

## **Exhibit A**



## ADMINISTRATIVE POLICY AND PROCEDURE

TITLE: <b>GRANT MANAGEMENT ADMINISTRATIVE POLICY</b>			SUBJECT: <b>FINANCE</b>	
			INDEX NUMBER: <b>100-25</b>	
EFFECTIVE DATE	SUPERSEDES <b>11/1/2011</b>	PAGE <b>1 OF 10</b>	PREPARED BY: <b>FINANCE DEPARTMENT</b>	MAYOR'S APPROVAL

### 1.0 PURPOSE

To establish and maintain policy and internal controls that provide reasonable assurance that Federal awards are being managed in compliance with all Federal regulations and with the terms and conditions of the award. The City of Auburn will follow the Uniform Guidance, the Local Agency Guidelines (LAG) distributed by the Washington State Department of Transportation (WSDOT) for Federal Highway Administration (FHWA) funding, and other specific grant requirements or guidance documents published by the Federal Granting Agency such as the United States Department of Housing and Urban Development (HUD) and the Federal Aviation Administration (FAA) as applicable.

### 2.0 ORGANIZATIONS AFFECTED

All departments/divisions receiving Federal Awards.

### 3.0 REFERENCES

Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards – Title 2 Code of Federal Regulations (2 CFR 200); State and Local guidelines will also apply based on awarding organization.

### 4.0 POLICY

4.1 General: This policy describes the procedure for the administrative responsibility of awards received as grants (or grant-like loans such as low-interest loans provided by the Washington State Public Works Board). The City, through designated staff and City officials, solicits and accepts awards from a variety of organizations for funding City programs and projects. Awards frequently require close coordination between different City departments and adherence to strict guidelines and requirements. This policy outlines the procedures and departmental roles and responsibilities to centrally coordinate and track citywide efforts in grant management and administration.

4.1.1 The Department that is requesting and/or administering the grant award shall be responsible for maintaining accurate and current information and complying with the general and specific guidelines and requirements of the grant award. This will include:

- being knowledgeable of grant award requirements,
- ensuring the City complies with said requirements,

ADMINISTRATIVE POLICY AND PROCEDURE	TITLE: GRANT MANAGEMENT ADMINISTRATIVE POLICY	INDEX NO: 100-25	PAGE 2 OF 10
--	---	---------------------	-----------------

- providing accurate information to the Finance Department in the preparation of reports and requests for reimbursement of eligible costs, and
- maintaining the proper written and electronic documentation and financial records consistent with said requirements.

4.1.2 In the event more than one Department is involved in requesting or administering a grant award, the Departments involved will agree upon a designated lead Department. The lead Department will have overall responsibilities for administering the grant award consistent with this policy.

4.2 Internal Controls: The City of Auburn will maintain effective internal control over the Federal Award providing 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.

4.2.1 The City will take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings.

4.2.2 The City will take reasonable measures to safeguard protected personally identifiable information and other information the Federal awarding agency or pass-through entity designates as sensitive.

4.2.3 The City will follow the process workflow outlined in section 6.1.

4.3 Certification: To assure that expenditures are proper and in accordance with the terms and conditions of the Federal award and approved project budgets, the annual and final fiscal reports or vouchers requesting payment under the agreements must include a certification, signed by an official who is authorized to legally bind the non-Federal entity, which reads as follows: "By signing this report, I certify to the best of my knowledge and belief that the report is true, complete, and accurate, and the expenditures, disbursements and cash receipts are for the purposes and objectives set forth in the terms and conditions of the Federal award. I am aware that any false, fictitious, or fraudulent information, or the omission of any material fact, may subject me to criminal, civil or administrative penalties for fraud, false statements, false claims or otherwise."

4.4 Advance Payments and Reimbursements: Payment methods must minimize the time elapsing between transfer of funds from the United States Treasury or the pass-through entity and the disbursement by the City of Auburn whether the payment is made by electronic transfer, or issuance or redemption of checks, warrants, or payment by other means.

4.4.1 Advanced payments must be limited to the minimum amounts needed and be timed to be in accordance with the actual, immediate cash needs of the City to carry out the purpose of the approved program or project. Any advanced payments must be consolidated to cover anticipated cash needs.

4.4.2 The City shall minimize the time elapsed between receipt of federal aid funds and subsequent payment of incurred costs.

4.5 Allowable Costs: Federal awards will meet the following general criteria in order to be allowable except where otherwise authorized by statute.

ADMINISTRATIVE POLICY AND PROCEDURE	TITLE: GRANT MANAGEMENT ADMINISTRATIVE POLICY	INDEX NO: 100-25	PAGE 3 OF 10
--	---	---------------------	-----------------

- 4.5.1 Be necessary and reasonable for the performance of the Federal award.
- 4.5.2 Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items.
- 4.5.3 Be consistent with policies and procedures that apply uniformly to both Federally-financed and other activities of the City.
- 4.5.4 Be accorded 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.
- 4.5.5 Be determined in accordance with generally accepted accounting principles (GAAP).
- 4.5.6 Not be included as cost or used to meet cost sharing or matching requirements of any other Federally-financed program in either the current or a prior period.
- 4.5.7 Be adequately documented.
- 4.6 Procurement: When procuring goods and services under a Federal award, the City will follow 2 CFR §200.318 General Procurement Standards through §200.326 Contract Provisions or City of Auburn purchasing procedures (Auburn City Code Chapters 3.10, 3.12, and 3.14), whichever is more restrictive.
  - 4.6.1 Contracts for more than the simplified acquisition threshold currently set at \$150,000 must address administrative, contractual, or legal remedies in instances where contractors violate or breach contract terms, and provide for such sanctions and penalties as appropriate.
  - 4.6.2 Contracts and sub-grants of amounts in excess of \$150,000 requires that the City will comply with all applicable standards, orders or regulations issued pursuant to the Clean Air Act and the Federal Water Pollution Control Act.
  - 4.6.3 The City will monitor procurements to avoid duplicative purchases. The City will continue to enter into inter-entity agreements to realize cost savings for shared goods and services when possible.
  - 4.6.4 The City will verify and document that vendors are not suspended or debarred from doing business with the Federal government.
- 4.7 Single Audit Act: The City, as a recipient of Federal funds, shall adhere to the Federal regulations outlined in 2 CFR §200.501 as well as all Federal and State statutes and regulations.
- 4.8 Closure: A project agreement end date will be established in accordance with 2 CFR §200.309. Any cost incurred after the project agreement end date are not eligible for Federal reimbursement.
- 4.9 Code of Conduct: The purpose of the Code of Conduct is to ensure the efficient, fair and professional administration of federal grant funds in compliance with 2 CFR §200.112, 2 CFR §200.318 and other applicable federal and state standards, regulations, and laws.

ADMINISTRATIVE POLICY AND PROCEDURE	TITLE: GRANT MANAGEMENT ADMINISTRATIVE POLICY	INDEX NO: 100-25	PAGE 4 OF 10
--	---	---------------------	-----------------

- 4.9.1 The Code of Conduct applies to all elected officials, employees or agents of the City engaged in the award or administration of contracts supported by federal grant funds.
- 4.9.2 No elected official, employee or agent of the City shall participate in the selection, award or administration of a contract supported by federal grant funds if a conflict of interest, real or apparent, would be involved. Such a conflict would arise when any of the following has a financial or other interest in the firm selected for award:
- The City employee, elected official, or agent; or
  - Any member of their immediate family; or
  - Their partner; or
  - An organization which employs, or is about to employ any of the above.
- 4.9.3 The City of Auburn's elected officials, employees or agents shall neither solicit nor accept gratuities, favors, or anything of monetary value from contractors, potential contractors or subcontractors.
- 4.9.4 To the extent permitted by federal, state or local laws or regulations, violation of these standards may cause penalties, sanctions or other disciplinary actions to be taken against the City's elected officials, employees or agents, or the contractors, potential contractors, subcontractors or their agents. Any potential conflict of interest will be disclosed in writing to the Federal awarding agency or pass-through entity in accordance with applicable Federal awarding agency policy.

## 5.0 PROCEDURES

The purpose of these procedures is to ensure inter-departmental coordination in the identification of grant opportunities, to ensure consistency in the management of grants the City receives, and oversight in management and compliance with the guidelines and restrictions as required by the grantor.

### 5.1 Grant Application

- 5.1.1 Request to Apply. Prior to submitting an application for an award, the Department pursuing the grant award shall obtain the required approval signatures (i.e. Department Director, Mayor).
- 5.1.2 Legal Review. If necessary, the responsible Department will review the grant and grant application with the City's Legal Department to identify any potential legal issues that the City should be aware of.
- 5.1.3 Submittal of Award Application. Once approval or direction is received to pursue the award, the Department charged with the responsibility for implementing the award will prepare the necessary application paperwork and, if necessary, seek approval of the City Council.

### 5.2 Grant Award, Obligation and Management

ADMINISTRATIVE POLICY AND PROCEDURE	TITLE: GRANT MANAGEMENT ADMINISTRATIVE POLICY	INDEX NO: 100-25	PAGE 5 OF 10
--	---	---------------------	-----------------

5.2.1 Award Review and Acceptance. Once the award is received, the responsible Department will accept the award only if the grantor's terms and conditions can be satisfactorily met by the City. Administrative and Legislative acceptance of an award will be subject to the following limitations:

- Department Directors may approve awards up to and including \$10,000.00.
- Mayoral approval is required for awards between \$10,001.00 up to and including \$50,000.00.
- Council approval is required for awards of \$50,001.00 and up.

5.3 Project Number. The responsible Department will request the Finance Department establish a project number. The purpose of the project number is to enable the accurate accounting of revenues and expenses related to the project. No project can be started or executed without a project number.

5.4 Reporting. The responsible Department will serve as the single point of contact with the grantor and will be responsible for the preparation and submittal of reports to the grantor and for complying with the guidelines and requirements of the award. The responsible Department will maintain a detailed project folder that will contain, at a minimum, all official correspondence concerning the award including City memoranda, resolutions or ordinances; award letter; grantor guidelines and restrictions; written communications between the City and the grantor including copies of emails and any other documents necessary for the effective management of the award.

5.4.1 The Finance Department will be the responsible department in preparing the necessary financial information for reimbursements and any reports that are necessary for reimbursements.

5.5 Matches – City budget identified. Some awards prescribe a matching requirement in which the City must provide a financial match to qualify for the award. In the event of a required match, the responsible Department will work with the Finance Department to ensure sufficient budget is identified, and if necessary, to request a budget amendment.

5.6 Award Compliance - Issues. Periodically, compliance issues associated with award guidelines and conditions may occur. The Department charged with administering the award will be responsible for keeping the Mayor and Finance Department informed of any award compliance issues and resolution undertaken to address the issue. Resolution will be documented in the City's grant award files.

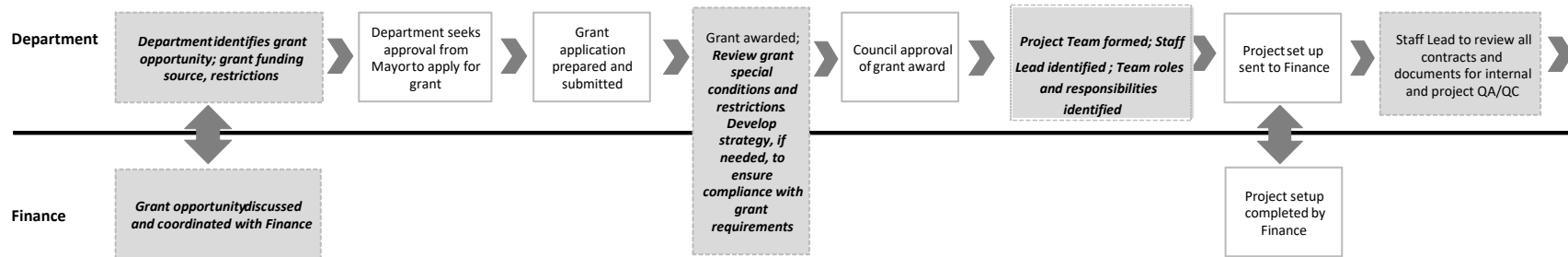
5.7 Loans. Loans represent a strategic means for the City to leverage its limited cash resources to fund programs and projects. However, as a loan represents a liability that must be repaid by the City, the responsible Department will coordinate with the Finance Department to ensure sufficient resources are available to repay the loan. If necessary, a budget amendment will be prepared to appropriate resources to repay the loan.

ADMINISTRATIVE POLICY AND PROCEDURE	TITLE: GRANT MANAGEMENT ADMINISTRATIVE POLICY	INDEX NO: 100-25	PAGE 6 OF 10
--	---	---------------------	-----------------

**6.0. Process Flow Chart**

Figure 6.1 generally describes the process under which awards will be tracked.

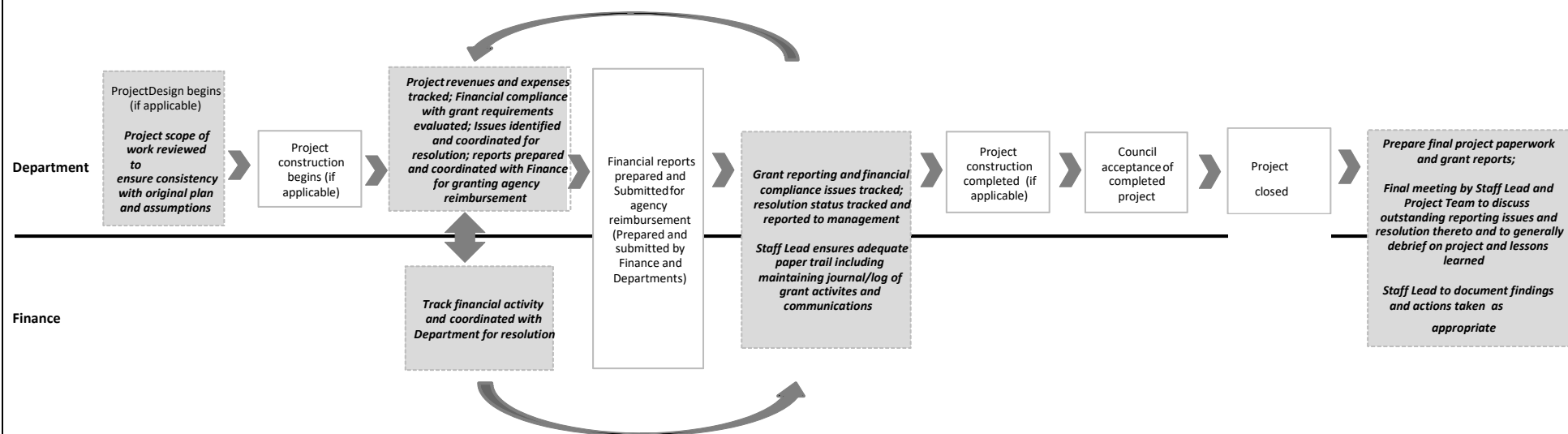
Figure 6.1: Process Flow Diagram





<b>ADMINISTRATIVE POLICY AND PROCEDURE</b>	<b>TITLE:</b> <b>GRANT MANAGEMENT ADMINISTRATIVE POLICY</b>	<b>INDEX NO:</b> <b>100-25</b>	<b>PAGE</b> <b>8 OF 10</b>
--	--	-----------------------------------	-------------------------------

Figure 6.1: Process Flow Diagram (continued)



ADMINISTRATIVE POLICY AND PROCEDURE	TITLE: GRANT MANAGEMENT ADMINISTRATIVE POLICY	INDEX NO: 100-25	PAGE 9 OF 10
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## 7.0. Glossary

The following is a summary of key references and terms used in this policy.

### References

Title 2 of the Code of Federal Regulations (2 CFR 200). Developed by the Office of Management and Budget (OMB), this guidance establishes uniform administrative requirements, cost principles, and audit requirements for federal awards. The requirements aim to reduce the risk of fraud, waste, and abuse of federal funds and places heavy emphasis on written policies and procedures. The focus of these policies and procedures should be to ensure that those in the organization who carry out the objectives of the award understand:

- The federal statutes, regulations, and terms and conditions of the award
- How to evaluate and properly monitor compliance
- The steps to take if non-compliance is identified

For further information, refer to:

<https://www.gpo.gov/fdsys/pkg/CFR-2017-title2-vol1/pdf/CFR-2017-title2-vol1-part200.pdf>

Specific state and local regulations may also apply. These regulations can vary based upon the unique conditions and circumstances of each grant award. City staff should take due care in determining the specific state and local applicable regulations that apply to their respective project and to appropriately document, understand, and comply with the conditions and restrictions within these regulations.

### Terms

Award – An award refers to financial resources provided to the City in the form of a loan, grant or contract from a federal, state, regional or local government or private for-profit or non-profit entity.

Award Compliance – This term refers to the general and specific requirements and provisions that must be satisfactorily met by the City and demonstrated to the awarding agency. Fulfilling the award requirements as provided by the awarding agency is important as variances thereto can become subject to an audit finding.

Department – This term refers to any, singular or in combination, of the City's operating Departments.

ADMINISTRATIVE POLICY AND PROCEDURE	TITLE: GRANT MANAGEMENT ADMINISTRATIVE POLICY	INDEX NO: 100-25	PAGE 10 OF 10
--	---	---------------------	------------------

Finance Department – This term refers to the City's Finance Department.

General and Specific Audit Requirements – General audit requirements refers to federal, state and local audit compliance requirements. Specific audit requirements typically are specific to individual awards and can vary in complexity based upon the awarding agency. The responsible department should take due care to carefully review and comply with the general and specific requirements of the award in question.

Program or Project – This term refers to the City operating program or capital facilities project that is supported by the award.

Responsible Department – This term refers to the City operating department that is designated as the lead City department responsible for managing the program or project funded by the award.