Administrative Policy

Grant Acquisition, Management and Compliance

AP No.	4-1
Effective Date:	Upon Approval

1. POLICY STATEMENT

Article VI, Section 7a, of the City Charter of the City of Houston.

2. POLICY PURPOSE

To establish a Citywide policy governing grant acquisition, management and compliance procedures to ensure consistent use by City departments and compliance with the 2 Code of Federal Regulations Part 200 (2 C.F.R. Part 200) and all applicable federal, state and local regulations.

2.1 To provide written guidelines to ensure consistency in the City's grant acquisition and management process across grant administering departments.

2.2 To encourage departments to responsibly pursue external funding that can be reasonably managed while serving the needs of the City.

2.3 To ensure grant audits are being conducted in an appropriate manner and City departments are audit ready.

2.4 To coordinate grant acquisition among City departments.

2.5 To generate grant revenue recovery and monthly grant initiative reporting to capture whether grants are being sought by City departments and reporting their respective revenues.

2.6 To achieve zero audit findings in each annual audit.

3. SCOPE

All City departments and divisions are required to adhere to this policy.

4. DEFINITIONS

Capitalized terms used but not defined in this policy have the meaning assigned to them in 2 C.F.R. Part 200 Subpart A.

allocation: The process of assigning a cost, or a group of costs, to one or more cost objective(s), in reasonable proportion to the benefit provided or other equitable relationship. The process may entail assigning a cost(s) directly to a final cost objective or through one of more intermediate cost objectives.

application: A written initial, modification, or renewal request for funds, goods, or services submitted by the City to federal, state, nonprofit, private, or local entities, that describes the City's obligations as condition of receiving grant funds.

audit finding: A deficiency which the auditor reports in the Schedule of Findings and Questioned Costs of the Single Audit Report (SAR).

auditee: Refers to the City of Houston or a specific department.

auditor: A public accountant or a federal, state, or local government audit organization, which meets the general standards specified for external auditors in Generally Accepted Government Auditing Standards (GAGAS).

award: An approved instrument for funds, goods, services, or other assistance subject to terms agreed upon in an executed grant agreement, cooperative agreement, or other legally binding contractor the cost-reimbursement contract under the Federal Acquisition Regulations that the City receives directly from an awarding agency.

budget: The financial plan for the project or program that the awarding agency approves during the award process.

capital fixed assets: Land, improvements to land, easements, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, and all other tangible or intangible assets and projects that are used in operations and that have useful lives exceeding more than one year and are capitalized in accordance with GAAP exceeding the capitalization threshold of $5,000, as modified by Fixed Asset Management or by the City's Fixed Asset manual. Separately, the capitalization of projects is handled by the City's Fixed Asset Groups.

capital project section: Business units within the Houston Public Works (HPW) and the Houston Airport System (HAS) that manage the capital project budgets, payables and associated revenues.

cash match: Contribution by the City that is based on cash funds and does not include in kind contributions such as city personnel time, supplies, services, training, equipment or other property.

catalog of federal domestic assistance: A listing of all federal assistance programs by title, agency and number.

closing: A process initiated by a recipient prior to the end of the grant validity period to place a grant in closing status in the City's financial system.

closeout: The formal conclusion of all spending, reporting and any changes or exceptions. A requirement of most grantors, this process documents that all required work and administrative actions are complete according to the terms of the award and any applicable federal (e.g., 2 § C.F.R. 200.343), state or local regulations.

code of federal regulations (CFR): A codification of the rules governing federal assistance programs published in the Federal Register.

compliance supplement: Refers to Appendix XI to 2 C.F.R. Part 200—Compliance Supplement (previously known as the Circular A-133).

contractor: A supplier of goods or services that are commonly available to both government and non-government entities that is not subject to the same federal, state and/or local regulations as an award recipient or subrecipient.

cost allocation plan: A document that identifies the cost of indirect services provided by central service departments (e.g., Finance, Human Resources, Houston Information Technology Services, or Administrative and Regulatory Affairs) and what administration costs each program (i.e. a City departmental organizational subdivision) should bear according to the indirect cost rate. The cost of these services may be allocated or billed to users.

cost objective: A cost objective may be a major function of the City, a particular service or project, a federal award, or an indirect cost activity.

cost sharing: A contribution based on overall costs of a project or activity provided by the grantee or by third parties from sources other than the grant funds. Can be a "cash match" of money or "in-kind match" of personnel, supplies, services, training, equipment or other property.

disallowed costs: Means those charges that the awarding agency or the City determines to be unallowable, in accordance with the applicable terms and conditions of the award.

equipment: Means tangible personal property 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 for financial statement purposes, or $5,000.

expenditures: Charges made to a project or a program from which an award was received. The charges may be reported on a cash or accrual basis.

external funds: Any federal, state, local or private, agency monies external to City government, usually in the form of a grant.

federal audit clearinghouse (FAC): The clearinghouse designated by Office of Management and Budget as the repository of record where the City is required to transmit the Single Audit Report.

fiscal year (FY): For City purposes, the period from July 1 through June 30. Other fiscal years as may be prescribed by granting agencies.

generally accepted accounting principles (GAAP): Refers to the meaning specified in accounting standards issued by the Government Accounting Standards Board (GASB) and the Financial Accounting Standards Board (FASB).

generally accepted government auditing standards (GAGAS): Refers to generally accepted government auditing standards issued by the Comptroller General of the United States, which are applicable to financial audits, also known as the Yellow Book.

grant: An award to carry out a purpose under terms established by the grantor depending on the type of award and applicable federal, state and local regulations.

grantee: A City Department or division receiving financial assistance directly from an awarding agency to carry out a project or program. Also referred to as recipient or subrecipient.

grantor: Entity providing financial assistance in the form of an award. Also referred to as the sponsor or awarding agency.

grants management section (grants management/GM): The section within the Finance (FIN) Department responsible for the general oversight of grants resulting in the creation of the policies, procedures and operations supporting the receipt, award and monitoring of grants.

grant status: Refers to the grant lifecycle including application, award, closing and closed stages within the City's financial system.

high value grant: Refers to grant or award that meets either or both of the following criteria: (1) a value above $400,000 for the project period or agreement term (including all renewal periods) of the grant agreement, whichever is longer, or (2) grant or award that has a cash match requirement.

indirect cost (IDC): Expenses (overhead, facilities and administrative costs) necessary for the general operation of the organization and project activities but are not readily identified with a particular grant, contract, project, or activity. The costs are incurred for a common or joint purpose benefitting more than one cost objective.

indirect cost rate proposal: Documentation prepared by the City to substantiate its request for the establishment of an indirect cost rate which is released to the cognizant agency for approval.

internal controls: The process implemented by the City designed to provide reasonable assurance regarding the achievement of objectives in effectiveness and efficiency of operations, reliability of reporting for internal and external use, and compliance with applicable laws and regulations.

low value grant: Refers to grant or award with a value below $400,000 for the project period or agreement term (including all renewal periods) of the grant agreement, whichever is longer, and the grant or award has no cash match requirement.

pass-through entity: City department that provides a subaward to a subrecipient to carry out a grant program.

performance goal: A target level of performance expressed as a tangible, measurable objective, against which actual achievement can be compared, including a goal expressed as a quantitative standard, value, or rate. In some instances (e.g., discretionary research awards), this may be limited to the requirement to submit technical performance reports (to be evaluated in accordance with agency policy).

performance period: The designated start and end date in a grant award. Also known as the validity period.

post-award: The active grant validity period whereby grant activities and expenditures can proceed according to the conditions of the grant agreement.

pre-award spending: Authorization from the awarding agency to allow for certain expenditures of funds prior to the start of the grant validity period for a specific purpose as stated in the grant agreement or for full time personnel only. Pre-award spending must be approved by GM.

project period: Means the Performance Period and supplemental time, if any, for providing services for a period not to exceed five (5) years, with council authorization, if applicable.

questioned cost: A cost that is questioned by the auditor because of an audit finding:
(a) Which resulted from a violation or possible violation of a statute, regulation, or the terms and conditions of an award, including for funds used to match funds; (b) Where the costs, at the time of the audit, are not supported by adequate documentation; or (c) Where the costs incurred appear unreasonable and do not reflect the actions a prudent person would take in the circumstances

recipient: A City department or division that receives an award from an awarding agency to carry out an activity. The term recipient does not include subrecipients.

single audit: financial, internal control and compliance audit established for entities that collectively expend $750,000 or more in a year per 2 C.F.R. Part 200 or UGMS.

subaward: an award provided by the City to a subrecipient to carry out all or part of the award. All terms and conditions are passed down to the subrecipient. It does not include payments to a contractor or payments to an individual that is beneficiary of a federal program.

subrecipient: An agency or organization, that receives a subaward from the City.

supplies: Tangible personal property other than those described as equipment. A computing device is a supply if the acquisition cost is less than the lesser of the capitalization level established by the City for financial statement purposes or $5,000, regardless of the length of its useful life.

uniform grant management standards (UGMS): Under authority of Chapter 783 of the Texas Government Code, UGMS outlines the standards for State of Texas grant programs, including cost principles, administrative requirements and the Texas Single Audit circular.

unliquidated obligations: Refers to obligations incurred by the City that have not been paid (liquidated) for financial reports prepared on a cash basis. For reports prepared on an accrual expenditure basis, these are obligations incurred by the City for which expenditure has not been recorded.

unobligated balance: The amount of funds under an award that the City has not obligated. The amount is computed by subtracting the cumulative amount of the City's unliquidated obligations and expenditures of funds under the Federal award from the cumulative amount of the funds that the Federal awarding agency directly or pass-through entity authorized the City to obligate.

validity period: The lifespan of a particular grant that has been awarded to the City. At the conclusion of the validity period, the grant must be closed, extended or renewed. This period may be extended for payroll, closeout or internal program modifications as requested by the departments.

5. ROLES AND RESPONSIBILITIES

5.1 Grants Management

5.1.1 Supports and implements the directives and initiatives of the Mayor's Office including dashboards, grant revenue recovery and reports preparation.

5.1.2 Updates City grant-related policies, procedures and business processes to comply with grant requirements under 2 C.F.R. Part 200, UGMS, and regulations issued by the grantor agency and/or state agencies and updates grantees of any regulatory changes.

5.1.3 Prepares the Schedule of Expenditures of Federal Awards (SEFA) and Schedule of Expenditures of State Awards (SESA), subrecipient data and reviews the data collection form for the federal audit clearinghouse and the reconciliation to the Comprehensive Annual Financial Report (CAFR) for the fiscal year ending June 30.

5.1.4 Provides technical and management assistance to departments in the operation of their grants to ensure compliance with all applicable OMB Circulars along with other federal and state certifications and assurances.

5.1.5 Coordinates Citywide Single Audit, in accordance with 2 C.F.R. Part 200.

5.1.6 Places grants in a closed status upon receipt of the certification from the City Controller's Office.

5.1.7 Receives a Departmental Grant Opportunity (DGO) notification from all departments planning to apply for grant funds.

5.1.8 Receives all grant applications (new and continuation) for inclusion in the City's financial system and placement in application status.

5.1.9 Tracks and monitors key data elements for reporting purposes.

5.1.10 Provides technical assistance to the departments through the grant lifecycle including research, application and closing.

5.2 Finance – Cost Allocation Section

5.2.1 Submits indirect cost rates determined by the annual cost allocation plan for central service departments to the cognizant agency for approval.

5.2.2 Provides indirect cost rate to City departments for inclusion in grant application submissions.

5.3 Finance – Capital Project Section and Fixed Asset Management

5.3.1 Maintains the City records for the related grant reimbursable Capital Improvement Projects and prepares the necessary CAFR reports for applicable capital projects.

5.3.2 Capitalizes completed projects and directs purchased assets into depreciable asset records and prepares the Fixed Asset roll forwards for the CAFR.

5.4 City Council

5.4.1 Authorizes and approves or denies grant applications whether initial or continuation, for a high value grant.

5.4.2 Considers the acceptance of grants with City cash match fund requirements, where the City match must be made in whole, or in part in cash funds.

5.4.3 Considers all subsequent procurement, contractual and administrative actions, unless such approval is not required by law or the item was already pre-approved in a prior council action.

5.4.4 Delegates approval authority to the appropriate department director to apply, accept and expend grant awards and subsequent awards, if any, as allowed under a council action.

5.5 City Controller

5.5.1 Certifies availability of funds and as needed and issues the Single Audit Report in tandem with the Comprehensive Annual Financial Report (CAFR).

5.5.2 Reviews and forwards a grant application package with a cash match requirement, received from the Legal Department, to the City Secretary's Office to be placed on Council agenda.

5.6 City Departments

5.6.1 Establish internal controls, processes and procedures to align and comply with this policy for implementing grant programs and to monitor programmatic and fiscal compliance.

5.6.2 Serve as primary liaison with the grantor.

5.6.3 Obtain department director's approval to apply for grants, submit DGO data to GM, identify any match requirements and prepare and submit grant applications to grantor with required documentation by the deadline.

5.6.4 Determine whether City Council approval is needed to apply for and accept grant funds, and prepare a City Council Coversheet (coversheet).

5.6.5 Comply with Ordinance No. 97-776 (Attachment D). In addition, the department must seek and obtain City Council approval prior to submitting a grant application for any high value grant.

5.6.6 Submit two (2) copies of the application signed by the director with supporting documentation and a copy of the Coversheet to the Legal Department for preparation of an ordinance and submission to City Council. If applications with security concerns prevent public disclosure of such information, the ordinance must identify the document(s) that establishes such obligations and the location in which it is maintained.

5.6.7 Submit a copy of the application and supporting documents, including the Coversheet, to GM at the time of application submission to the grantor for grant setup and placement in application status.

5.6.8 Ensure the grant application is fully executed by the City and the federal or state agency grantor following City Council approval, if needed.

5.6.9 Submit a revised grant setup request to GM with supporting documentation upon receipt of a grant award from a grantor agency for placement in award status.

5.6.10 Monitor the grant program activities directly or through a contractor, including activities of subrecipients, for compliance with the grant agreement and subawards and any applicable federal, state and local requirements. Attachment C – Subrecipient Monitoring Checklist serves as a guideline and checklist for subrecipient oversight for fiscal and programmatic activities.

5.6.10.1 Review financial and performance reports required by the awarding agency.

5.6.10.2 Follow-up and ensure that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the award provided to the subrecipient from the awarding agency, which deficiencies may be detected through audits, on-site reviews, or other means.

5.6.10.3 Issue a management decision for audit findings pertaining to the award, if applicable.

5.6.10.4 Use a risk assessment, Attachment B – Subrecipient Risk Assessment, and monitoring tools to ensure proper accountability and compliance with program requirements and achievement of performance goals.

5.6.10.5 Verify that every subrecipient is audited as required by all federal and state laws and regulations.

5.6.10.6 Consider whether the results of the subrecipients audits, on-site reviews, or other monitoring indicate conditions that necessitate adjustments to the City's records.

5.6.10.7 Collect and review audit reports of subrecipients, issue management decisions on audit findings, and ensure the subrecipient takes any necessary corrective action.

5.6.11 Retain all records relating to the grant program for a minimum of three years after (1) the date the final federal financial report (FFR) is submitted; or (2) the last request for grant records during an audit, whichever occurs first, unless a longer period is required by the grantor or 2 C.F.R. §200.333.

5.6.12 Provide all necessary documents and proactively communicate potential audit findings to GM for review and technical support during the Single Audit Review.

5.6.13 Close the grant with funder and submit the FFR to Controller's Office for certification (refer to section 5.5.1). No later than 60 days after closing with the funder, the closing process (refer to section 6.4.3) must be completed.

5.6.14 Reconcile all expenditures under the grant programs and forward copies of final grant reports to GM. Once the department has reconciled its FFR to the grantor, the department must reconcile the same final financial information in the City's financial system no later than 60 days after closing the grant with the grantor.

5.6.15 Reconcile all expenditures posted in the Grant Not – Relevant Schedule each quarter.

5.7 Legal Department

5.7.1 Upon receipt of a grant application and all supporting documentation, if any, from the department, prepares an ordinance to accompany the Coversheet for Council approval.

5.7.2 Reviews grant applications and related contracts prior to Council approval.

5.7.3 Resolves legal questions regarding grants and related contracts, if any.

5.7.4 Assists, as necessary, with the development or negotiation of the terms and conditions of grant applications and related contracts.

5.7.5 Processes the approved grant application packages as follows:

5.7.5.1 For any grant requiring a cash match: Submit the grant application package, consisting of 1) the original ordinance, 2) a copy of the signed Coversheet, and 3) two copies of the grant application with supporting documentation, if any, to the City Controller's Office for certification of the cash match funds.

5.7.5.2 For high value grants: Submit the grant application package, consisting of 1) the original ordinance, 2) a copy of the signed Coversheet, and 3) copy of the grant application with supporting documentation, if any, to the City Secretary's Office for placement on a City Council Agenda, subject to final approval of the Mayor or his/her designee.

5.7.5.3 For low value grants: Submit the grant application package consisting of the grant application with supporting documentation, if any, under the Mayor's Blue Form, to the City Secretary's Office for the Mayor's approval and signature and then the City Controller's countersignature.

5.8 Housing and Urban Development (HUD) Funding

5.8.1 While keeping with all aspects of this policy, Housing Community Development Department (HCDD) is primarily responsible for administering HUD-related programs for the City.

5.8.2 All City departments receiving HUD funds or grant funds originating or passing through HCDD, will adhere to and comply with the same requirements as though such City department was the primary administrator. This includes proper timekeeping as required by applicable prevailing wage statutes, specific grant fund allocation, etc.

6. GRANTS MANAGEMENT PROCEDURES

6.1 Pre – Award Process

6.1.1 Grant programs that a department wishes to operate shall be evaluated by the department to determine its benefit to the City, long and short-term financial implications, feasibility and compatibility with existing City services and goals. The review may include evaluations of the amount of funds and resources available, regulations, sustainability, assurances, compliance, certifications, eligible activities, reporting and match requirements.

6.1.2 Departments seeking grants through either Notice of Funding Availability (NOFA) process or individual research must fill out requested information through the DGO Link referenced in Section 5.6.3 for inclusion in the monthly Grant Initiatives Report.

6.1.3 Submitting Requests to Council

6.1.3.1 Under Ordinance No. 97-776 (Attachment D), applying for and receiving grant funds with cash match requirements of any amount or with an annual value over $400,000 requires City Council approval. High value grants also require City Council approval.

6.1.3.2 The department must submit a draft Coversheet to GM for review prior to submission to the Agenda Office. The Coversheet should describe the proposed application in the background

section, such as the following:

6.1.3.2.1. Purpose and need for the project

6.1.3.2.2. Total cost, cash match requirement and fund account information

6.1.3.2.3. Fiscal Note – Budgetary impact

6.1.3.2.4. Grant Program Period

6.1.3.2.5. Grant project period not to exceed five years

6.1.3.2.6. Application (new, renewal, modification)

6.1.3.2.7. Authorization to apply and accept award and supplemental awards

6.1.3.2.8. Proposed Council Agenda date

6.1.3.3 Departments must complete a funding verification form, which includes grant fund and GL Account information.

6.1.4 Upon approval by City Council, the department submits the Coversheet, grant application package and ordinance to GM for creation in the GM module in application status.

6.1.5 Following approval by GM, the department will submit to the Legal Department the grant application package for City Council approval by ordinance for high value grants.

6.1.6 The City Controller will certify the availability of cash matching funds, if any, for any financial obligation of the City in connection with the grant application and forward the original and one copy with the certified ordinance and a copy of the Coversheet to the City Secretary for presentation to the Mayor's Agenda Director for inclusion on the Council Agenda.

6.1.7 Following Council approval of an application, the City Secretary will forward the original application and any copies to the Mayor for signature, as needed. After the Mayor's signature and City Controller's countersignature are obtained, the department may submit the grant applications to the grantor.

6.1.8 It is anticipated that processing the above-described steps will require 30 days following receipt of the applications by the Legal Department and Grants Management; thus, it is incumbent on departments/divisions to submit applications within ample time to meet the Agenda Office deadline (which as of August 14, 2020), is Tuesday at 4 PM at least two weeks' notice prior to placement on a requested Council Agenda date).

6.1.9 Department requests Council authorization to allow the director to apply for and accept future funding under a grant program that is offered on a recurring or multi-year basis as specified in the approving ordinance for the project period but not to exceed five years. This section does not apply to any grant application or contract that requires City cash match funds, as opposed to in-kind contributions.

6.2 Low Value Grants

6.2.1 All grant requirements identified under Roles and Responsibilities for GM and City departments apply to low value grants, except for seeking Council approval and related processes and procedures.

6.3 Pre – Award Spending

6.3.1 Departments may request pre-award spending of their grant application under the following circumstances:

6.3.1.1 The grantor authorizes expenditures of funds prior to the start of the grant validity period for a specific purpose as stated in the grant agreement.

6.3.1.2 A City department has already received City Council authorization to apply for, accept and expend funds for a grant program where the grant validity period has already begun, and the grantor has committed funds in writing but the grant agreement has not been fully executed.

6.3.2 Departments shall not use pre – award spending for any purpose other than payroll. Pre – award spending may only be used for payroll purposes for up to 25% of the grant award and for no longer than 60 days.

6.3.3 Pre – Award spending must be approved by GM.

6.4 Post – Award

6.4.1 Award notice – Upon receipt of the notice of the grant award, the department is responsible for reviewing the grant agreement and forwarding all information to GM. GM will review documentation to move a grant to award status. Upon notification from GM, departments shall enter and pre-post the grant's budget in the City's financial system.

6.4.2 Grant Budget Modifications – Departments will notify GM when modifications to the grant budget are necessary and provide supporting documentation and appropriate approvals. GM should make the necessary database posts and notify the department upon completion.

6.4.3 Closing process – Departments shall begin the closing process no later than 60 days before the end of the grant. Departments shall give GM at least five days advance warning when they are not able to close grant funded payroll positions before the end of the grant. Further, departments shall:

6.4.3.1 Submit the closing checklist to GM including the FFR and reconciliation of expenditures to the general ledger no later than 60 days after closing the grant with the grantor.

6.4.3.2 Ensure all outstanding invoices are paid and billings and/or drawdowns are submitted to the grantor.

6.4.3.3 Review all records for compliance and ensure performance measures are completed.

6.4.3.4 GM may only open, for a designated period, a grant placed in closing status for payroll purposes, year-end processing or limited reconciliations. The opening of a closed grant is at the discretion of the GM team leader.

6.4.4 Final billing and reporting – There should be no new purchase acquisitions or reimbursement requests at the conclusion of the validity period with the exception of entitlement grants and grantee procedures. In accordance with 2 C.F.R. Part 200 or the terms of the grant agreement, departments shall:

6.4.4.1 Disposal of equipment, if applicable

6.4.4.2 Return excess revenue to the grantor agency;

6.4.4.3 Reconcile excess expenditures including personnel costs from the grant fund and move to another fund or open grant, if applicable.

6.4.4.4 Once the department has reconciled and forwarded its Final Federal Financial Reports to the grantor, the department must reconcile the same final financial information in the City's financial system no later than 60 days after closing the grant with the grantor. Departments shall send the FFR to the City Controller's Office for certification.

6.4.4.5 Departments are to perform a quarterly reconciliation of Grant Not-Relevant transactions and conduct the necessary research to determine where the charges should be posted, make the necessary transfers to ensure accurate posting and take the appropriate actions to prevent future posting errors.

6.5 Procurement

6.5.1 Departments shall refer for all grant related procurement issues, bid invitations, and request for proposals to the City of Houston Strategic Procurement Division of Finance Department.

6.6 Grant Accountability and Auditing

6.6.1 Finance shall ensure that an annual single audit or other audit of federal and state grant funds is performed in compliance with applicable provisions of the Single Audit Act, 2 C.F.R. Part 200, compliance supplements and other relevant federal, state and local rules and regulations.

6.6.2 Per 2 C.F.R. Section 200.512, GM ensures the annual SAR is uploaded to the Federal Audit Clearinghouse within the earlier of 30 calendar days after receipt of the auditor's report(s), or nine months after the end of the audit period and notifies the department of receipt of the report.

6.7 External Auditor Selection

6.7.1 Finance has primary responsibility for the timely selection of an Independent Certified Public Accounting firm to perform annual Citywide audits in compliance with state law and City purchasing guidelines.

6.8 Monitor and Tracking of Subrecipient Audit Activities

6.8.1 Finance is responsible for the monitoring and receipt of subrecipient expenditures for tracking for audit purposes and activities. Each department shall submit an Attachment A, Subrecipient Tracking Sheet, to GM during SEFA preparation. Subrecipients of the City who receive federal grant awards in the amount of $750,000 and above are required to have an Independent Certified Public Accountant firm perform annual audits of their activities.

6.8.2 The department shall be responsible for monitoring the subrecipient requirements as follows:

6.8.2.1 Monitor project progress, conduct site visits, and monitor compliance with the contract agreement.

6.8.2.2 Ensure subrecipient funds are used for approved purposes only.

6.8.2.3 Ensure subrecipients are in compliance by submitting all applicable attachments to GM.

6.8.2.4 All requirements as listed in section 5.6.10.

6.8.2.5 Submit subrecipient SAR, if applicable.

6.9 Single Audit Report

6.9.1 In accordance with 2 C.F.R. § 200.501 and annual Compliance Supplements, the single audit is intended to be the financial and compliance audit of a federal and state assistance programs. The audit must be conducted in accordance with GAGAS. The audit must cover the entire operations of the City. The financial statements and SEFA are required each City's fiscal year. The audit report shall include, at a minimum, all of the following elements:

6.9.1.1 The City's financial statements.

6.9.1.2 A SEFA showing the total federal and state expenditures for each financial assistance program.

6.9.1.3 An auditor's opinion on the financial statements, with notes, and a supplementary data opinion as to whether the financial statements are presented fairly in all material respects in accordance with GAAP and an opinion as to whether SEFA is fairly stated in all material respects in relation to the financial statements as a whole.

6.9.1.4 An auditor's report on the study and evaluation of internal control systems. The auditor's report shall identify the significant internal accounting controls, and those controls designed to provide reasonable assurance that federal programs are being managed in compliance with applicable laws and regulations, contracts and award agreements. The auditor's report shall also identify the controls that were evaluated, the controls that were not evaluated together with the reasons why, and the material weaknesses identified as a result of the evaluation. This report must describe the scope of testing of internal control and compliance and the results of the tests, and, where applicable, it will refer to the separate schedule of findings and questioned costs.

6.9.1.5 An auditor's report on compliance containing:

6.9.1.5.1. An opinion as to whether the grant recipient or subrecipient has complied with applicable laws and regulations and the terms and conditions of federal awards which could have a direct and material effect on each major program and refer to a separate schedule of findings and questioned costs.

6.9.1.5.2. A schedule of findings and questioned costs which must include the following three components: (1) A summary of the auditor's results; 2) Findings relating to the financial statements which are required to be reported in accordance with GAGAS; and (3) Findings and questioned costs for federal awards which must include audit findings.

6.9.2 All fraud, abuse, illegal acts or indications of such acts, including all questioned costs found as the result of these acts that are disclosed during the audit, shall be covered in a separate written report.

6.9.3 A Corrective Action Plan (CAP) corrects identified deficiencies and recommends improvements on the auditor findings and comments on the status of corrective action on prior year findings. A CAP shall accompany the single audit report. The CAP must provide the name(s) of the contact person(s) responsible for corrective action, the corrective action planned, and the anticipated completion date. If the City does not agree with the audit findings or believes corrective action is not required, then the CAP must include an explanation and specific reasons.

6.10 Audit Resolution Process – Subrecipient

6.10.1 The department administering the grant will be responsible for resolving questioned or disallowed audit costs and audit findings identified in Citywide and subrecipient audits and forwarding a written resolution of audit findings to the Finance Director or designee. The Finance Director or designee will review and approve the department's resolution and

supporting analysis or documents and submit the proposed resolution to the grantor agency or auditor for approval.

6.10.1.1 After the grantor agency issues a final audit, the department administering the grant must forward a copy of the report to the Finance Director or designee. The department shall review audit findings, in consultation with the subrecipient and submit a written response to the Finance Director. The department will be required to meet deadlines for responding to any audit findings as imposed by the grantor agency.

6.10.1.2 A cooperative audit resolution is the use of audit follow-up techniques which promote prompt corrective action by improving communication, fostering collaboration, promoting trust, and developing an understanding with the subrecipient.

6.10.1.3 The response to audit findings shall include a CAP which outlines specific action to be taken or underway to correct any deficiencies identified in the audit report.

6.10.1.4 The department administering the grant will issue an initial determination to subrecipients. Up to 30 days will be allowed for the subrecipient to respond to the audit findings.

6.10.1.5 After receiving the final audit report, the department will issue a final determination to the subrecipient by the deadline imposed by the City after receiving the final audit report. Final determination will reference all questioned and disallowed costs, and administrative findings cited in the audit report.

6.10.1.6 The department shall submit the final determination to the Finance Director for review, approval and submittal to the appropriate federal or state grantor agency.

6.11 Appeal Procedure – Subrecipient

6.11.1 A subrecipient may appeal an audit finding within 30 days of receipt of the final determination to an Appeals Board, composed of the Finance Director or designee, a representative of the City Legal Department and the Office of the City Controller, and the director or designee of the department administering the grant. The Finance Director will make the final decision to allow or disallow costs in compliance with applicable laws and regulations, to proceed with debt collection, or to adopt other remedies for resolution of questioned and disallowed costs. The time frame for audit resolution will be as follows:

6.11.1.1 Resolution leading to final determination – 120 days

6.11.1.2 Appeal from final determination – 30 days

6.11.1.3 Disposition of audit findings – 150 days

6.12 Remedies for Noncompliance

6.12.1 If the subrecipient fails to comply with federal statutes, regulations or the terms and conditions of an award/contract , the City may impose additional conditions, as described in 2 C.F.R. § 200.207, Specific conditions. If the City determines that noncompliance cannot be remedied by imposing additional conditions, the City may take one or more of the following actions, as appropriate in the circumstances to the extent allowed by law and the applicable agreements:

6.12.1.1 Temporarily withhold cash payments pending correction of the deficiency by the subrecipient or more severe enforcement action by the City.

6.12.1.2 Disallow (that is, deny both use of funds and any applicable matching credit for) all or part of the cost of the activity or action not in compliance.

6.12.1.3 Wholly or partly suspend or terminate the award/contract.

6.12.1.4 Recommend suspension or debarment proceedings to the applicable federal awarding agency.

6.12.1.5 Withhold further awards/contracts for the project or program.

6.12.1.6 Take other remedies that may be available.

6.12.2 The City must notify the subrecipient as to:

6.12.2.1 The nature of the additional requirements;

6.12.2.2 The reason why the additional requirements are being imposed;

6.12.2.3 The nature of the action needed to remove the additional requirement, if applicable;

6.12.2.4 The time allowed for completing the actions if applicable, and

6.12.2.5 The method for requesting reconsideration of the additional requirements imposed.

6.13 Follow-Up on Corrective Action

6.13.1 The department administering the grant will conduct follow-up to verify that corrective action has been taken by the subrecipient.

7. RELATED DOCUMENTS AND INFORMATION

7.1 Legal and Compliance references- All City departments that apply for and administer state and/or federal grants are required to be knowledgeable in and have policies in place to ensure compliance with the following (in the order in which they are typically followed):

- 2 C.F.R. Part 200
- Federal Awardee Performance and Integrity Information System (FAPIIS)
- Federal Clearinghouse
- Compliance Supplement – 2 C.F.R. Part 200, Appendix XI
- Texas Uniform Grant Management Standards (UGMS)

7.2 Federal and state granting agency policies and rules;

7.3 Grant award terms and conditions as set forth in the grant agreement; and

7.4 City charter, ordinances, policies and procedures.

7.5 Department Grant Opportunities Link:
https://houtx.sharepoint.com/sites/fin/fro/gm/Lists/ga/newform.aspx

8. APPENDICES

- Attachment A – Subrecipient Tracking Sheet
- Attachment B – Subrecipient Risk Assessment
- Attachment C – Subrecipient Monitoring Checklist
- Attachment D – Ordinance No. 97-776, adopted June 25, 1997

9. POLICY SPONSOR

Department: Finance