SAN BERNARDINO MUNICIPAL WATER DEPARTMENT

POLICIES & PROCEDURES MANUAL

POLICY 54.050 – GRANT MANAGEMENT AND ADMINISTRATION

Date:	September 24, 2024
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First Adopted:	May 12, 2020

POLICY:

The Department applies for, and may receive, funding from Federal and State sources to support operations and capital improvements. Staff assigned to a grant or loan funded project are responsible to ensure compliance with any applicable administrative requirements, cost principles, and audit requirements for Federal and State awards. Appendix A provides the summary information of the Federal grant policies applicable to the Department. State grant policies and guidance are available at California Water Boards website https://www.waterboards.ca.gov/water_issues/programs/grants_loans/.

GRANT ROLES AND RESPONSIBILITIES:

Authorized Organizational Representative: An Authorized Organizational Representative (AOR) also known as an "Authorized Signatory" is the General Manager of the Department or other designee approved by the Water Board who is authorized to sign Notice of Award (NOA) and required financial and grant compliance documents on behalf of the Department. The General Manager is responsible for general oversight of grant projects/activities.

If a governing body resolution is required for a grant award, the grant administrator, or designee, or Finance Director will prepare a Resolution for the City of San Bernardino Water Board (Water Board) for adoption.

Grant administrator, or designee: When pursuing a grant, the Department grant administrator, or designee, will serve as a point of contact for funding agency personnel and will channel communications between the Department project staff and the grantor agency. The grant administrator, or designee, is tasked with day-to-day management and oversight of the grant application process and he/she will ensure that grant deliverables are met within the time frame set forth in the approved work plan. The grant administrator, or designee, works with the applicable Division Director as well as the Finance Director or his/her designee on grant activities to ensure that the grant is implemented in compliance with all the applicable terms and requirements, program guidelines and government regulations. The grant administrator, or designee, also works with Division staff providing critical information for the grant(s).

Finance Director and Finance Division: The Finance Director of the Department, or his/her designee, provides oversight of fiscal management and reporting, and ensures that the Department will have sufficient funds to meet cost share requirements if applicable. The Finance Division of the Department will ensure proper recording of grant funded activities including management of the Capital Improvement Project (CIP) portion of the budget as applicable, provide the project team with the updated fiscal reports of grant activities, prepare and submit the financial reports to the grantor agency on time, timely process reimbursements (drawdowns), maintain effective internal control, and facilitate satisfactory grant audits including the Single Audit when applicable.

GRANT MANAGEMENT PROCESS:

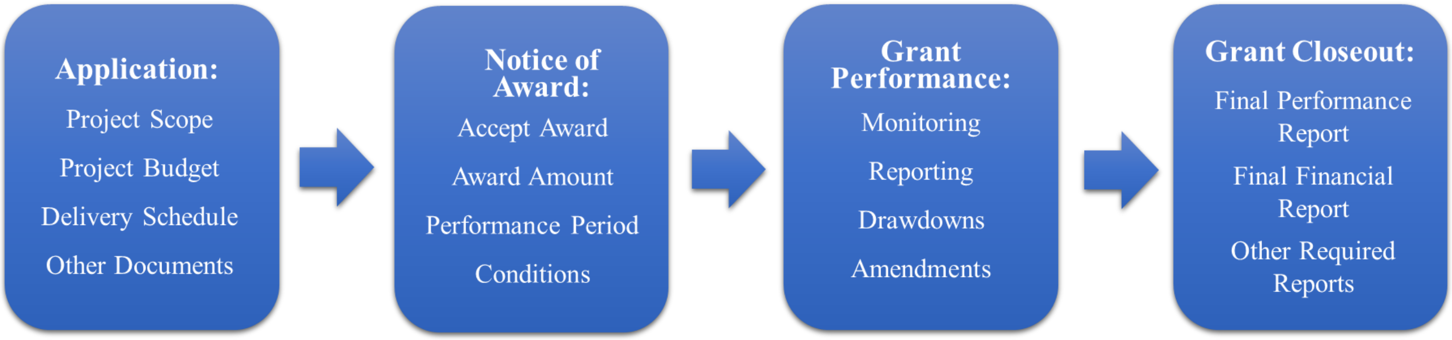
The Department submits a grant proposal/application in response to a "Funding Opportunity Announcement" (FOA) or a "Request for Proposal" (RFP). FOAs for Federal grant programs can be found at www.grants.gov.

A list of State grants and loan programs can be found at: https://www.waterboards.ca.gov/water_issues/programs/grants_loans

Additional Non-Federal and Non-State funding programs exist that may be applicable to the Department's projects.

The Department implements the grant-funded project(s) upon receiving a "Notice of Award" or NOA. Post-award grant management then ensures delivery of the grant-funded project(s) per approved project scope and work plan and ensures compliance with the terms and requirements stipulated in the grant funding agreement and guidelines.

The four major stages involved in the grant management process are illustrated below:



GRANT APPLICATION PROCEDURE:

Project Initiation: Divisions seeking grant funding for capital or non-capital projects/activities will lead in the development of a grant application package with the assistance of the grant administrator, or designee. All grant requests must also be submitted to the Finance Director to determine if the Department can meet any cost share requirements.

The funding request clearly describe the need for the project. The request should also outline a well-planned approach for addressing the need and for developing a scope of work, budget, and schedule.

Preparation of Funding Application: The grant administrator, or designee, with assistance from the project appropriate Department Division, is responsible for preparation of a grant application, per the requirements set forth in the FOA or application funding program guidelines. The FOA and/or program guidelines typically include the following information:

- A general description of the program
- The authorizing statute for the grant funding
- Eligibility requirements
- Length of grant term
- Cost share or matching funds requirements
- Application requirements – forms, budgets, narrative, supporting documents
- Due date for application
- Review/scoring criteria

Funding Applications typically contain the following information:

- Goals and objectives of project
- Scope of project or statement of work
- Implementation plan (work plan)
- Project delivery schedule
- Detailed project budget
- Other documents required by the Funding Agency, (Grant Assurances, Governing Body Resolution, etc.)
- Technical studies (if any)
- Project Manager and/or grant administrator point of contact
- Support letters (as required)

Funding Application Review and Approval:

- The appropriate Division Director will review and approve the grant application.
- The Finance Director will review and approve the grant application.
- Upon the approval of both directors, the application package will be sent to the General Manager or designated AOR for the final approval and signature.
- With the approval of the General Manager, and/or AOR, the grant administrator or designee will submit the grant application to the funding agency.
- A signed copy of grant application will be retained in the grant file.

Note: To apply for the Federal grants at www.grants.gov, a valid registration with the System for Award Management (SAM) is required. https://www.sam.gov/SAM/ is an official website of the U.S. government.

Award Notification and Acceptance Procedure:

The grantor agency sends an NOA to an agency if its application is selected for an award. The information contained in the NOA includes, but is not limited to, the award amount, matching fund requirement, if any, award conditions, approved project scope, budget period, grant performance period, reporting requirements, and applicable statute regulations and programmatic requirements.

Acceptance of Award: The grant administrator, or designee, and Project Manager must carefully review the NOA and should:

- Understand the administrative and fiscal grant requirements as set forth in the Notice of Award document.
- Provide the award package to the Finance Director for review and approval.
- Upon the Finance Director's approval, submit the award package to the General Manager for review and acceptance.
- Prepare a staff report to accept the grant funding by the Water Board.
- Prepare a grant summary of information for the award to distribute to the appropriate staff members.
- Retain the original, executed grant agreement in the grant file.
- Provide a copy of executed grant agreement to the Finance Division.

The Finance Division will:

- Confirm that the Department's financial system can meet the funding program reporting requirements.

The General Manager, or designee, serving as the AOR will:

- Review and sign the award documents.
- Return award documents to the grantor agency prior the specific date set in NOA.
- Authorize the grant administrator, or designee, to begin grant activities.

Grant Setup: The Finance Division is responsible for tracking grant expenditures and revenues, ensuring allowability of costs, retaining sufficient documentation, and fulfilling the Department's financial reporting obligations.

Upon the acceptance of the award, the Finance Division will:

- Enter the award in its financial system with a unique award number.
- Set up the award-funded project in the financial system with an individual project number.
- Amend the Department budget to include the award with the required matching funds.
- If the project is not in the approved CIP, amend the CIP to include the grant funded project.

<u>Grant Performance:</u>

Initial Grant Funded Project Meeting: Once receiving the authorization from the General Manager to initiate the

process, the grant administrator, or designee, will convene a "kick off" meeting with the Department's staff members who will be involved in grant activities.
The initial grant/funding program project meeting will:

- Review the grant/funding terms and requirements, including key government regulations, procurement standards, record keeping and reporting requirements.
- Confirm the grant work plan and implementation schedule.
- Address any staff issues and concerns with the grant work plan.
- Identify potential problems in grant implementation and create contingency plans.
- Create an implementation timeline/schedule for grant work plan activities with roles and responsibilities and related activities clearly assigned to specific personnel.
- Introduce the master project grant file on the shared drive.

Some of the grant agencies initiate a kick-off meeting that may include discussion of above listed items.

Grant Oversight and Monitoring: Project Manager and grant administrator monitor the grant performance by measuring project progress against the approved work plan and approved project budget.

The grant administrator's, or designee's responsibilities include, but are not limited to:

- Facilitating communications between the Department and the grantor agency.
- Providing Finance Division with the applicable terms and conditions of the awards to be incorporated in the Department's procurement documents when soliciting the grant project funded goods and services.
- Compiling applicable solicitation lists for procurement of goods and services required.
- Advising the Finance Division of any applicable solicitation requirements for bid notification posting to printed and/or online publications as well as Disadvantaged Business Enterprises (DBE) assistance networks.
- Collaborate with the Finance Division to document and summarize the Department's required Good Faith Effort (GFE) procurement steps.

- Assisting Finance Division in review of procurement documents and contractor bid packages to ensure grant procurement standards are met.
- Submitting project progress reports per grant or funding program guidelines.
- Developing and submitting project agreement amendment requests to grant and/or funding agencies as needed.
- Being diligent in identifying internal and external risks to delivering the grant requirements.

The Project Manager Responsibilities include, but are not limited to:

- Implementing the project per the approved work plan.
- Ensuring that the grant deliverables are men on budget, on schedule.
- Documenting and providing timely notice to grant administrator of project issues which may result in delays or challenges to implement the project per approved work plan.
- Documenting issues which may delay or impact scope of project per approved work plan.
- Providing grant administrator with project details as requested for required progress reporting.
- Being diligent in identifying internal and external risks to delivering the grant requirements.

The Finance Division's responsibilities include, but are not limited to:

- Following Generally Accepted Accounting Principles (GAAP) to record grant activities and manage the grant funds.
- Enduring the Department's grant project solicitation and procurement standards and any applicable contractor solicitation and procurement requirements are met.
- Maintaining records to document solicitation communications as required by the funding agency.
- Incorporating applicable terms and conditions of the awards in the Department's procurement documents when soliciting the goods and services.
- Ensuring monitoring processes in place that will provide for internal controls to routinely review the financial management of grant funding.
- Ensuring adequate justification for grant expenditures as necessary and reasonable.
- Ensuring proper charging of costs to grant activities.
- Tracking matching fund and indirect costs.
- Managing cash flow of the grant funds.

- Providing the grant finance activity reports as required by the grant (to the grant administrator, or designee, and Department management, detailing encumbered funds, expenditures, and fund balance.)
- Ensuring effective internal control over compliance requirements for the award, including the Single Audit requirements.
- Ensuring the grant-funded expenditures meet the applicable cost principles for the awards.
- Timely processing of the reimbursement/draw down requests.
- Reconciling the fund balance in conjunction with filing the financial report with the grantor agency.
- Conducting regular financial compliance reviews of grant fund activities and associated costs.
- Being diligent in identifying internal and external risks to delivering the grant requirements.
- Conducting regular grant project budget reviews.

Grant Reporting Procedure: Each Grant Award package contains information on reporting requirements for grant funded projects. Grant reporting is a primary form of communication with the grantor agency during the grant performance period. Failure to submit required reports on time or failure to submit complete reports can negatively affect current and future funding from the funding agency.

Reporting requirements differ among the grant programs; common types of reports are progress reports and financial reports, and typical reporting frequency is quarterly or semi-annually. These regular reports document project/grant progress during the reporting period.

It is the grant administrator’s, or designee’s, responsibility to ensure that all required reports are submitted to the grantor agency before the respective due dates, and will:

- Advise applicable Department staff of reporting timelines.
- Communicate with key project staff and the Finance Director to review the current status of the grant project and related finances, two weeks prior to the report due date.
- Prepare the required progress report.
- Provide progress report details to the Project Manager and Division Director as needed for review and approval.
- Upon approval from the Project Manager, submit the progress report to the General Manager or designated AOR

for signature as required. Upon approval, the grant administrator, or designee, will submit the progress report to the grantor agency.
- If applicable, report on the required information on www.fsrs.gov.

The Finance Division is responsible for preparing and submitting financial reports on time:
- The Finance Division will prepare the financial report.
- The Finance Director will review and approve the financial report.
- Upon the approval by the Finance Director, submit the financial report to the General Manager for review and approval. Upon approval, the grant administrator, or designee, will submit the financial report to the grantor agency.

Changes to the Grant Project Budget and/or Scope: Unexpected circumstances may arise wherein changes become necessary to complete a grant funded project or activity. The grantor agency's approval is required for any major changes to the project, such as changes in the scope of work, budget, key project personnel, and the performance period. Failure to obtain the approval from the grantor agency may result in cost disallowances by the grantor agency or Federal auditor.

In these circumstances, the grant administrator, or designee, will:
- Follow the applicable grant guidance or consult with the grantor agency to determine whether or not a formal grant amendment is required.
- If required, submit recommendations for the changes to the approved work plan, deliverables, and budget to the General Manager for approval.
- If required, work collaboratively with the Finance Division to develop and submit budget request changes from the grantor agency.
- Upon the General Manager's approval, submit the grant amendment to the grantor agency.
- Upon the approval of the grant amendment, work with the Finance Division to make the necessary changes in the Department's financial system.

Grant File Set Up and Record Retention:

Grant Master File: The grant administrator, or designee, is responsible for setting up a grant master file. The grant master file should include, but is not limited to:
- The signed grant application

- The Notice of Award or executed grant funding agreement
- Approved grant amendments/budget revisions if any
- Grant reports filed with the grantor agency (performance reports and financial reports)
- Applicable correspondence with the grantor agency
- Sub-grantee files, if applicable, including subcontract agreements, etc.
- Reimbursement request package with supporting documents
- Grant requirements such as American Iron and Steel, Disadvantaged Business Enterprise (DBE), and labor compliance
- Grant close-out reports (final project report, final financial report)
- Grant audit/review reports

In order to ensure grant related documents are organized and accessible for the concerned staff members, e-filing of the grant master file should be accessible on the Department's shared drive.

Financial Records: The Finance Division is responsible for all grant accounting records:

- Create a separate folder for each billing cycle for each grant awarded to the Department, including all supporting documentation for expenditures and payment of reimbursements.
- Create an additional folder for all other notes and correspondence pertaining to the grant.
- Retain the folders throughout the life of the grant.
- Upon the closeout of the grant, scan the files into the electronic records retention system, catalogue, and send the paper files off-site for storage.

Records Retention Requirements: The Federal standard is that financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to a Federal award must be retained for a period of at least three years from the date of submission of the final expenditure report, with exceptions listed in 2 CFR 200.333. (2 CFR 200 Subpart D—Post Federal Award Requirements establishes the standards for financial and program)

It is a policy of the Department to follow the Federal record retention standards, unless there is a different record retention requirement specified in the Notice of Award or grant agreement.

Grant Closeout Procedure:

Upon completion of the grant-funded project(s) or at the end of grant performance period, whichever comes first, the grantee is required to submit a final project report and a final financial report to close out the grant. Federal grants generally require the grantees to close out within 90 days of the completion of the grant.

The close out of a grant does not negate any additional requirements for reporting of property purchased with grant funds, grant records retention, or financial accountability. If any grant funds have not been expended during the approved grant project period, they must be returned to the funding agency.

The Finance Division will work collaboratively with the grant administrator, or designee, to develop an internal process for closing out the grant projects to ensure compliance with close out requirements set forth in the grant agreement.

Closeout Checklist: The grant administrator in collaboration with the applicable Division and Finance Division will:

- The applicable Division will review final supplies, materials, or equipment purchases. Additional charges made after the close out date are disallowed by the funding agencies.
- Review all previously submitted funding agency required reports to verify accuracy (all required reports should be contained in the grant file).
- The Finance Division will submit the final grant close out report.
- Ensure staff efforts have been correctly accounted for and documented.
- Schedule a grant close-out meeting with project staff to review all information in the grant file for accuracy.
- Send the closed grant files to appropriate location.

Grant Audit:

The Single Audit: According to Office of Management and Budget (OMB) Guidance, a non-Federal agency that expends $750,000 or more in Federal awards during its fiscal year is required to have a Single Audit. The purpose of the Single Audit is to review an agency’s compliance with Federal program requirements, as established in the grant award. The auditing process analyzes and examines not only the financial requirements of a grant, but also work plan requirements and deliverables. The auditors perform testing of internal control measures over the compliance requirements for a major program. Issues that are often reviewed during the Single Audit include:

- Cash management
- Allowable versus unallowable costs charged to the grant
- Allowable versus unallowable grant activities
- Property/equipment acquisition, management, and maintenance
- Procurement/bidding processes
- Adherence to requirements such as lobbying, civil rights, drug free workplace
- Time of effort for project staff
- Matching requirements (if applicable)
- Labor compliance
- American Iron and Steel certifications and process
- Disadvantaged Business Enterprise conformance

Program-Specific Audit or Performance Review: Grantor agencies may perform grant review of an award recipient’s compliance with the program requirements. For example, California Governor’s Office of Emergency Services (CalOES) performs either desk review or on-site review to examine an agency’s processes to ensure compliance with the rules, laws, and guidelines governing Federal grant awards.

Preparing for a Grant Audit: Preparation for a grant audit should be part of daily operational processes that creates a system of checks and balances. It is a policy of the Department that the Finance Division is responsible for:

- Having a cash management process.
- Maintaining adequate financial records and source documentation for audit purposes.
- Complying with reporting requirements.
- Conducting regular budget reviews.
- Reporting any budget related irregularity to the grantor agency.
- Following GAAP to provide for fiscal control and accounting procedures while managing grant funded programs.

The Finance Division will have processes in place to provide:

Risk Assessment – The Finance Division will be diligent in identifying internal and external risks to a grant funded program’s finance.

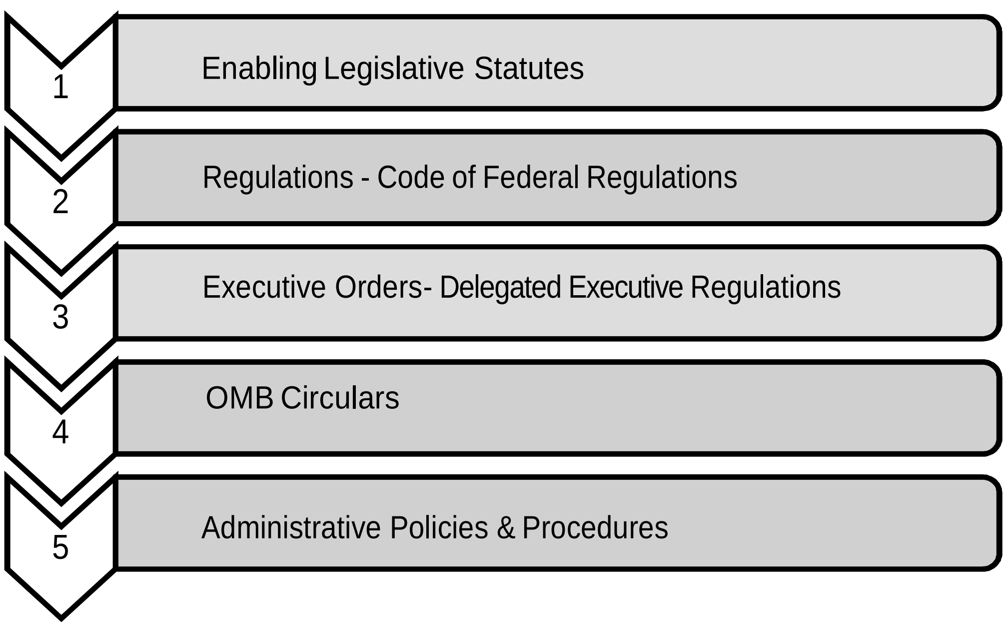
Fiscal Monitoring – The Finance Division will provide tools to routinely review the fiscal activities of grant funding.

Audit Facilitating – The Finance Division will gather all relevant audit documentation for auditor review and facilitate auditor on-site visits.

APPENDIX A: APPLICABLE REGULATIONS AND REQUIREMENTS

A grant recipient is required to work in compliance with the rules and regulations that are set forth in the award documentation. In order to understand the legal requirements, including Federal and State regulations, OMB circular rules, and special conditions and provisions which apply to grant funding, it is important to understand the hierarchy of laws and regulations which apply to a funded program.

The legal hierarchy of laws and regulations that applies to Federal and State grants:



A. APPLICABLE REGULATIONS & OMB CIRCULARS

The Department is considered a “State and local government” agency. When expending the Federal and State grant monies, the Department is required to follow the government regulations and requirements. Key Federal grant policies are available on https://www.grants.gov/web/grants/learn-grants/grant-policies.html

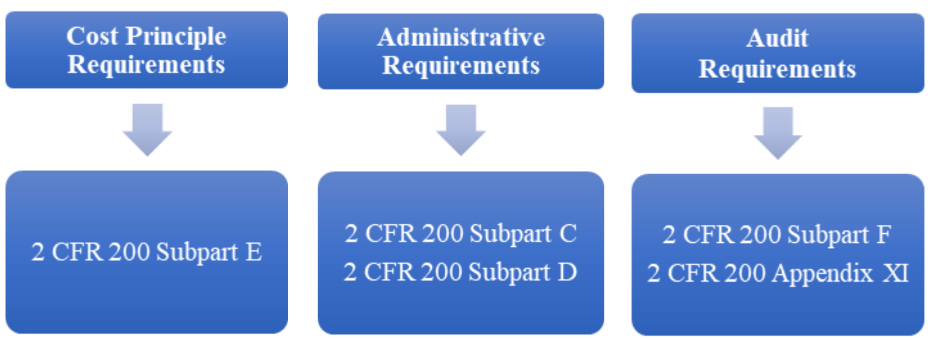
A.1 Code of Federal Regulations

The *Code of Federal Regulations* (CFR) is the codification of the general and permanent rules and regulations (sometimes called administrative law) published in the Federal Register by the executive departments and agencies of the Federal government of the United States.

2 CFR PART 200 - UNIFORM ADMINISTRATIVE REQUIREMENTS, COST PRINCIPLES, AND AUDIT REQUIREMENTS FOR FEDERAL AWARDS provides Federal awardees with OMB's guidance for administrative requirements, cost principles, and audit standards. The latest annual edition of CFR can be found at https://www.govinfo.gov/app/collection/cfr.

A.2 Federal Requirements Applicable to the Department Grants:

A.2.1 Uniform Administrative Requirements, Cost Principles, And Audit Requirements



A.2.2 Federal Accountability Funding and Transparency

The Federal Funding Accountability and Transparency Act (FFATA) of 2006 requires that grant recipients of new Federal grants awarded on or after October 1, 2020, to report on subawards equal to or greater than $30,000. This includes awards that are initially below $30,000 but subsequent grant modifications result in an award equal to or greater than $30,000. Subrecipient information is reported at the website, www.fsrs.gov.

Recipients are required to report subrecipient information to the FFATA Subaward Reporting System (FSRS). This tool can be accessed directly at www.fsrs.gov and will serve as the collection tool for subaward data which will ultimately be distributed for publication and display on USASpending.gov. Grantees are required to register with FSRS, collect the necessary data from sub-awardees, and file subaward reports by the end of the month following the month in which the prime grantee awards any subaward greater than $25,000. For first tier subawards involving an obligation of $25,000 or more in Federal funds, prime recipients must report the following information:

1. Name of the entity receiving the award.
2. Amount and date of the award.
3. Funding agency.
4. Catalog of Federal Domestic Assistance (CFDA) number.
5. Award title descriptive of the purpose of each funding action.
6. Location of the sub-recipient receiving the award and primary location of performance under the award, including city, State, congressional district, and country.
7. DUNS number of the sub-recipient receiving the award and the parent entity of the sub-recipient should the entity be owned by another entity.

A.2.3 Debarment & Suspension

Executive Order 12549 established a government-wide system of accountability that was meant to curb waste, fraud, and abuse in the spending of Federal program dollars. It was also meant to increase agency accountability for dollars spent. This order requires Federal financial assistance recipients to ensure that grant assistance monies are not paid to contractors that are debarred, suspended, or otherwise excluded from participating in Federal programs.

As a recipient of Federal grant funding, the Department will ensure that there is a process in place to check the status of any vendor or subcontractor prior to engaging that vendor or subcontractor for services. The Department Contract Analysis or Project Manager will check the government exclusion lists on www.sam.gov.

APPENDIX B: GENERAL STANDARDS FOR SUPPORTING DOCUMENTATION

Documents provide for a record of various financial events, transactions, or activities. Typical grant transactions may include personnel and benefits costs, equipment and supplies purchases, cost for contractor related services, and grant income or revenue. Supporting documentation provides evidence of who requested a transaction, why it was approved, and if it was a necessary transaction.

In order to support proper documentation for grants, the Department will utilize the following practices:

1. The Department Standard Accounting forms or templates will be utilized whenever possible.
2. Accounting records will be supported by source documentation including copies of checks, paid bills, purchase orders, etc.
3. Full time effort of employees that are grant supported will be tracked by time and attendance records.
4. Accounting records for grant funds will contain the following information: authorizations, obligations, unobligated balances, outlays /expenditures, and program income (if any).

APPENDIX C: COMMON GRANT TERMS

The Department utilizes definitions as stated in the Code of Federal Regulations Title 2 CFR 200 - Uniform Administrative Requirements, Cost Principles, And Audit Requirements for Federal Awards. Current terms and definitions can be found in the Electronic Code of Federal Regulations at https://www.ecfr.gov/

Policy Review

Board approved:	5/12/2020
No changes:	7/2021
Minor changes (HR) GM approved:	7/2022
No changes (HR):	7/2023
Revision Board approved:	9/24/2024