding of the City's rules and practices.

Financial Management System

The City of Medina maintains a proper financial management system in order to receive both direct and state-administered grants and to expend funds associated with a grant award. Certain fiscal controls and procedures must be in place to ensure that all financial management system requirements are met. Failure to meet a requirement may result in return of funds or termination of the award. The standards for financial management systems are found at 2 C.F.R. § 200.302. The required standards include:

Identification

The City of Medina must identify, in its accounts, all federal awards received and expended and the federal programs under which they were received. Federal program and award identification shall include, as applicable, the CFDA title and number, federal award identification number and year, name of the federal agency, and, if applicable, name of the pass-through entity.

Financial Reporting

Accurate, current, and complete disclosure of the financial results of each federal award or programs shall be made in accordance with the financial reporting requirements set forth in Uniform Grant Guidance (UGG).

Accounting Records

The City of Medina maintains records which adequately identify the source and application of funds provided for federally-assisted activities. These records contain information pertaining to grant or sub grant awards, authorizations, obligations, unobligated balances, assets, expenditures, income and interest, and are supported by source documentation.

Internal Controls

Effective control and accountability shall be maintained for all funds, real and personal property, and other assets. The City of Medina adequately safeguards all such property and assures that it is used solely for authorized purposes. "Internal controls" are tools to achieve results and safeguard the integrity programs. Internal controls are designed to provide reasonable assurance that the following objectives are achieved:

- Effectiveness and efficiency of operations;
- Reliability of reporting for internal and external use
- Adequate safeguarding of property;

- Assurance property and money is spent in accordance with grant program and to further the Selected objectives; and
- Compliance with applicable laws and regulations.

The internal controls must provide reasonable assurance that transactions are properly recorded and accounted for in order to permit the preparation of reliable financial statements and Federal reports; maintain accountability over assets; and demonstrate compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. The internal controls must also provide reasonable assurance that these transactions are executed in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award that could have a direct and material effect on a Federal award, as well as any other Federal statutes and regulations that are identified in the Compliance Supplement. Finally, the City's internal controls must provide reasonable assurance that all Federal funds, property, and other assets are safeguarded against loss from unauthorized use or disposition. The City of Medina shall:

- comply with Federal statutes, regulations, and the terms and conditions of the Federal awards;
- evaluate and monitor its compliance with statutes, regulations, and the terms and conditions of the award;
- take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings; and
- take reasonable measures to safeguard protected "personally identifiable information" (PII) and other information the awarding agency or pass-through entity designated as sensitive or the City considers sensitive consistent with applicable Federal, State, local, and tribal laws and City policies regarding privacy and obligations of confidentiality

PII is defined at 2 C.F.R. 200.79 as "information that can be used to distinguish or trace an individual's identity, either alone or when combined with other personal or identifying information that is linked or linkable to a specific individual."

However, the definition of PII is not anchored to any single category of information or technology. Rather, it requires a case-by-case assessment of the specific risk that an individual can be identified.

2 C.F.R. 200.61-61, 200.79, 200.303

- "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States;
- "Internal Control Integrated Framework" (commonly referred to as the Green Book) issued by the Committee of Sponsoring Organizations of the Treadway Commission;
- "Compliance Supplement" issued by the U.S. Office of Management and Budget; and
- Internal control guidance issued by the U.S. Department of Education.

Budget Control

Actual expenditures or outlays are restricted within appropriated/budgeted amounts for each federal award.

Cash Management

In order to provide reasonable assurance that all assets, including Federal, State and local funds are safeguarded against waste, loss, unauthorized use, or misappropriation, the Finance Director establishes internal controls in the area of cash management.

The City's payment methods shall minimize the time elapsing between the transfer of funds from the United States Treasury or the State of Ohio and disbursement by the City, regardless of whether the payment is made by electronic fund transfer, or issuance or redemption of checks, warrants, or payment by other means.

The City of Medina uses forms and procedures required by the grantor agency or passthrough entity to request payment. The City of Medina shall request grant fund payments in accordance with the provisions of the grant. Additionally, The City of Medina financial management systems shall meet the standards for fund control and accountability as established by the awarding agency.

The Finance Director is authorized to submit requests for reimbursements at least monthly when electronic fund transfers are not used, and as often as deemed appropriate when electronic transfers are used, in accordance with the provisions of the Electronic Fund Transfer Act (15 U.S.C. 1693-1693r).

When the City uses a cash advance payment method, the following standards shall apply:

- The timing and amount of the advance payment requested will be as close as is administratively feasible to the actual disbursement for direct program or project costs and the proportionate share of any allowable indirect costs.
- The City shall make timely payment to contractors in accordance with contract provisions.
- To the extent available, the City shall disburse funds available from program income (including repayments to a revolving fund), rebates, refunds, contract settlements, audit recoveries, and interest earned on such funds before requesting additional cash payments.
- The City shall account for the receipt, obligation and expenditure of funds.
- Advance payments will be deposited and maintained in insured accounts whenever possible.
- Advance payments will be maintained in interest bearing accounts unless the following apply:
 - The District receives less than \$120,000 in Federal awards per year.
 - The best reasonably available interest-bearing account would not be expected to earn interest in excess of \$500 per year on Federal cash balances.
 - The depository would require an average or minimum balance so high that it would not be feasible within the expected Federal and non-Federal cash resources.
 - A foreign government or banking system prohibits or precludes interest bearing accounts.
- Pursuant to Federal law and regulations, the City may retain interest earned in an amount up to \$500 per year for administrative costs. Any additional interest earned on Federal advance payments deposited in interest-bearing accounts must be remitted annually to the Department of Health and Human Services Payment Management System ("PMS") through an electronic medium using either Automated Clearing House ("ACH") network or a Fedwire Funds Service payment. Remittances shall include pertinent information of the payee and nature of payment in the memo area (often referred to as "addenda records" by Financial Institutions) as that will assist in the timely posting of interest earned on Federal funds. Pertinent details include the

Payee Account Number (PAN) if the payment originated from PMS, or Agency information if the payment originated from ASAP, NSF or another Federal agency payment system.

Direct and Indirect Costs

The City of Medina shall maintain written procedures for determining allowability of costs in accordance with Uniform Grant Guidance (UGG).

Determining Whether a Cost is Direct or Indirect: Direct costs are those costs that can be identified specifically with a particular final cost objective, such as a federal award, or other internally or externally funded activity, or that can be directly assigned to such activities relatively easily with a high degree of accuracy. 2 C.F.R. § 200.413(a).

Indirect costs are those that have been incurred for a common or joint purpose benefitting more than one cost objective, and not readily assignable to the cost objectives specifically benefitted, without effort disproportionate to the results achieved. These costs may include general data processing, human resources, utility costs, maintenance, or accounting. 2 C.F.R. § 200.56.

Costs incurred for the same purpose in like circumstances must be treated consistently as either direct or indirect costs. 2 C.F.R. § 200.413(a).

Identification with the federal award rather than the nature of the goods and services involved is the determining factor in distinguishing direct from indirect costs of Federal awards. Typical costs charged directly to a Federal award are the compensation of employees who work on that award, their related fringe benefit costs, the costs of materials and other items of expense incurred for the Federal award. 2 C.F.R. § 200.413(b).

The salaries of administrative and clerical staff should normally be treated as indirect costs. Direct charging of these costs may be appropriate only if all of the following conditions are met:

- Administrative or clerical services are integral to a project or activity;
- Individuals involved can be specifically identified with the project or activity;
- Such costs are explicitly included in the budget or have the prior written approval of the federal awarding agency; and
- The costs are not also recovered as indirect costs 2 C.F.R. § 200.413(c).

Applying the Indirect Cost Rate: Once the City of Medina has an approved indirect cost rate, the percentage is multiplied against the actual direct costs (excluding distorting items such as equipment, contracts in excess of \$25,000, pass-through funds, etc.) incurred under a particular grant to produce the dollar amount of indirect costs allowable to that award. 34 C.F.R. § 75.564; 34 C.F.R. § 76.569.

Once the City of Medina applies the approved rate, the funds that may be claimed for indirect costs have no federal accountability and may be used as if they were non-federal funds. For Direct Grants, reimbursement of indirect costs is subject to the availability of funds and statutory or administrative restrictions. 34 C.F.R. § 75.564.

Where a federal program has a specific cap on the percentage of administrative costs that may be charged to a grant, that cap must include all direct administrative charges as well as any recovered indirect charges.

Overview of the Financial Management/Accounting System

The City of Medina uses SSI, VIP accounting software, which includes a purchase order system. Under 2 C.F.R. 200.302, a recipient must track the CFDA title and number, federal award identification number and year, name of the federal agency, and, if applicable, name of the pass-through entity. Grants are now recorded in the accounting system as federal, state or local by fund.

Reporting is determined by individual grant requirements, often in quarterly, annual and final reporting schedules. Program and financial data is collected by the Auditor, based on deadlines in the awards notice, and forwarded to the funding agency.

Determining Allowability of Costs

Expenditures must be aligned with approved budgeted items. Any changes or variations from the approved budget and grant application need prior approval.

When determining how the City of Medina will spend grant funds, the Project Manager will review the proposed cost to determine whether it is an allowable use of federal grant funds before obligating and spending those funds on the proposed good or service. All federal funds must meet the standards outlined in 2 CFR Part 3474 and 2 CFR Part 200 (subpart E), which are provided in the bulleted list below. Project Manager must consider these factors when making an allowability determination.

Be Necessary and Reasonable for the performance of the federal award. The City of Medina staff must consider these elements when determining the reasonableness of a cost. A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision to incur the cost was made. For example, reasonable means that sound business practices were followed, and purchases were comparable to market prices.

When determining reasonableness of a cost, consideration must be given to:

- Whether the cost is a type generally recognized as ordinary and necessary for the operation of the City of Medina or the proper and efficient performance of the federal award.
- The restraints or requirements imposed by factors, such as: sound business practices; arm'slength bargaining; federal, state and other laws and regulations; and terms and conditions of the federal award.
- Market prices for comparable goods or services for the geographic area.
- Whether the individuals concerned acted with prudence in the circumstances considering their responsibilities to the City of Medina, its staff, its visitors, the public at large, and the federal government.
- Whether the City significantly deviates from its established practices and policies regarding the incurrence of costs, which may unjustifiably increase the federal award's cost. 2 C.F.R. §200.404.

While 2 C.F.R. §200.404 does not provide specific descriptions of what satisfies the "necessary" element beyond its inclusion in the reasonableness analysis above, necessary is determined based on the needs of the program. Specifically, the expenditure must be necessary to achieve an important program

objective. A key aspect in determining whether a cost is necessary is whether the City of Medina can demonstrate that the cost addresses an existing need, and can prove it.

When determining whether a cost is necessary, consideration may be given to:

- Whether the cost is needed for the proper and efficient performance of the grant program.
- Whether the cost is identified in the approved budget or application.
- Whether there is an educational benefit associated with the cost.
- Whether the cost aligns with identified needs based on results and findings from a needs assessment.
- Whether the cost addresses program goals and objectives and is based on program data.

Allocable to the federal award.

A cost is allocable to the federal award if the goods or services involved are chargeable or assignable to the federal award in accordance with the relative benefit received. This means that the federal grant program derived a benefit in proportion to the funds charged to the program. 2 C.F.R. §200.405. For example, if 50% of an employee's salary is paid with grant funds, then that employee must spend at least 50% of his or her time on the grant program.

Consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the City of Medina.

Conform to any limitations or exclusions set forth as cost principles in Part 200 or in the terms and conditions of the federal award.

Consistent treatment.

- A cost cannot be assigned to a federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been assigned as an indirect cost under another award.

Adequately documented.

- All expenditures must be properly documented.

Be determined in accordance with general accepted accounting principles (GAAP), unless provided otherwise in Part 200.

Not included as a match or cost-share, unless the specific federal program authorizes federal costs to be treated as such.

- Some federal program statutes require the non-federal entity to contribute a certain amount of non-federal resources to be eligible for the federal program.

Be the net of all applicable credits.

- The term "applicable credits" refers to those receipts or reduction of expenditures that operate to offset or reduce expense items allocable to the federal award. Typical examples of such transactions are: purchase discounts; rebates or allowances; recoveries or indemnities on losses; and adjustments of overpayments or erroneous charges. To the extent that such credits

accruing to or received by the state relate to the federal award, they shall be credited to the federal award, either as a cost reduction or a cash refund, as appropriate. 2 C.F.R. §200.406.

- Cost guidelines must be considered when federal grant funds are expended. As provided above, federal rules require state- and organization-level requirements and policies regarding expenditures to be followed as well. For example, state and/or the City of Medina’s policies relating to travel or equipment may be narrower than the federal rules, and the stricter State and/or City policies must be followed.
- Likewise, it is possible for the State and/or the City of Medina to put additional requirements on a specific item of cost. Under such circumstances, the stricter requirements must be met for a cost to be allowable. Accordingly, employees must consult federal, State and the City of Medina requirements when spending federal funds.

Selected Items of Cost

Part 200 examines the allowability of 55 specific cost items (commonly referred to as Selected Items of Cost) at 2 C.F.R. §§ 200.420-200.475. These cost items are listed in the chart below along with the citation where it is discussed whether the item is allowable. Please do not assume that an item is allowable because it is specifically listed in the regulation as it may be unallowable despite its inclusion in the selected items of cost section. The expenditure may be unallowable for a number of reasons, including: the express language of the regulation states the item is unallowable; the terms and conditions of the grant deem the item unallowable; or State/local restrictions dictate that the item is unallowable. The item may also be unallowable because it does not meet one of the cost principles, such as being reasonable because it is considered too expensive. If an item is unallowable for any of these reasons, federal funds cannot be used to purchase it.

The City of Medina staff responsible for spending federal grant funds and for determining allowability must be familiar with the Part 200 selected items of cost section. The City of Medina must follow these rules when charging these specific expenditures to a federal grant. When applicable, the City of Medina staff must check costs against the selected items of cost requirements to ensure the cost is allowable. In addition, State, City and program-specific rules may deem a cost as unallowable and the City of Medina staff must follow those nonfederal rules as well.

The selected item of cost addressed in Part 200 includes the following (in alphabetical order):

Item of Cost	Citation of Allowability Rule
Advertising and public relations costs	2 CFR § 200.421
Advisory councils	2 CFR § 200.422
Alcoholic beverages	2 CFR § 200.423
Alumni/ae activities	2 CFR § 200.424
Audit services	2 CFR § 200.425
Bad debts	2 CFR § 200.426
Bonding costs	2 CFR § 200.427
Collection of improper payments	2 CFR § 200.428
Commencement and convocation costs	2 CFR § 200.429
Compensation – personal services	2 CFR § 200.430
Compensation – fringe benefits	2 CFR § 200.431
Conferences	2 CFR § 200.432

Contingency provisions	2 CFR § 200.433
Contributions and donations	2 CFR § 200.434
Defense and prosecution of criminal and civil proceedings, claims, appeals and patent infringements	2 CFR § 200.435
Depreciation	2 CFR § 200.436
Employee health and welfare costs	2 CFR § 200.437
Entertainment costs	2 CFR § 200.438
Equipment and other capital expenditures	2 CFR § 200.439
Exchange rates	2 CFR § 200.440
Fines, penalties, damages and other settlements	2 CFR § 200.441
Fund raising and investment management costs	2 CFR § 200.442
Gains and losses on disposition of depreciable assets	2 CFR § 200.443
General costs of government	2 CFR § 200.444
Goods and services for personal use	2 CFR § 200.445
Idle facilities and idle capacity	2 CFR § 200.446
Insurance and indemnification	2 CFR § 200.447
Intellectual property	2 CFR § 200.448
Interest	2 CFR § 200.449
Lobbying	2 CFR § 200.450
Losses on other awards or contracts	2 CFR § 200.451
Maintenance and repair costs	2 CFR § 200.452
Materials and supplies costs, including costs of computing devices	2 CFR § 200.453
Memberships, subscriptions, and professional activity costs	2 CFR § 200.454
Organization costs	2 CFR § 200.455
Participant support costs	2 CFR § 200.456
Plant and security costs	2 CFR § 200.457
Pre-award costs	2 CFR § 200.458
Professional services costs	2 CFR § 200.459
Proposal costs	2 CFR § 200.460
Publication and printing costs	2 CFR § 200.461
Rearrangement and reconversion costs	2 CFR § 200.462
Recruiting costs	2 CFR § 200.463
Relocation costs of employees	2 CFR § 200.464
Rental costs of real property and equipment	2 CFR § 200.465
Scholarships and student aid costs	2 CFR § 200.466
Selling and marketing costs	2 CFR § 200.467
Specialized service facilities	2 CFR § 200.468
Student activity costs	2 CFR § 200.469
Taxes (including Value Added Tax)	2 CFR § 200.470
Termination costs	2 CFR § 200.471
Training and education costs	2 CFR § 200.472
Transportation costs	2 CFR § 200.473

Travel costs	2 CFR § 200.474
Trustees	2 CFR § 200.475

Travel:

Travel costs are the expenses for transportation, lodging, subsistence, and related items incurred by employees who are in travel status on official business of a grant recipient. Such costs may be charged on an actual cost basis, on a per diem or mileage basis in lieu of actual costs incurred, or on a combination of the two, provided the method used is applied to an entire trip and not selected days of the trip, and results in charges consistent with those normally allowed in like circumstances in the recipient's non-federally funded activities and in accordance with the recipient's written travel reimbursement policies. 2 C.F.R §200.474(a).

Costs 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 City of Medina in its regular operations as the result of its written travel policy. In addition, if these costs are charged directly to the federal award, documentation must be maintained that justifies that (1) participation of the individual is necessary to the federal award; and (2) the costs are reasonable and consistent with the City's established policy. 2 C.F.R §200.474(b).

Please refer to the City's policy.

Helpful Questions for Determining Whether a Cost is Allowable

In addition to the cost principles and standards described above, the Project Manger can refer to this section for a useful framework when performing an allowability analysis. In order to determine whether federal funds may be used to purchase a specific cost, it is helpful to ask the following questions:

- Is the proposed cost allowable under the relevant program?
- Is the proposed cost consistent with an approved program plan and budget?
- Is the proposed cost consistent with program specific fiscal rules? o For example, the City of Medina may be required to use federal funds only to supplement the amount of funds available from nonfederal (and possibly other federal) sources.
- Is the proposed cost consistent with UGG?
- Is the proposed cost consistent with specific conditions imposed on the grant (if applicable)?

As a practical matter, Project Manager shall also consider whether the proposed cost is consistent with the underlying needs of the program. For example, program funds must benefit the appropriate population of visitors for which they are allocated.

Also, funds should be targeted to address areas of weakness, as necessary. To make this determination, Program Managers shall review data when making purchases to ensure that federal funds meet these areas of concern.

Federal Cash Management Policy/Procedures

The City of Medina will comply with applicable methods and procedures for payment that minimize the time elapsing between the transfer of funds and disbursement by the City, in accordance with the Cash Management Improvement Act at 31 CFR Part 205. Generally, the City of Medina receives payment for grants on a reimbursement basis. 2 CFR §200.305.

However, if the City of Medina receives an advance in federal grant funds, the City of Medina will remit interest earned on the advanced payment quarterly to the federal agency, and may retain interest amounts up to \$500 per year for administrative expenses. 2 CFR § 200.305(b) (9).

Interest would not accrue if the City of Medina uses nonfederal funds to pay the vendor and/or employees prior to the funds being drawn down from the G5 system, commonly known as a reimbursement.

Payment Methods

Reimbursements: the City of Medina will initially charge federal grant expenditures to nonfederal funds.

- The Project Manager, with support from the Finance Department, compiles spending on the grant, usually quarterly, to be forwarded to the Treasurer to prepare a cash request. Templates are provided by the funder to bill for cost reimbursements. The Project Manager sends the cash request, with supporting documents, to the grant funder. Payments by ACH are usually set up beforehand with the funding agency to receive a test payment.

The City of Medina will request reimbursement for actual expenditures incurred under the federal grants as specified in the grant agreement. Reimbursement requests will be submitted on forms provided by the grantor. All reimbursements are based on actual disbursements, not on obligations.

Consistent with state and federal requirements, the City of Medina will maintain source documentation supporting the federal expenditures (invoices, time sheets, payroll stubs, etc.) and will make such documentation available for the grantor’s review upon request.

Reimbursements of actual expenditures do not require interest calculations.

Advances: To the extent the City of Medina receives advance payments of federal grant funds; the City will strive to expend the federal funds on allowable expenditures as expeditiously as possible.

Timely Obligation of Funds

Obligations are orders placed for property and services, contracts and sub awards made, and similar transactions during a given period that require payment by the non-Federal entity during the same or a future period. 34 C.F.R. § 200.71

The following table illustrates when funds are determined to be obligated under federal regulations:

If the obligation is for:	The obligation is made:
Acquisition of property	On the date which the City of Medina makes a binding written commitment to acquire the property
Personal services by an employee of the City of Medina	When the services are performed

Personal services by a contractor who is not an employee	On the date which the City of Medina makes a binding written commitment to obtain the services
Public utility services	When the City of Medina receives the services
Travel	When the travel is taken
Rental of property	When the City of Medina uses the property
A pre-agreement cost that was property approved in the grant agreement under 2 CFR part 200, Subpart E- Cost Principles	On the first day of the project period

34 C.F.R. §75.707; 34 C.F.R. §76.707.

Period of Performance of Federal Funds

All obligations must occur on or between the beginning and ending dates of the grant project. 2 C.F.R. §200.309. This period of time is known as the period of performance. 2 C.F.R. §200.309. The period of performance is dictated by statute and will be indicated in the GAN. Further, certain grants have specific requirements for carryover funds that must be adhered to.

State-Administered Grants: As a general rule, state-administered federal funds are available for obligation within the year that Congress appropriates the funds for.

Direct Grants: In general, the period of availability for funds authorized under direct grants is identified in the GAN.

For both state-administered and direct grants, regardless of the period of availability, the City of Medina must liquidate all obligations incurred under the award not later than 90 days after the end of the funding period unless an extension is authorized. 2 C.F.R. § 200.343(b). Any funds not obligated within the period of availability or liquidated within the appropriate timeframe are said to lapse and must be returned to the awarding agency. 2 C.F.R. § 200.343(d). Consequently, the City of Medina closely monitors grant spending throughout the grant cycle.

Requests for extensions can be submitted by the Project Manager if needed to finish the grant project. The Project Manager can determine the need for an extension in consultation with the Finance Director.

Program Income

Program income means gross income earned by a grant recipient that is directly generated by a supported activity or earned as a result of the federal award during the grant's period of performance. 2 C.F.R. § 200.80.

Program income includes, but is not limited to the following:

- Income from fees for services performed,
- The use or rental of real or personal property acquired under federal awards,
- The sale of commodities or items fabricated under a federal award,
- License fees and royalties on patents and copyrights, and
- Principal and interest on loans made with federal award funds. Interest earned on advances of federal funds is not program income.

Except as otherwise provided in federal statutes, regulations, or the terms and conditions of the federal award, program income does not include rebates, credits, discounts, and interest earned on any of them. 2 C.F.R. § 200.80. Additionally, taxes, special assessments, levies, fines, and other such revenues raised by a recipient are not program income unless the revenues are specifically identified in the federal award or federal awarding agency regulations as program income. Finally, proceeds from the sale of real property, equipment, or supplies are not program income. 2 C.F.R. § 200.307.

The default method for the use of program income for the City of Medina is the deduction method. 2 C.F.R. § 200.307(e). Under the deduction method, program income is deducted from total allowable costs to determine the net allowable costs. Program income will only be used for current costs unless the City of Medina is otherwise directed by the federal awarding agency or pass-through entity. 2 C.F.R. § 200.307(e) (1). The program income must then be used for the purposes and under the conditions of the Federal award. 2 C.F.R. § 200.307(e) (2).

While the deduction method is the default method, the City of Medina always refers to the GAN prior to determining the appropriate use of program income.

Procurement System

Purchasing Guidelines

In addition to federal requirements, the City of Medina must also follow both state and local procurement rules. State and local procurement rules are often stricter than federal requirements.

Purchases up to \$1,500 (Micro-Purchases without bids, but strong internal control to determine that a price is reasonable)

Micro-purchase means a purchase of supplies or services using simplified acquisition procedures, the aggregate amount (not per unit) of which does not exceed \$3,000. The micropurchase method is used in order to expedite the completion of its lowest-dollar small purchase transactions and minimize the associated administrative burden and cost. Procurement by micro-purchase is the acquisition of supplies or services, the aggregate dollar amount of which does not exceed the micro-purchase threshold.

Best Practices

Note: The Federal min requirement is up to \$3,000; however, it is considered to be a good practice to implement a strong internal control over compliance requirements which allows maintaining accountability over purchased assets. 2 C.F.R. § 200.62(a) (2).

Purchases between \$1,500 and \$25,000 (no sealed bids, but quotations are obtained from at least three qualified sources)

Small purchase procedures are those relatively simple and informal procurement methods for securing services, supplies, or other property that do not cost more than \$25,000. If small purchase procedures are used, price or rate quotations are obtained from an adequate number of qualified sources.

Purchases over \$25,000

Sealed Bids (Formal Advertising)

For purchases over \$25,000, bids are publicly solicited and a firm fixed price contract (lump sum or unit price) is 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. The sealed bid method is the preferred method for procuring construction, if the following conditions apply:

- A complete, adequate, and realistic specification or purchase description is available;
- Two or more responsible bidders are willing and able to compete effectively for the business; and
- The procurement lends itself to a firm fixed price contract and the selection of the successful bidder can be made principally on the basis of price.

If sealed bids are used, the following requirements apply:

- Bids must be solicited from an adequate number of known suppliers, providing them sufficient response time prior to the date set for opening the bids, and the invitation for bids must be publically advertised;
- The invitation for bids, which will include any specifications and pertinent attachments, must define the items or services in order for the bidder to properly respond;
- All bids will be opened publicly at the time and place prescribed in the invitation for bids;
- A firm fixed-price contract award must be made in writing to the lowest responsive and responsible bidder;
- Council approval is required for all purchases \$50,000 and over, documented in Council Minutes.

Where specified in bidding documents, factors such as discounts, transportation cost, and life cycle costs must be considered in determining which bid is lowest. Payment discounts will only be used to determine the low bid when prior experience indicates that such discounts are usually taken advantage of. Any or all bids may be rejected if there is a sound documented reason.

Competitive Proposals

The technique of competitive proposals is normally conducted with more than one source submitting an offer, and either a fixed price or cost-reimbursement type contract is awarded. It is generally used when conditions are not appropriate for the use of sealed bids. If this method is used, the following requirements apply:

- Requests for proposals must be publicized and identify all evaluation factors and their relative importance. Any response to publicized requests for proposals must be considered to the maximum extent practical;
- Proposals must be solicited from an adequate number of qualified sources; and
- Contracts must be awarded to the responsible firm whose proposal is most advantageous to the program, with price and other factors considered.
- If proposal is \$50,000 or more, it must receive Council approval.

The City of Medina may use competitive proposal procedures for qualifications-based procurement of architectural/engineering (A/E) or other professional services whereby competitors' qualifications are

evaluated and the most qualified competitor is selected, subject to negotiation of fair and reasonable compensation.

Noncompetitive Proposals (Sole Sourcing)

Procurement by noncompetitive proposals is procurement through solicitation of a proposal from only one source and may be used only when one or more of the following circumstances apply:

- The item is available only from a single source;
- The public exigency or emergency for the requirement will not permit a delay resulting from competitive solicitation;
- The federal awarding agency or pass-through entity expressly authorizes noncompetitive proposals in response to a written request from the City of Medina; or
- After solicitation of a number of sources, competition is determined inadequate.
- If proposal is \$50,000 or more, it must receive Council approval.

Full and Open Competition

All procurement transactions must be conducted in a manner providing full and open competition consistent with 2 C.F.R §200.319. In order to ensure objective contractor performance and eliminate unfair competitive advantage, contractors that develop or draft specifications, requirements, statements of work, or invitations for bids or requests for proposals must be excluded from competing for such procurements. Some of the situations considered to be restrictive of competition include but are not limited to:

- Placing unreasonable requirements on firms in order for them to qualify to do business;
- Requiring unnecessary experience and excessive bonding;
- Noncompetitive pricing practices between firms or between affiliated companies;
- Noncompetitive contracts to consultants that are on retainer contracts;
- Organizational conflicts of interest;
- Specifying only a "brand name" product instead of allowing "an equal" product to be offered and describing the performance or other relevant requirements of the procurement; and
- Any arbitrary action in the procurement process.

Further considerations to ensure adequate competition shall be followed:

Geographical Preferences Prohibited

The City of Medina shall conduct procurements in a manner that prohibits the use of statutorily or administratively imposed state, local, or tribal geographical preferences in the evaluation of bids or proposals, except in those cases where applicable federal statutes expressly mandate or encourage geographic preference. When contracting for architectural and engineering (A/E) services, geographic location may be a selection criterion provided its application leaves an appropriate number of qualified firms, given the nature and size of the project, to compete for the contract.

Prequalified Lists

The City of Medina 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 of Medina must not preclude potential bidders from qualifying during the solicitation period.

Solicitation Language

The City of Medina 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 it is impractical or uneconomical to make a clear and accurate description of the technical requirements, 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 offers must fulfill and all other factors to be used in evaluating bids or proposals. 2 C.F.R § 200.319(c).

Federal Procurement System Standards

Avoiding Acquisition of Unnecessary or Duplicative Items

The City of Medina must avoid the acquisition of unnecessary or duplicative items. Additionally, consideration is given to consolidating or breaking out procurements to obtain a more economical purchase. And, where appropriate, an analysis must be made of leases versus purchase alternatives, and any other appropriate analysis to determine the most economical approach.

These considerations are given as part of the process to determine the allowability of each purchase made with federal funds.

Use of Intergovernmental Agreements

To foster greater economy and efficiency, the City of Medina enters into state and local intergovernmental agreements where appropriate for procurement or use of common or shared goods and services.

Debarment and Suspension

The City of Medina awards 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 of Medina may not subcontract with or award sub grants to any person or company who is debarred or suspended. For all contracts over \$25,000, the City of Medina verifies that the vendor with whom the City intends to do business with is not excluded or disqualified. 2 C.F.R. Part 200, Appendix II (1) and 2 C.F.R. § 180.220 and § 180.300.

The Finance department and/or the Project Manager verifies vendors are in compliance before setting up the vendor in the accounting system.

Maintenance of Procurement Records

The City of Medina must maintain records sufficient to detail the history of all procurements. These records will include, but are not necessarily limited to the following: rationale for the method of procurement, selection of contract type, contractor selection or rejection, the basis for the contract price (including a cost or price analysis), and verification that the contractor is not suspended or debarred.

Conflict of Interest Requirements

Standards of Conduct

In accordance with 2 C.F.R. § 200.18(c)(1), the City of Medina maintains the following standards of conduct covering conflicts of interest and governing the actions of its employees engaged in the selection, award and administration of contracts.

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. Council minutes shall reflect recusal by Council members for votes they abstain from.

The officers, employees, and agents of the City of Medina may neither solicit nor accept gratuities, favors, or anything of monetary value from contractors or parties to subcontracts, unless the gift is an unsolicited item of nominal value. An example of a gift of nominal value would be logo items such as pens or coffee mugs from a vendor.

The Ohio Ethics Law Overview is distributed to all new City of Medina staff within 15 days of employment, which address conflicts of interest as well as other ethics and safety concerns. Procedures for reporting conflicts of interest, both real and potential, include reporting to organizational chain of command, directly to the Director of Safety and Service of the City, the Law Director, any member of the Finance department or to an Elected Official. They may also be reported anonymously to the Ohio Ethics Commission at (614) 466-7900 or www.ethics.ohio.gov

A signed certification is required from employees acknowledging City of Medina ethics policy and returned to Finance office.

Mandatory Disclosure

Upon discovery of any potential conflict, the City of Medina will disclose in writing the potential conflict to the federal awarding agency in accordance with applicable federal awarding agency policy.

Contract Administration

The City of Medina maintains the oversight and proper segregation of duties to ensure that contractors perform in accordance with the terms, conditions, and specifications of their contracts or purchase orders.

Property Management Systems

Property Classifications

The following property classifications are found in federal law.

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 City of Medina for financial statement purposes, or \$5,000. 2 C.F.R. § 200.33.

Supplies means all tangible personal property other than those described in § 200.33 Equipment. A computing device is a supply if the acquisition cost is less than the lesser of the capitalization level established by the City of Medina for financial statement purposes or \$5,000, regardless of the length of its useful life. 2 C.F.R. § 200.94.

Computing devices means machines used to acquire, store, analyze, process, and publish data and other information electronically, including accessories (or “peripherals”) for printing, transmitting and receiving, or storing electronic information. 2 C.F.R. § 200.20.

Capital assets means tangible or intangible assets used in operations having a useful life of more than one year which are capitalized in accordance with GAAP. Capital assets include:

- Land, buildings (facilities), equipment, and intellectual property (including software) whether acquired by purchase, construction, manufacture, lease-purchase, exchange, or through capital leases; and
- Additions, improvements, modifications, replacements, rearrangements, reinstallations, renovations or alterations to capital assets that materially increase their value or useful life (not ordinary repairs and maintenance). 2 C.F.R. § 200.12.

Maintenance

In accordance with 2 C.F.R. § 313(d) (4), the City of Medina maintains adequate maintenance procedures to ensure that property is kept in good condition. The Department Head tracks and records maintenance of all equipment into the City of Medina capital asset inventory system.

Lost or Stolen Items

The City maintains a control system that ensures adequate safeguards are in place to prevent loss, damage, or theft of the property.

Use of Equipment

Equipment must be used in the program or project for which it was acquired as long as needed, whether or not the project or program continues to be supported by the federal award, and the City will not

encumber the property without prior approval of the federal awarding agency and the pass-through entity.

During the time equipment is used on the project or program for which it was acquired, the equipment will also be made available for use on other projects or programs currently or previously supported by the federal government, provided that such use will not interfere with the work on the projects or program for which it was originally acquired. First preference for other use must be given to other programs or projects supported by the federal awarding agency that financed the equipment. Second preference is given to programs or projects under federal awards from other federal awarding agencies. Use for non-federally funded programs or projects is also permissible.

When no longer needed for the original program or project, the equipment may be used in other activities supported by the federal awarding agency, in the following order of priority: (1) activities under a federal award from the federal awarding agency which funded the original program or project; then (2) activities under federal awards from other federal awarding agencies.

Disposal of Equipment

When it is determined that original or replacement equipment acquired under a federal award is no longer needed for the original project or program or for other activities currently or previously supported by a federal awarding agency, the Project Manager will contact the awarding agency (or pass-through for a state-administered grant) for disposition instructions.

Generally, disposition of equipment is dependent on its fair market value (FMV) at the time of disposition. If the item has a current FMV of \$5,000 or less, it may be retained, sold, or otherwise disposed of with no further obligation to the federal awarding agency. If the item has a current FMV of more than \$5,000, the federal awarding agency is entitled to the federal share of the current market value or sales proceeds. If acquiring replacement equipment, the City of Medina may use the equipment to be replaced as a trade-in or sell the property and use the proceeds to offset the cost of the replacement property.

Written Compensation Policies (Time and Effort)

Time and Effort

All employees who are paid in full or in part with federal funds must keep specific documents to demonstrate the amount of time they spent on grant activities. This includes an employee whose salary is paid with state or local funds but is used to meet a required "match" in a federal program. These documents, known as time and effort records, are maintained in order to charge the costs of personnel compensation to federal grants. Charges to federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must:

- Be supported by a system of internal controls which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;
- Be incorporated into official records;
- Reasonably reflect total activity for which the employee is compensated, not exceeding 100% of compensated activities;

- Encompass both federally assisted and all other activities compensated by the City of Medina on an integrated basis;
- Comply with the established accounting policies and practices of the City of Medina; and,
- Support the distribution of the employee's salary or wages among specific activities or costs objectives.

Reconciliation and Closeout Procedures

Budget estimates may be used for interim accounting purposes; however, there is a requirement to identify and enter into the records in a timely manner any significant changes in the corresponding work activity. There must be a system of internal controls to review after-the-fact interim charges made to a Federal award based on budget estimates. All necessary adjustments must be made such that the final amount charged to the Federal award is accurate, allowable, and properly allocated.

As requests for reimbursements and reports are processed, payroll documentation is reviewed and adjusted as necessary.

The allowability of various types of personnel compensation costs is dependent on whether they are spent in accordance with written policies and procedures. For example, the cost of fringe benefits in the form of regular compensation paid to employees during periods of authorized absences from the job, such as annual leave, sick leave, or holidays, is allowable if, among other criteria, the costs are provided under established written leave policies. In compliance with these requirements, the City of Medina policies cover (1) how employees are hired (2 CFR §200.430(a)(2)); (2) the extent to which employees may provide professional services outside the City (2 CFR §200.430(c)); (3) the provision of fringe benefits, including leave and insurance, (2 CFR §200.431)); (4) the use of recruiting expenses to attract personnel (2 CFR §200.463(b)); and (5) reimbursement for relocations costs. 2 CFR §200.464.

Record Keeping

Record Retention

The City of Medina maintains all records that fully show: (1) the amount of funds under the grant or sub grant; (2) how the sub grantee uses those funds; (3) the total cost of each project; (4) the share of the total cost of each project provided from other sources; (5) other records to facilitate an effective audit; and (6) other records to show compliance with federal program requirements. 34 C.F.R. § 76.730-.731 and § 75.730-.731. The City also maintains records of significant project experiences and results. 34 C.F.R. § 75.732. These records and accounts must be retained and made available for programmatic or financial audit.

Collection and Transmission of Records

Payroll and purchase order records are kept electronically and payment records of invoices are maintained as paper copies in the Finance department. Records are provided to awarding agencies in the format requested to meet reporting requirements. If the records are kept electronically, 2 C.F.R. § 200.335 allows recipients to transmit them electronically, meaning there's no need to make paper copies.

Access to Records

The City of Medina provides the awarding agency, Inspectors General, the Comptroller General of the United States, and the pass-through entity, or any of their authorized representatives the right of access to any documents, papers, or other records of the City of Medina which are pertinent to the Federal award, in order to make audits, examinations, excerpts, and transcripts. The right also includes timely and reasonable access to City's personnel for the purpose of interview and discussion related to such documents.

Grants Filing System

Within the Grants Folder, there would be the following sub-folders

Current Grants

- Funded Grants
- Pending Grants
- Declined Grants
- Administration

Each project folder will use standard terminology such as 06022017.CMAQ.Trail Projects (Due Date.Funding Agency.Project)

While in the proposal development stage, each project will have a folder with the following sub-folders.

- RFA
- Application
- Narrative
- Budget
- Personnel
- Supporting Documentation
 - Letters of Support
 - Other Attachments
- FINAL

Once awarded, the funded project folder would have the following sub-folders

- Pre-award Files
- Contract-Award
- Budget Tracking
- Expenses
- Receipts
- Fiscal Reports - Invoices
- Program Reports
- Correspondence

Other folders may be created as necessary due to the unique nature of each project but as a general rule each project folder should look the same.

Legal Authorities and Helpful Resources

The following documents contain relevant grants management requirements. Staff should be familiar with these materials and consult them when making decisions related to the federal grant.

Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (2 CFR Part 200)

- <http://www.ecfr.gov/cgi-bin/textidx?SID=ccccf77e01c9e6d4b3a377815f411704&node=pt2.1.200&rgn=div5>

Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (2 CFR Part 3474)

- http://www.ecfr.gov/cgi-bin/textidx?SID=ccccf77e01c9e6d4b3a377815f411704&tpl=/ecfrbrowse/Title02/2cfr3474_main_02.tpl

Federal program statutes, regulations, and guidance

- <https://www.epa.gov/>
- <https://www.fsw.gov/>

State regulations, rules, and policies

- <http://www.ohio.gov>
- <http://www.ohiodnr.gov>
- <http://www.epa.state.oh.us>

The City of Medina regulations, rules, and policies

- [City rules and regulations](#)