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## Overview

Purpose - This Commission Policy has been prepared to document the policies and procedures for the administration of the procurement of goods, services, and construction projects by Cass County (the "County") as well as for compliance with grant requirements. The Federal Government annually publishes updated guidance to assist recipients of Federal funds with administering their programs. Such guidance requires all recipients of Federal funds to establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Written policies and procedures are part of the necessary internal controls and are required as a precondition to receiving Federal funds. These policies and procedures are intended to be sufficiently comprehensive to adequately meet such requirements. However, in no case are these policies and procedures intended to supersede or limit Federal or State laws or regulations, or the provisions of individual grant agreements. The following source documents were used in developing this policy:

1. 2 Code of Federal Regulation Part 200 (and its appendices)
2. 48 Code of Federal Regulations Part 2, Subpart 2.1

Hierarchy of Authority- If conflicting guidance on the administration of Federal awards arises, the County has deemed Federal guidance to be most authoritative, followed by other State or local guidance.

Revisions - Guidance provided by the Federal government through the OMB UGG - Uniform Grant Guidance Compliance Supplement are expected to be updated each year. Such updates are considered by the County as they become available, and policies and procedures will be revised accordingly.

The County Administrator, County Engineer, County Finance Director, and designees are authorized and required to establish and document policies and procedures to ensure compliance with the provisions of Federal and State regulations and the provisions of grant agreements. Such policies and procedures are documented herein, and will be reviewed and updated as necessary, but not less than once every seven years.

Training - County finance personnel and its program administrators for Federal

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awards will be provided the necessary training through various mechanisms, such as: (1) reviewing information provided by the applicable awarding agency, (2) consulting with qualified and knowledgeable accountants for clarification, if appropriate, (3) participating in various training opportunities, such as those offered by appropriate professional organizations, (4) reviewing legislative updates from multiple sources, (5) membership and participation in meetings of the Governmental Finance Officers Association (GFOA), and (6) coordination and collaboration with individuals performing similar job functions at similar municipal agencies.

Compliance Failures - Compliance failures, whether noted internally by management or through the external audit process, will be addressed immediately, identifying the reason for the failure, noting staff positions related to the compliance failure, and developing an improved process to secure future compliance. Follow up actions required by the compliance failure will be handled by appropriate County staff.

## **Section 1 - Purchasing and Procurement**

### **Policy Requirements**

It is the policy of the County to ensure that all disbursements of funds are properly reviewed and authorized, consistent with sound financial management principles, and issued in compliance with all applicable Federal, State, and local laws. To meet these objectives, all disbursements of County funds shall be subject to the following provisions, to the extent they do not conflict with or contradict any specific Federal, State, or local law or Commission policy (the most specific or restrictive law, policy, or procedure will be followed):

- a. Substantial State and Federal requirements exist pertaining to standards of conduct and conflict of interest. It is the intent of the County for all employees, officers, or agents to conduct all activities associated with procurements in compliance with the highest ethical standards, including the avoidance of any real or perceived conflict of interest. It is also the intent of the County to impose appropriate sanctions or disciplinary actions, including but not limited to termination and/or prosecution, for any employee or officer determined to have violated any of these requirements.
- b. The County avoids the acquisition of unnecessary or duplicative items. Additionally, the County considers consolidating or splitting up procurements if a more

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economical cost is available. Where appropriate, the County performs a lease versus purchase analysis to determine the most economical procurement approach.

- c. To foster greater economy and efficiency, the County enters into state and local intergovernmental agreements where appropriate or uses common or shared goods and services. This includes cooperative purchasing agreements where practical and beneficial. Depending on the purchase requested, the County may purchase from a cooperative or inter-local agreement if the price is competitive, and the goods or service are needed in a timelier manner than a standalone purchase would allow. The County Finance Director and the County Administrator will make this determination.
- d. The County awards contracts only to responsible contractors possessing the ability to perform successfully under the terms and conditions of a proposed procurement. The County considers such matters as contractor integrity and business ethics, compliance with public policy, ability to complete the project on time and in accordance with specifications, record of past performance, and the contractor's financial and technical resources.
- e. The County will award a contract to a contractor who has the appropriate experience, expertise, qualifications, and any required certifications, necessary to perform the work. Contractors should also have the financial resources to sustain the project while the initial work is being completed and during each service period until he or she submits invoices for payment as work is completed. Contractors should have the proper equipment or the capability to subcontract for the proper equipment necessary to complete the contracted work.
- f. All procurement transactions paid with Federal funds are conducted in a manner providing full and open competition. In an environment of full and open competition, no proposer or bidder has a competitive advantage over another. All potential proposers and bidders are provided the same information and have the same opportunity to submit a bid or proposal. Providing a competitive advantage to one or more potential proposers or bidders over another creates the potential for disputes and lawsuits that can be costly and can delay project completion.
- g. To ensure objective contractor performance and eliminate unfair competitive advantage, contractors that develop or draft specifications, requirements, statements of work, or invitations for bids or requests for proposals are excluded

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from competing for such procurements. The County does not engage in the following situations that may restrict full and open competition, including but not limited to:

- Placing unreasonable requirements on firms for them to qualify to do business, requiring unnecessary experience, and/or requiring excessive bonding.
  - Noncompetitive pricing practices between firms or between affiliated companies; noncompetitive contracts to consultants that are on retainer contracts.
  - Requiring a specific "brand name" product instead of allowing "an equal" product to be offered.
  - Any arbitrary action in the procurement process.
  - Conducts Federal procurements in a manner that prohibits the use of statutorily or administratively imposed state or local geographical preferences in the evaluation of bids or proposals, except in those cases where applicable Federal statutes expressly mandate or encourage geographic preference.
- h. All solicitations will incorporate a clear and accurate description of the technical requirements for the material, product, or service to be procured. Such description will not, in competitive procurements, contain features which unduly restrict competition. The description will include a statement of the qualitative nature of the material, product, or service to be procured and, when necessary, will set forth those minimum essential characteristics and standards to which it must conform if it is to satisfy its intended use. Detailed product specifications will be avoided if possible.
- i. The County takes all necessary affirmative steps to assure that disadvantaged business enterprises are used when required by any grant award guidelines.
- j. A time and materials type contract is a contract in which the cost to the County is the sum of the actual costs of materials and direct labor hours charged at fixed hourly rates that reflect wages, general and administrative expenses, and profit. The County may only use a time and materials contract for Federally funded projects (1) after a determination is made that no other form of contract is suitable, and (2) if the contract includes a ceiling price that the contractor exceeds at their own risk.

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- k. The County ensures that all prequalified lists of persons, firms, or products which are used in acquiring goods and services are current and include enough qualified sources to ensure maximum open and free competition. The County may accomplish this by conducting internet searches, including vendor searches, or by other tools available to the County to locate and identify potential contractors. Federal guidelines regarding the number of bids required will be followed.

### **Procurement Procedures**

All County procurements shall follow the following procedures. County officials conducting procurements should familiarize themselves with the policy requirements outlined in the preceding section prior to initiating a procurement.

1. **Micro-Purchases of \$10,000 or Less** - The County's purchasing process for procurement of goods or services of \$10,000 or less follows the Federal micro-purchasing guidelines. A micro-purchase is a purchase of supplies or services using simplified acquisition procedures to expedite the completion of the lowest-dollar small purchase transactions and minimize the associated administrative burden and cost. Any procurement of \$10,000 or less may be undertaken without competition, provided that the price obtained has been determined to be reasonable based on research, experience, purchase history, or other information. Documentation should be maintained of the basis for this determination. All purchases exceeding \$5,000 require Commission approval.
2. **Small Purchases Up To \$200,000** - Purchasing procedures consistent with the Federal small purchase procedures may be used for securing goods or services that do not cost more than \$200,000. Under this method of procurement, competitive quotes may be obtained from not less than three qualified sources. If three qualified sources are not identified or do not provide quotes, then documentation should be maintained regarding the efforts undertaken to identify qualified sources.
3. **Formal Purchases of More Than \$200,000** - The County follows procedures consistent with the Federal formal procurement procedures and the requirements of the North Dakota Century Code for purchases of more than \$200,000.
  - a. Sealed bid requirements for procurements requiring formal advertising or for which price is a major factor:

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- Invitations for bid will be publicly advertised and must be selected from an adequate number of known suppliers.
  - Provision of a sufficient response period prior to the bid opening date will be made.
  - Invitations for bid will include any specifications and pertinent attachments; they must sufficiently define the items/services to allow the bidder to prepare an adequate response.
  - All bids will be publicly opened at the time and place prescribed in the invitation for bids.
  - A firm fixed price contract award will be made in writing to the lowest responsive and responsible bidder.
  - Any or all bids may be rejected if there is a sound documented reason.
  - County Commission Policies and North Dakota state law should be reviewed for additional requirements.
- b. Proposal requirements for requests for proposals (RFPs) using a specific evaluation methodology and fixed price or cost reimbursement bids:
- Requests for proposals must be published requests and identify all evaluation factors and their relative importance.
  - Proposals must be solicited from an adequate number of qualified sources.
  - The County department that submitted the request for proposals must have a written methodology for conducting technical evaluations of the proposals received and for final selection.
  - Contracts must be awarded to the responsible firm whose proposal is most advantageous to the County project.
  - In the selection of architectural/engineering professional services, the County may use a qualification-based methodology for its evaluation process whereby proposers are evaluated as being most qualified versus focusing on lowest cost.
4. **All Procurements Utilizing Federal Funds** - The following additional procedures apply to all procurements utilizing federal funds:
- a. Debarment and Suspension: The County will not subcontract with or award

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subgrants to any person or company who is debarred or suspended from receiving Federal funds. The County Finance Director, or designee thereof, will perform the required check for excluded parties in the Federal System for Award Management (SAM) website before any procurement transaction is paid with Federal funds. This list is located at: <http://www.sam.gov/>.

- b. The County will make independent estimates of the goods or services being procured before receiving bids or proposals to get an estimate of how much the goods and services are valued in the current market. To accomplish this, after bids and proposals are received, but before awarding a contract, the County conducts either a price or cost analysis, depending on the type of contract, in connection with every procurement more than \$250,000 utilizing Federal funds.
- c. The County requires that construction or facility improvement contracts, or subcontracts exceeding \$250,000, include a bid guarantee equivalent to 5% of the bid price from each bidder (such as bid bond or certified check), a performance bond on the part of the contractor for 100 percent of the contract price, and a payment bond on the part of the contractor for 100 percent of the contract price.

5. **Non-Competitive Procurements** - Procurement by noncompetitive proposals is solicitation of a proposal from a single source and may only be used when one or more of the following circumstances apply:

- a. The item is only available from a single source; documentation must be provided.
- b. The public exigency or emergency basis of the procurement will not allow for the delay associated with a competitive solicitation.
- c. Anytime the Federal awarding agency expressly authorizes noncompetitive proposals in response to a written request from the County.
- d. After solicitation from multiple sources, competition is determined to be inadequate.

## **Section 2 - Grant Administration Requirements for County Departments**

### **Payroll and Timekeeping**

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The following provisions apply to the payment of employees and recording of time and effort (as required) in accordance with Federal Cost Principles:

1. Hourly employees record time on an electronic timekeeping system each day, with the following information:
  - a. Total number of hours worked
  - b. Use of any paid leave - holiday, personal, vacation, sick, etc.
  - c. Total number of hours to be paid
  - d. Allocation of hours to each program or department for which work was performed, if appropriate
  - e. Dated signature of employee and their supervisor for each payroll period

The allocation of hours between programs or departments should be based exclusively on the actual hours worked, and not be based on a budgeted or other predetermined allocation schedule. If an after-the-fact correction is necessary to an employee's timesheet due to errors in the allocation of time worked, such corrections must be submitted to the County Finance Director and approved in writing by both the employee and the supervisor.

2. Salaried employees charged to Federal and any other grants will document time and effort as follows: the employee may document time and effort using a timesheet as described above. Timesheets must account for all time for which the employee is compensated and be signed by the employee. It will not be acceptable for timesheets to only include the hours worked on Federal grants.

It is the responsibility of the employee being charged to a Federal award(s) to clarify documentation requirements with the County Engineer, County Finance Director, or their designees and provide appropriate documentation to the Payroll Staff as it becomes available.

Certifications should never be signed prior to the end date of the payroll period being certified. Each certification should be kept by the County Department administering the grant.

### **Grant Development, Application, and Approval**

The following policies and procedures will be applied:



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1. Legislative Approval - The point at which legislative approval is required is determined by the requirements of the grant program. If the grant must be submitted by "an individual authorized by the *legislative body*", then County Commission approval is required prior to submitting the application. If such legislative approval is not specifically required by the written terms of the grant, then the County Administrator or designee may, at their discretion, approve grant applications.
2. Matching Funds - Grants that require cash (vs. in-kind) local matches must be coordinated through the County Finance Department. At a minimum, funds must be identified within the existing budget to provide the match, or a budget amendment will be required. Further, policy related implications for any new grant opportunity will be considered prior to submission of the grant application. (For example, will the grant establish a level of service that cannot be sustained once the grant funds are depleted?)

In all instances when matching funds are required, the grant applicant should contact the County Finance Department to determine the strategy for securing matching funds.

### Grant Program Implementation

The following policies and procedures will be applied:

1. Notification and Acceptance of an Award - Official notification of a grant award is typically sent by a funding agency to the program director and/or other official designated in the original grant proposal. However, the authorization to spend grant funds is derived only from the County Commission through the approval of a grant budget. Such notification should also be directed to the County Finance Department. Adoption of the grant budget as a component of the County-wide operating budget is deemed to be sufficient approval.
2. Establishment of Accounts - The department that obtained the grant will provide the County Finance Director with information needed to establish revenue and expenditure/expense accounts required to properly account for the project. Ordinarily, this information will include a summary of the detailed full project budget.
3. Purchasing Guidelines - All other County purchasing guidelines apply to the expenditure of grant funds. The use of grant funds does not exempt any purchase from normal purchasing requirements.

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### **Financial and Budgetary Compliance**

The following policies and procedures will be applied:

1. Monitoring Grant Funds - Departments may use an internal mechanism (such as a spreadsheet) to monitor grant revenues, expenditures, and budgetary compliance at the grant level. However, the County Finance Department maintains this information in the financial accounting system, which is considered the "official" record of accounting by the granting agencies. Program directors are strongly encouraged to use reports provided from the accounting system for their grant tracking.
2. Fiscal Years - The fiscal year for the granting agency may not coincide with the County's fiscal year. It is the responsibility of the program director to bring such discrepancies to the attention of the County Finance Department at the time the grant accounts are established.
3. Grant Budgets -The terms of each specific grant will dictate whether budget transfers between budgeted line items will be permitted. In no case will the program director be authorized to exceed the total budget authority provided by the grant.

If grant funds have not been totally expended by fiscal year-end, it is the responsibility of the Program director to notify the County Finance Director that budget funds need to be carried forward to the new fiscal year, and to confirm the amounts of such carryforwards. Requested carryforward amounts of grant funds will be reviewed against maximum allowable amounts/percentages per the grant award.

4. Capital Assets - The County is responsible for maintaining an inventory of assets purchased with grant funds and will make them physically available for inspection during any audit. The County Commission must approve the sale of these assets. Generally, proceeds from the sale can only be used within the program on other eligible grant program expenditures. Refer to the grant agreement for specific regulations governing the use of program revenues.

All transactions that involve the acquisition or disposal of grant funded capital assets must be immediately brought to the attention of the County Finance Director

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### **Recordkeeping**

The following policies and procedures will be applied:

1. Audit Work-papers - The County's external auditor reviews all grant activity at the end of each fiscal year. The County Finance Department will prepare any requested audit workpapers. Program directors may be asked to assist in this process.
2. Record Keeping Requirements - Grant record keeping requirements may vary substantially from one granting agency to another. Consequently, a clear understanding of these grant requirements at the beginning of the grant process is vital. The County Finance Department will maintain copies of all grant draw requests and approved grant agreements (including budgets). The program director should maintain all other grant program records.

### **Cash Management**

To ensure compliance with the Federal requirements, the County has implemented the following policies and procedures:

1. Program costs for reimbursement-based grants will be expended and disbursed prior to requesting reimbursement from the grantor agency.
2. Cash draws will be initiated by authorized County employees designated by the Department Head administering the grant who will determine the appropriate draw amount. Documentation of how this amount was determined will be retained and signed/dated.
3. The physical draw of cash will be processed through the means prescribed in the grant agreement.
4. Supporting documentation from any system used to make draws of grant funds will be filed along with the approved paperwork described above and retained for audit purposes.

### **Equipment and Real Property Management**

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The following policies and procedures will be applied to the extent that they do not conflict with or contradict any existing Commission Policies:

1. All equipment will be used in the program for which it was acquired or, when appropriate and allowable, other Federal programs.
2. When required, purchases of equipment will be pre-approved by the grantor or pass-through agency. The County Finance Director, or designee will be responsible for ensuring that equipment purchases have been previously approved, if required, and will retain evidence of such approval.
3. Equipment records will be maintained, and an appropriate system shall be used to safeguard equipment, as described in the County's separate Commission Policy 14.80 - Fixed Assets and the Finance Department's internal control policy. Equipment should be assigned to a program and physical location and recorded within the County's inventory system. If such equipment is moved, it will be noted and adjusted in the County's capital assets records.
4. When equipment is no longer needed for a Federal program and was purchased utilizing grant funds, disposition must comply with the guidelines for disposition as noted below. Generally, amounts under a dollar threshold are eligible to be retained by the agency. If proceeds exceed that dollar threshold, then the proceeds are generally required to be repurposed within the grant program or returned to the granting agency. Refer to the grant award guidelines for specific direction in each circumstance. Disposition processes shall be used that provide for competition to the extent practicable and result in the highest possible return.

Procedures for Disposition of Equipment:

- a. The County will keep, sell, or otherwise dispose of the equipment with no further obligation unless disposal requirements are specifically detailed in the grant.
- b. A record of the date, reason, and method of disposal or sale will be maintained with the equipment inventory.
  - Asset number and description of the equipment
  - Location of the equipment
  - Depreciation method & years of expected life
  - Acquisition date

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- Cost of the equipment
- Equipment classification (land, building, equipment, etc.)
- Make, Model, & Serial number or other identification number
- Vendor and invoice number to purchase equipment
- Disposition data including date and sale price of the equipment

A physical inventory of the property will be conducted periodically, and the results will be reconciled with the County's capital asset listing. A control system will be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft will be investigated.

### **Period of Performance**

To ensure compliance with the requirements related to the period of performance, the County has implemented the following policies and procedures:

1. Costs will be charged to an award only if the obligation was incurred during the funding period (unless pre-approved by the Federal awarding agency or pass-through grantor agency).
2. All obligations will be liquidated not later than 90 days after the end of the funding period (or as specified by program legislation).
3. Compliance with period of performance requirements will initially be assigned to the individual approving the allowability of the expense/payment. This will be subject to review and approval by the Finance Department as part of the payment processing.

### **Program Income**

To ensure compliance with the requirements regarding program income, the County has implemented the following policies and procedures:

1. Program income will include, but will not be limited to, income from fees for services performed, the use or rental of real or personal property acquired with grant funds, the sale of commodities or items fabricated under a grant agreement, and payments of principal and interest on loans made with grant funds. Program income will not include interest earned through the County's regular investing activities unless specifically required in the Federal awarding

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agency regulations or terms and conditions of the award.

2. Program income may be used in one of the following methods:
  - a. Deducted from outlays
  - b. Added to the project budget
  - c. Used to meet matching requirements

### **Sub-recipient Monitoring**

The County will ensure that every subaward is clearly identified to the sub-recipient as a subaward and includes the following information at the time of the subaward and, if any of these data elements change, include the change(s) in a subsequent subaward modification. Required Federal Award Identification information includes:

1. Sub-recipient name (which must match the name associated with its unique entity identifier).
2. Sub-recipient's unique entity identifier.
3. Federal Award Identification Number.
4. Federal Award Date to the recipient by the Federal agency.
5. Subaward Period of Performance Start and End Date.
6. Amount of Federal Funds Obligated by this action by the pass-through entity to the sub-recipient.
7. Total Amount of Federal Funds Obligated to the sub-recipient by the pass-through entity including the current obligation.
8. Total Amount of the Federal Award committed to the sub-recipient by the pass-through entity.
9. Federal award project description, as required to be responsive to the Federal Funding Accountability and Transparency Act.
10. Name of Federal awarding agency, pass-through entity, and contact information for awarding official of the Pass-through entity.
11. 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.
12. Identification of whether the award is research and development related.
13. Indirect cost rate for the Federal award (including if the de minimis rate is charged per.

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### **Other Requirements**

The following policies and procedures will be applied:

1. The County and its employees are required to comply with Commission Policy No. 31.00 - Code of Ethics for County Officials. Any potential conflicts of interest should be reported to management. No employee, officer, or agent may participate in the selection, award, or administration of a contract supported by a Federal award if he or she has a real or apparent conflict of interest. Such violations may result in appropriate discipline.
2. The County will comply with all contractual requirements detailed in its duly executed grant agreements with awarding agencies.
3. The County will request prior approval from Federal agencies for program or budget changes.

### **Section 3 - Finance Department Grant-Related Requirements**

It is the policy of the County to comply with all statutory, regulatory, and contractual requirements in the conduct of, and accounting for, its financial operations. The official books of record for the County will be maintained subject to the following provisions:

1. The County will account for its operations in accordance with the Generally Accepted Accounting Principles (GAAP) applicable to local units of government.
2. The County will comply with all applicable circulars issued by the Office of Management and Budget.
3. The County will contract annually with an independent CPA firm or the Office of the State Auditor for the purpose of conducting its external financial audit. To the extent that the County has expended Federal awards more than the applicable single audit limit (currently \$750,000), the County will have a single audit performed in accordance with Federal requirements.
4. To ensure continuing compliance with all applicable accounting requirements, the County may, at its discretion, contract with a CPA firm to provide internal auditing

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and/or consulting services.

5. The County Finance Director shall be responsible for the maintenance of all accounting and financial records (including journals, timesheets, bank statements, audit reports, and similar documents). Such records shall be retained as required by contractual or regulatory requirements. The County follows the State records retention requirements as its official guide for records storage, filing, and destruction.
6. Procedures for inventory of Federal capital purchases will be maintained by the County Finance Department and all items will be inventoried annually.
7. The County Finance Director (or designee) or the County Administrator are required to certify expenditures.
8. If the County has sufficient grant expenditures to require a single audit (currently \$750,000), the County will prepare a schedule of expenditures of Federal awards ("SEFA") in accordance with Federal and State requirements. This schedule will be characterized as follows:
  - a. The SEFA schedule will detail all Federal financial assistance received by the County for that fiscal year, including grants, contracts, property, loans, loan guarantees, interest subsidies, cooperative agreements, insurance, or direct appropriations. Amounts will be reported whether received directly from the Federal government or from a pass-through agency (if the County is a sub-recipient and not a vendor).
  - b. The schedule will be prepared on the same basis of accounting as the related financial statements.
  - c. Federal awards will be grouped based on Federal awarding agency. Each Federal award with current expenditures will be listed along with its CFDA number, pass-through grantor name (if applicable) and award/pass-through grantor number (if applicable). Such information will agree to the award documentation.
  - d. If the CFDA number of a Federal award cannot be reasonably determined, it shall be reported in the schedule using the two-digit prefix for the related



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Federal agency, followed by "UNKNOWN".

- e. If amounts are passed through to sub-recipients, a schedule of Federal awards provided to sub-recipients will be prepared.
- f. In addition to current year expenditures, the schedule will list approved award/grant amount, accrued/deferred revenue at the beginning of the year, current year cash received, current year actual expenditures, and accrued/deferred revenue at the end of the year. If expenditures were incurred relative to this award in the prior year(s), this amount should be included in a separate column and noted as "memorandum only."
- g. Adjustments to prior year awards, expenditures, and balances (including transfers between grants) will be described in the footnotes to the SEFA schedule.
- h. Accrued/deferred revenue reported in the SEFA schedule should be reconciled to amounts recorded as receivable/deferrals in the general ledger.
- i. The amount of Federal revenue reported in the financial statements should be reconciled to the amount reported in The SEFA schedule. Any reconciling items will be disclosed in the footnotes to the schedule.