



# **Grant Management Policy**

**Town of Derry, New Hampshire**

**2022**

## PURPOSE

The Town of Derry recognizes that the availability of grant funding offers the potential to provide significant financial resources to enhance the Town's ability to provide goods, services, and activities that may not otherwise be available. The purpose of this policy is to establish and maintain internal controls that provide reasonable assurance that Federal grant awards are managed in compliance with all Federal regulations and that all funds are spent in accordance with any and all terms and conditions of such awards.

The guidelines and procedures outlined in this policy will ensure that all departments are held accountable for proper grant application, acceptance, and management. Proper grant management procedures incorporate the Office of Management and Budget's (OMB) *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* as outlined in the Code of Federal Regulations (CFR) Title 2\_ Subpart A\_Chapter II\_Part 200 as well as NH RSA 31:95-b – *Appropriation for Funds Made Available During Year*.

This policy applies to all Town of Derry departments.

## I. APPLICATION AND AWARD PROCESS

- A. Grant Applications:** Completion of a grant application is the responsibility of the department head for which the grant is applicable, or any other supervisor or staff member as designated by the department head. A staff report must be submitted to the Town Administrator for approval prior to application of any grant funds. Grants for unanticipated funds under \$10,000 may be accepted with the approval of the Town Administrator unless a public hearing is required by the terms of the grant.

Per RSA 31:95-b-III(a), a public hearing must be held for the application, acceptance, and expenditure of unanticipated money in the amount of \$10,000 or more. Subsequent to the public hearing the Town Council will vote whether to authorize the action.

- B. Grant Awards:** When the Town is notified of a grant award the department head must notify the Town Administrator and the Finance Department. A copy of any available grant paperwork pertaining to the award will be supplied to the Finance Department.

\*If a grant of other aid is included in the Town's budget it is considered anticipated monies therefore, no further action is required.

## II. FINANCIAL MANAGEMENT

- A. Accounting Records:** The Town must maintain records that properly identify the source and application of federal grant funds. Accounting records must include all information regarding awards, obligations, unobligated balances, assets, expenditures, income, interest, and any stipulations outlined in the grants. All purchases or expenditures made with federal grant funds must be in accordance with the guidelines outlined in the grant program. All records must be supported by source documentation.
- B. Financial Set-Up:** The Finance Department, upon notification of approval to accept federal grant funds, will set up the grant in Munis. Set-up will include revenue and expense accounts as well as project codes.
- C. Financial Reporting/Disclosure:** Accurate, updated, and complete disclosure of the financial results of each federal award must be made in accordance with OMB's financial reporting requirements. Financial reporting for federal awards will be disclosed through the annual single audit and as required by the federal awarding agency.
- D. Cash Management:** The Town will deposit grant revenue to the specified grant fund in accordance with the Town of Derry's Cash Receipts Policy. Federal grant funds are generally received based on reimbursement requests however, if funds are received in advance of expenditures the Town will minimize the time elapsed between the receipt of grant funds and the payment of any costs incurred. Funds received in advance of expenditures will be deposited into an interest-bearing account unless:
  - a. Interest earned on federal cash balances was not expected to be in excess of \$500/year.
  - b. The bank requires a balance so high that it is not feasible
  - c. Less than \$120,000/year is received in federal awards

If the interest earned per year is in excess of \$500 on the advanced payment, the Town will remit any excess to the Department of Health and Human Services Payment Management System (PMS) as required per 2 CRF § 200.305(b)(9).

**E. Allowable Costs:** While grants may specify allowable and unallowable costs, the Town will adhere to the federal cost principles outlined in 2 CFR Part 200, the *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* when developing and administering the budget for each grant. Federal cost principles require costs to be allowable, reasonable, and allocable.

**a. In order to meet the definition of “allowable,” a cost must be:**

- i. Necessary and reasonable to carry out the grant
- ii. Consistent with the policies and procedures that apply uniformly to federal and non-federally funded expenses
- iii. Not be included as part of a match of federal funds; and
- iv. Be adequately documented

**b. In order to meet the definition of “reasonable,” the cost of the good or service does not exceed the amount a prudent person would spend on an item at the time the decision was made to incur the cost. Reasonable is further defined as:**

- i. Use of sound business practices, adherence to federal, state, and local laws and regulations, and the terms and conditions of the federal award
- ii. Use of market prices for comparing the costs of goods and services

**c. In order to meet the definition of “allocable,” the cost of the goods or services involved are chargeable or assignable to that Federal award or cost objective in accordance with relative benefits received. Allocable is further defined as:**

- i. Costs are incurred specifically for the Federal award
- ii. Costs can be distributed in proportions that may be approximated using reasonable methods
- iii. Costs necessary to the overall operation of the non-Federal entity

**F. Direct and Indirect Costs:**

- a. Direct costs:** Costs that can be identified specifically with a particular final cost objective, such as 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 CFR §200.413(a).

- b. Indirect costs:** Costs 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. 2 CFR §200.56. Costs incurred for the same purpose in like circumstances must be treated consistently as either direct or indirect costs. 2 CFR §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 CFR §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 CFR §200.413(c).

**G. Code of Federal Regulations (CFR) definitions:**

**a. Invoice Processing and Accounts Payable Check Processing:**

Accounts payable invoices associated with federal or state grants goods or services are processed in accordance with the Town's established accounts payable process and recorded in the corresponding general ledger and project codes. Non purchase order invoices are received, approved, and batched by the department. The batch is then sent to the Finance Department for

final processing. The Finance Department completes the accounts payable process and issues checks for a Friday distribution.

- b. Payroll Procedure and Payroll Check Processing:** Payroll is processed weekly in accordance with the Town's established payroll process and is recorded in corresponding general ledger and project codes. Employees and department heads track and record hours worked for each employee in the Town's payroll software. The Finance Department completes the payroll process and issues checks and/or direct deposit for a Thursday distribution.
- c. Compliance with Grant Requirements:** Town Officials and Department Heads are responsible for compliance with all aspects of grant requirements and ensuring that reimbursement requests are submitted accurately and timely to the appropriate governing agency. The Town Officials or Department Heads shall submit required federal financial reports on a timely basis according to specific grant contracts or agreements and any other progress reports as needed. In addition, any other pertinent grant-related inquiry shall be submitted on a timely basis.
- d. Obligation of Grant Funds:** All grant funds must be obligated by the termination date of the project, including any extensions approved by the Grantor. Project funds legally obligated by the termination date must be expended within the time frame specified in the grant contract or agreement.
- e. Responsibility for Maintenance of File and Public Disclosure:** The original grant contract and any approved amendments are retained by the Department Head responsible for the grant, with copies provided to the Finance Department. The official grant file, including a copy of the signed contract and all documents associated with the grant, including but not limited to the contract and amendments, applications, activity reports, requests for reimbursement, fiscal reports, and other correspondence will be maintained by the initiating department.
- f. Year-End Grant Report Filing:** According to OMB Circular A-133, a single program specific audit is required in any year that the Town expends \$750,000 or more a year in federal awards. Town Officials will contract an independent auditing firms audit services for the review and final preparation of the Town of Derry's annual single audit. In addition, Town Officials are responsible for timely

submission of the single audit report to the Federal Audit Clearing House (within nine months after the close of each fiscal year). Public disclosure requests regarding grants will be referred to the initiating department for coordination of public records gathering and release.

### **III. PROPERTY MANAGEMENT**

#### **A. Property Classifications:**

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 Town for financial statement purposes, or \$5,000. 2 CFR §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 Town for financial statement purposes or \$5,000, regardless of the length of its useful life. 2 CFR §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 CFR §200.20.

Capital assets are defined as assets with an initial individual cost of more than \$10,000 and an estimated useful life in excess of 2 years. Assets are recorded at historical cost or estimated historical cost if purchased or constructed. Major outlays for capital assets and improvements are capitalized as projects are constructed. Property, plant, and equipment are depreciated using the straight-line method.

Assets that are acquired from federal and state grants are initially categorized as construction in progress and later moved to the appropriate asset category when the project is completed.

- B. Property Standards – 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 will not encumber the property without prior approval of the federal awarding agency and the pass-through entity. 2 CFR §200.313

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.

- C. Maintenance:** In accordance with 2 CFR 313(d)(4), the Town maintains adequate maintenance procedures to ensure that property is kept in good condition. Employees issued a device are responsible for maintaining and securing the equipment.
- D. Physical Inventory:** A physical inventory of the property must be taken, and the results reconciled with the property records at least once every two years. 2 CFR §200.313.
- E. Inventory records must be maintained that include the following: 2 CFR §200.313**
  - a. The acquisition date and cost of the property
  - b. A description of the property, a serial number, or other identification number
  - c. The source of funding for the property including the Federal Award Identification Number (FAIN)
  - d. Who holds title
  - e. Percentage of Federal participation in the project costs for the Federal award under which the property was acquired
  - f. The location, use, and condition of the property
  - g. Any ultimate disposition data including the date of disposal and sale price of the property

**F. Property Sales/Disposition**



- a. If the non-Federal entity is authorized or required to sell the property, proper sales procedures must be established to ensure the highest possible return.
- b. Disposition – When 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, except as otherwise provided in Federal statutes, regulations, or Federal awarding agency disposition instructions, the non-Federal entity must request disposition from the Federal awarding agency if required by the terms and conditions of the Federal award. Disposition of the equipment will be made in accordance with Federal awarding agency disposition instructions.
- c. Items of equipment with a current per unit fair market value of \$5,000 or less may be retained, sold, or otherwise disposed of with no further obligation to the Federal awarding agency.

**G. Safeguarding Equipment:** The Town maintains a control system that ensure adequate safeguards are in place to prevent loss, damage, or theft of the property. Any loss, damage, or theft must be investigated

#### **IV. PROCUREMENT - 2 CFR §200.318**

- A. Purchases of Goods and Services Procedures:** Purchases for goods and services specified in the grant application shall be executed in accordance with the Town of Derry's Purchasing Policy (Administrative Regulation #15) along with each individual's grant requirements and recorded in corresponding general ledger and corresponding project codes.
- B. Conflict of Interest – Standards of Conduct:** In accordance with 2 CFR §200.318(c)(1): The Non-Federal entity must maintain written 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, any member of his or her immediate family, his or her partner, or an organization which employs or is about to employ any of the parties indicated herein, has a financial or other interest in or a tangible personal benefit from a firm considered for a contract. The officers, employees, and agents of the non-Federal entity

may neither solicit nor accept gratuities, favors, or anything of monetary value from contractors or parties to subcontracts. However, non-Federal entities may set standards for situations in which the financial interest is not substantial, or the gift is an unsolicited item of nominal value. The standards of conduct must provide for disciplinary actions to be applied for violations of such standards by officers, employees, or agents of the non-Federal entity.

- C. Contract Administration:** The Town will maintain the following controls to ensure that any and all contractors perform in accordance with the terms, conditions, specifications, and process of their contract.

The employee in charge of contract management will be determined by the type of contract held or the job being performed. Department specific contracts will be the responsibility of the employee who initiated the contract or their designee.

Contract managers are responsible for the following:

- All communications with the contractor(s);
- Determining and evaluating the qualifications of the contractor and their personnel regarding compliance with contract and/or purchase order requirements;
- Review and determine adequacy of all reports and goods or services produced or carried out by the contractor;
- Managing change orders or amendments to any contracts and ensuring they are in writing and approved by the appropriate parties;
- Approving, adjusting, or rejecting all contractor invoices or requests for payment

## **V. GRANT SUBRECIPIENT AND CONTRACTOR MONITORING PROCEDURES**

- A.** If the Town grants subawards of federal funding to other entities as subrecipients, the Town shall be responsible for the following:
- Evaluating the subrecipient for risk of noncompliance
  - Determining appropriate monitoring practices and procedures

- Outlining the subrecipients obligations, responsibilities, and any and all provisions related to the grant award and federal laws and regulations in a contract between the Town and the subrecipient
- Monitoring the subrecipient's implementation to ensure compliance with the Town's policies, local, state, and federal laws as well as conditions of the federal funding award
- Notifying the subrecipient of any deficiencies that are identified during the monitoring process to ensure correction
- Documenting and retaining records pertaining to subrecipient identification, notification, evaluation, monitoring, and corrective actions taken

## B. Definitions

**Contract:** A legal instrument by which a non-federal entity purchases property or services needed to carry out the project or program under a federal award. The term as used here does not include a legal instrument, even if the entity considers it a contract when the substance of the transaction meets the definition of a federal program award or subaward.

**Contractor:** An entity that receives a contract, as defined in law and regulations, by which a non-federal entity purchases property or services needed to carry out the project or program under a federal award.

**Pass-through entity:** A non-federal entity that provides a subaward to a subrecipient to carry out part of a federal program. The Town will serve as a pass-through entity in cases where it awards federal funding to a subrecipient as defined in this procedure.

**Subaward:** An award provided by a pass-through entity to a subrecipient in order to carry out part of a federal award received by the pass-through entity. It does not include payments to a contractor or payments to an individual that is a beneficiary of a federal program. A subaward may be provided through any form of legal agreement, including an agreement that the passthrough entity considers a contract.

**Subrecipient:** A non-federal entity that received a subaward from a pass-through entity to carry out part of a federal program; but does not include an individual that is a beneficiary of such program. (A subrecipient may

also be a recipient of other federal awards directly from a federal awarding agency.)

In the event that the Town disperses federal funds received through a federal award to other entities or subrecipients and assigns responsibilities to the outside entity to conduct a portion of the work, the Town shall be responsible for determining whether the agreement with such entity places the outside entity in the role of a subrecipient receiving a subaward of federal funding, or the role of a contractor. When determining whether an entity is a contractor or subrecipient, according to the above definitions, the Town should consider the guidance given in 2 CFR 200.330. The federal granting agency may supply additional guidance and impose additional requirements to support the determination of an entity as a contractor or a subrecipient.

#### **C. Contractors**

- The Town shall maintain oversight to ensure that contractors perform in accordance with the terms, conditions, and specifications of their contracts or purchase orders. The Town shall also ensure that contractors' conduct does not threaten or undermine the terms and conditions of the Federal award. Bonding requirements shall be imposed on contractors as required by 2 CFR 200.325 or by the terms and conditions of the federal award. All contracts shall contain the relevant applicable provisions as required by 2 CFR Part 200 Appendix II. The Town shall take all necessary affirmative steps to ensure that minority businesses, women's business enterprise, and labor surplus area firms are used, when possible, as provided in the grant agreement and in 2 CFR 200.321.

#### **D. Subrecipients**

- The Town shall notify subrecipients that they have been identified as a subrecipient and that the funding qualifies as a subaward. The Town shall provide the subrecipient with the following information

regarding the federal funding award at the time of the subaward and shall also provide notice of change of such information.

- a.** Federal Award Identification information, including:
  - i.** Subrecipient name (which must match the name associated with its unique entity identifier);
  - ii.** Subrecipient's unique entity identifier;
  - iii.** Federal Award Identification Number (FAIN);
  - iv.** Federal Award date of award to the recipient by the federal agency;
  - v.** Subaward period of performance start and end date;
  - vi.** Amount of Federal Funds obligated by this action by the pass-through entity to the subrecipient;
  - vii.** Total amount of Federal Funds obligated to the subrecipient by the pass-through entity including the current obligation;
  - viii.** Total amount of the Federal Award committed to the subrecipient by the pass-through entity;
  - ix.** Federal award project description, as required to be responsive to the Federal Funding Accountability and Transparency Act (FFATA);
  - x.** Name of federal awarding agency, pass-through entity, and contact information for awarding official of the pass-through entity;
  - xi.** CFDA number and name; the pass-through entity must identify the dollar amount made available under each federal award and the CFDA number at time of disbursement;
  - xii.** Identification of whether the award is research and development; and
  - xiii.** Indirect cost rate for the federal award if applicable.
- b.** All requirements imposed by the Town on the subrecipient so that the federal award is used in accordance with federal statutes, regulations and the terms and conditions of the federal award;
- c.** Any additional requirements that the Town imposes on the subrecipient in order for the Town to meet its own responsibility to

the federal awarding agency including identification of any required financial and performance reports;

- d. Either an approved federally recognized indirect cost rate negotiated between the subrecipient and the federal government or, if no such rate exists, a rate negotiated between the Town and the subrecipient;
- e. A requirement that the subrecipient permit the Town and auditors to have access to the subrecipient's records and financial statements as necessary for the Town to meet all of its grant requirements and the terms of 2 CFR 200.331; and
- f. Appropriate terms and conditions concerning closeout of the subaward.

#### **E. Evaluation of Risk:**

The Town shall evaluate each subrecipient's risk of noncompliance with law, regulations and the terms and conditions of the subaward to determine appropriate monitoring practices.

The Finance Office or designee shall be responsible for evaluating risk based on the following factors:

- a. The subrecipient's prior experience with the same or similar subawards;
- b. The results of previous audits, including whether the subrecipient receives a single audit and the extent to which the same or similar subaward has been audited;
- c. Whether the subrecipient has new personnel, or new or substantially changed systems and processes; and
- d. The extent and results of any federal award agency's monitoring of the subrecipient.

The department head or designee shall request adequate documentation from the subrecipient to conduct the evaluation of risk; such documentation may include, but shall not be limited to, audit reports, financial reports, policies and procedures and detailed descriptions or users' guides of current systems and processes.

In addition to these factors, the Town shall evaluate subrecipients for risk of noncompliance as specified in the subrecipient agreement.

Based on the results of the risk evaluation, the Town may consider imposing specific conditions on implementation of the subaward, in accordance with applicable laws and regulations.

#### **F. Monitoring:**

The Town shall monitor the implementation and activities of each subrecipient as necessary to ensure that the subaward is used for authorized purposes, in accordance with law, regulations and the terms and conditions of the subaward, and that subaward performance goals are achieved. The Town shall notify subrecipients of monitoring requirements and may provide technical assistance to subrecipients in complying with monitoring requirements.

The department head or designee shall be responsible for monitoring of subrecipients. As part of the monitoring process, the Town shall complete the following steps:

- a. Review financial and performance reports required by the Town
- b. Follow-up and ensure that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the subaward provided to the subrecipient from the Town detected via audits, on-site reviews, and other means
- c. Issue a management decision for audit findings pertaining to the subaward provided to the subrecipient by the Town, in accordance with applicable laws and regulations

Monitoring activities may also include the following:

- a. Review of progress reports, financial reports, performance reports, and data quality
- b. On-site visits and reviews of the subrecipient's program operations
- c. Review of federal or state debarment lists
- d. Review of other agreed-upon procedure engagements as specified in the subrecipient agreement; such as audit services as discussed in 2 CFR 200.425

The Town shall verify that subrecipients are audited as required by 2 CFR 200 Subpart F or other applicable laws and regulations.

#### **G. Follow-Up Actions:**

The department head or designee shall provide subrecipients with written documentation detailing the results of their monitoring to include any deficiencies that were identified. The Town shall consider whether the results of monitoring indicate the need to revise existing Town policies and procedures.

The Town shall require subrecipients to take immediate action on issues involving ineligible or illegal use of federal funding and require notification to the Town outlining when and how corrective action was taken.

The Town shall require subrecipients to develop a corrective action plan to address any identified deficiencies or noncompliance issues; such plan shall be submitted to the Town within 30 days, and the Town shall evaluate and monitor the activities taken by the subrecipient under the corrective action plan. The Town reserves the right to make changes to the plan if they deem it necessary.

The department head or designee shall maintain all documentation on monitoring of subrecipients and corrective action taken during the monitoring process. The Town shall report issues of noncompliance to the appropriate federal agency where required by law, regulations, or requirements of the federal funding program.

#### **H. Corrections for Noncompliance:**

If the monitoring of activities identifies noncompliance issues that are not addressed through corrective action the Town may take the following actions:

- a. Impose specific conditions on the subrecipient, in accordance with applicable laws and regulations.
- b. Temporarily withhold cash payments, in accordance with applicable laws and regulations.



- c. Disallow or deny use of funds for all or part of the cost of the activity or action not in compliance.
- d. Wholly or partially suspend or terminate the subrecipient agreement.
- e. Recommend that the federal agency initiate suspension and debarment proceedings.
- f. Withhold further awards or agreements for the project or program.
- g. Take other remedies legally available in consultation with legal counsel.

**I. Record Retention:**

The department head shall ensure that all documentation regarding subrecipient identification, notification, evaluation, activity monitoring, and corrective action is maintained in accordance with Town policies and procedures. Records shall be retained in accordance with applicable laws, regulations, specific requirements of the federal program, and the Town's record retention schedule.



## RESOLUTION

Number 2022-051

### To Adopt a Grants Management Policy

WHEREAS, Section 5.1 of the Town Charter designates the Town Council as the governing and legislative body of the Town, and

WHEREAS, the Town is very active seeking outside sources of funding to advance town goals and objectives, including federal grants; and

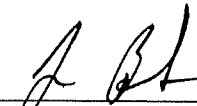
WHEREAS, the Town's auditors have requested that the Town Council formally adopt the Town's Grant Management Policy which establishes and maintains internal controls to provide assurance that federal grants are managed in compliance with all regulations;

NOW, THEREFORE, BE IT RESOLVED IN COUNCIL that the Town of Derry Grant Management Policy as attached is hereby adopted

This Resolution shall take effect immediately upon its passage.


Adopted: July 5, 2022

Attest:

x 

Joshua Bourdon, Council Chair

Date: 7/6/2022

x 

Daniel Healey, Town Clerk

Date: 7/5/2022