

Category: 200

Number: 217

Subject: **INTERNAL CONTROLS FOR FEDERAL GRANTS/AWARDS**

**Purpose:** The purpose of this policy is to:

Communicate to County Elected Officials, Department Heads and Employees the formal policy of the Board of Commissioners regarding the internal controls for federal grants and awards.

Assure the County complies with the federal laws, regulations and grant terms under OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

Establish internal control objectives specific to each Compliance Requirement area as it applies to each Federal grant and/or award.

**Authority:** St. Clair County Board of Commissioners

**Application:** This policy applies to all County Elected Officials, Department Heads, Employees and Agencies of St. Clair County concerning any Federal grants and awards.

**Responsibility:** The Administrator/Controller shall be responsible for the implementation and administration of this policy.

**Definitions:** **Federal Grant/Award** federal financial assistance and federal cost-reimbursement contracts that non-federal entities receive directly from federal awarding agencies or indirectly from pass-through entities.

**Activities Allowed requires** that the types of goods or services purchased with federal awards be specified as allowable under program legislation or, as applicable, the Recovery Act, federal awarding agency regulations, and the terms and conditions of the award.

**Allowable Costs/Cost Principles** requires that both direct and indirect costs meet certain criteria to be eligible for federal reimbursement. In addition, costs must conform to limitations or exclusions set forth in Circular A-87, allowable cost principles, or with limitations or requirements specified in the program regulations or agreement.

**Cash Management** requires recipients to have procedures to reduce the time between receipt and use of federal funds that are advanced. When funds are

provided on a cost reimbursement basis, program costs must be paid for with the entity's funds before reimbursement is requested.

**a. Advance of funds** – Advances are Federal funds provided to a recipient before the program activity is performed.

**b. Reimbursement of funds** – This funding technique requires the recipient to pay program expenditures with their own funds, and then request a reimbursement for those expenses from the Federal government or pass-through entity.

**Davis-Bacon Act** requires that, when required by the Davis Bacon Act, the Department of Labor's government-wide implementation of the Davis-Bacon Act, the Recovery Act, or federal program legislation, wage rates paid to laborers on federally financed construction projects at least equal locally established prevailing wage rates.

**Eligibility** requires that individuals, groups, or subrecipients to whom organizations may provide financial awards or services meet specified criteria.

**Equipment and Real Property Management** requires organizations to maintain an adequate equipment and property management system for its federal award programs and related activities.

**Matching, Level of Effort, Earmarking** requires that an organization receiving federal awards contribute its own resources to programs funded in some specified ratio to resources provided by the funding source.

**Period of Availability of Federal Funds** means where a funding period is specified, a recipient may only charge to the grant allowable costs resulting from obligations incurred during the funding period and any pre-award costs or carryover balances authorized by the federal awarding agency and the applicable cost circular.

**Procurement and Suspension and Debarment (1)** requires that recipients establish procedures for the procurement of supplies and other expendable property, equipment, real property and other services with federal funds to ensure that such materials and services are obtained in an effective manner and in compliance with the provisions of applicable federal statutes and executive orders.

**(2)** This section also requires that contracts not be made to parties listed on the General Services Administration's Excluded Parties List System (EPLS), in accordance with the E.O.s 12549 and 12689, "Debarment and Suspension." This list contains the names of parties debarred, suspended, or otherwise excluded by

agencies, and contractors declared ineligible under statutory or regulatory authority other than E.O 12549.

(3) This section also requires that Recovery Act funds may not be used for the construction, alteration, maintenance, or repair of a public building or work unless all of the iron, steel, and manufactured goods used in the project are produced in the United States. (This means the Buy American Act applies to these Recovery Act awards. However, the Recovery Act provides a waiver of these requirements under specified circumstances).

**Program Income** requires program income earned during the project period be retained by the recipient and be used in accordance with federal awarding agency regulations or the terms and conditions of the award.

**Real Property Acquisition and Relocation Assistance** requires that certain procedures be followed when federal awards are used to acquire property or when relocations are involved.

**Reporting** requires that specific reports be filed (either financial and/or programmatic) and additional requirements that apply to those reports.

**Subrecipient Monitoring** requires recipients to (1) have an adequate subrecipient monitoring and follow-up system covering entities to which it has passed through funds, (2) identify to the subrecipient certain award information and requirements, and (3) determine whether an applicant for a non-Recovery Act subaward has provided a DUNS number before funds are awarded.

**Special Tests and Provisions** includes other provisions for which federal agencies have determined that noncompliance could have a direct and material effect on the program, such as the requirements for public hearings or deadlines for expending federal funds.

**Policy:** St. Clair County will operate in compliance with all applicable federal and state laws governing federal grants and awards. The St. Clair County Administrator/Controller's office will determine whether the above Compliance Requirements are relevant to each federal award received by the County, and assure that the compliance requirements are fulfilled to the extent possible.

#### **Administrative**

**Procedures:** St. Clair County will only purchase items or services that are allowed within the grant award documents, approved budget, or that were earmarked for a specific purpose. These items or services will also be in compliance with the allowable cost principles.

St. Clair County will ensure timely reimbursement of grant funds, drawdown of grant funds and expend any advances of funds within the specified time period that is allowed by the grant.

St. Clair County will ensure that for any federal funds expended on construction projects that the Davis-Bacon Act is complied with and that certified payrolls are reviewed and approved.

St. Clair County will ensure that any subrecipients that receive awards are eligible to receive these awards, pass through funds or property and equipment.

St. Clair County will maintain an inventory list of all items purchased with grant funding with a value of \$5,000 or greater. A physical inventory of these items will be inventoried once every two years.

St. Clair County will ensure that any federal programs that require a local match do in fact receive the matching funds for the program.

St. Clair County will ensure that the items that are purchased with federal funds are purchased within the time period specified by the grant.

St. Clair County will check the excluded parties list to verify that the vendor they have selected is not on this list. This printout will be attached to each purchase for verification.

St. Clair County will expend program income in accordance to the federal granting agencies guidelines.

St. Clair County will follow the federal granting agencies policies for acquiring property or relocating any individuals.

St. Clair County will ensure that all federal financial reports and performance reports are prepared and submitted on a timely basis as well as any reports that are due for the Recovery Act funds that are received.

St. Clair County will have subrecipient procedures in place for any entities it has passed through funds, equipment or property to. St. Clair County will also communicate certain federal grant information to the subrecipients, such as CFDA numbers and will obtain the DUNS number for these entities as well.

St. Clair County will adhere to all special regulations that are specified in the grant guidance and/or grant award documents.

**Periodic  
Review:**

The Administrator/Controller shall periodically review this policy and make recommendations for changes, as needed.

**Adopted: January 19, 2012**