



Coachella Valley Water District
Grant Administration Policy
Federal, State and Local Funding Sources

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About This Policy

Important Notice: Please Read Before Using This Guide

This policy was developed to provide general information for those overseeing the fiscal management of Coachella Valley Water District (CVWD) grant-funded programs. Employees should always consult the Federal, State, and local government regulations and current guidance for their respective grant programs for the most comprehensive and up-to-date information.

SECTION 1: INTRODUCTION TO GRANT FUNDING

1.1 GRANT LIFE CYCLE – GENERAL OVERVIEW

- Finding funding / Review by CVWD Grants Administration Oversight Committee
- Preparing a proposal
- Setting up an award
- Managing an award
- Closing out an award

1.2 FEDERAL GRANT LIFE CYCLE

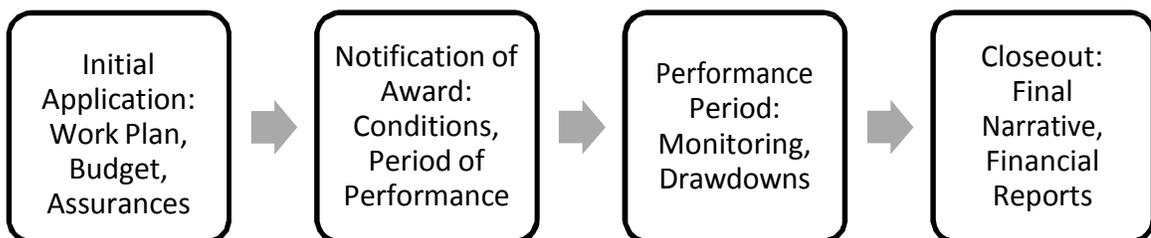
Grant awards are funded as a result of a grant application being written in response to a “Funding Opportunity Announcement” (FOA), also known as a, “Request for Proposal” (RFP). A comprehensive list of federal grant programs can be found at www.cfda.gov. Historically, the Coachella Valley Water District (CVWD) has worked with the following federal agencies:

1. U.S. Department of Agriculture
2. U.S. Bureau of Reclamation
3. Department of Homeland Security – Federal Emergency Management Agency

An initial funding opportunity announcement will include the following information:

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

A grant application is then written in response to this established criterion. This is the first stage of four major stages in a grant project’s life:



A. Initial Application – Grant application is submitted to grantor agency. Application must be complete per the requirements set forth in the Request for Application posted for the grant funding opportunity. A well-written and skillfully prepared proposal is crucial to the success of an application for funding. This section provides guidance for developing the various sections of a proposal, including the budget, and explains the proposal process.

Common Elements of a Proposal:

a. Face Page / Cover Page:

The cover page captures general data elements about a proposal, such as

- Title of proposal
- Project manager’s name and contact information
- Purpose of project
- Period of performance with start and end dates
- Amount requested
- CVWD’s information (district’s EIN, address, etc.)
- Signature of CVWD’s Authorizing Official, the General Manager, or designee

b. Budget Summary

c. Scope of Work

d. Project Schedule

B. Notification of Award – Grant applicant is notified of award and application. A Notice of Grant Award (NGA) will include all critical information including, but not limited to: the project and budget period, the amount of award including (if applicable) matching fund requirements, the grantee’s Federal Grant Specialist assigned to the grant, and the applicable laws, regulations, and award conditions. The Authorized Organizational Representative (AOR) must then sign and return award documents to grantor agency. It is vital that at this time, that all requirements, standards, guidance, schedule of grant fund draw downs, and special conditions be reviewed carefully.

C. Performance Period – The Finance Project Manager will manage the grant project according to requirements, standards, and guidance contained within the grant terms and conditions. Quarterly, bi-annual, or annual, narrative and financial progress status reports will be required in accordance with the frequency established in the special conditions of the award document. Any modifications to the approved implementation plan should be submitted to grantor agency. Complete all deliverables as stated in grant application.

Please note: Funding agency approval is required for any major amendments to the project, such as changes in the scope of work, budget, major personnel, and the

performance period. Failure to request changes may result in cost disallowances by the funding agency or federal auditor.

D. Close Out - Upon completion of the performance period of the grant award, the grantee is required to submit a final report of activities and performance and the final financial report. Recipients are generally required to submit all reports required by the terms and conditions of their award within 90 days of the completion of the project period. Financial records and supporting project documents should be retained for a period of three years from the date of submission of the final report package.

1.3 THE STATE GRANT LIFE CYCLE – FOLLOWS THE SAME LIFE CYCLE

Grant awards are funded as a result of a grant application being written in response to a solicitation also known as a, “Proposal Solicitation Package” (PSP). The California Division of Financial Assistance (DFA) administers the implementation of the State Water Resources Control Board’s (State Water Board) financial assistance programs that include loan and grant funding for construction of municipal sewage and water recycling facilities, remediation for underground storage tank releases, watershed protection projects, nonpoint source pollution control projects, etc.

This resource can be found at:

http://www.waterboards.ca.gov/water_issues/programs/grants_loans/.

The direct link to the Drinking Water State Revolving Fund (DWSRF) is:

http://www.waterboards.ca.gov/drinking_water/services/funding/SRF.shtml.

1.4 TYPES OF GRANT FUNDING

For the purpose of this policy and procedure manual, the CVWD considers the term, “grant,” to include any of the following funding:

Project Grants – Project grants fund specific projects or the delivery of specific services (also known as a work plan) for a fixed period of time. Funding is awarded through a competitive process by which the funding agency solicits applications from eligible organizations through a “Request for Proposals” (RFP) process. Applications are evaluated on a preset scoring criteria and then awarded to the applicants whose proposals best fit this criteria.

Formula Grant Funding - Formula grant funding is allocated to recipients based upon a set of pre-existing criteria. They are generally non-competitive awards which are allocated to eligible entities according to population and/or other census criteria. Applicants who meet the minimum requirements of the application process are entitled to receive money.

Programs funded through these types of grants are often ongoing and serve a select group of people such as individuals with disabilities or low-income children. Organizations are

still required to submit an application to receive funding.

Block Grant Funding - Block grant funding is distributed on a formula basis. Block grants have a broad range of eligible activities which address a general, as opposed to a specific, problem area. As block grants address a broad purpose area, block grant recipients are given more discretion to identify problems within their service area and to design programs to address said problems.

Categorical/Discretionary Grant Funding - Categorical grants have a narrow range of eligible activities and only allow funding to be used for specific defined purposes.

Categorical grant funding is distributed by a pre-determined formula or at the discretion of the federal or state agency. These grants require administrative reporting to help ensure both financial and programmatic accountability.

State of California Proposition 84 Implementation Grants- Integrated Regional Water Management (IRWM) is a collaborative effort to identify and implement water management solutions on a regional scale that increase regional self-reliance, reduce conflict, and manage water to concurrently achieve social, environmental, and economic objectives. IRWM regions now cover 87% of the state's geographic area and 99% of the state's population. DWR released the report, "Stakeholder Perspectives, Recommendations for Sustaining and Strengthening Integrated Regional Water Management". This report can be found here: http://www.water.ca.gov/irwm/docs/IRWM_Recommendations.pdf. CVWD has successfully participated in several rounds of Proposition 84 IRWM funding, including Planning, Outreach, and Implementation Rounds One through Four. All Implementation Grant funds have been awarded. No additional solicitations are to be conducted by the State Department of Water Resources (DWR).

State of California's Drinking Water State Revolving Fund – California's DWSRF provides financial assistance to public water systems (PWSs) for drinking water infrastructure improvements in the form of low-interest financing, additional subsidy, and other technical assistance derived from federal capitalization grants, associated state match, and revolving principal and interest repayments.

Proposition 1 (Prop 1), the Water Quality, Supply, and Infrastructure Improvement Act of 2014 (Assembly Bill 1471, Rendon) authorizes \$7.545 billion in general obligation bonds for water projects including surface and groundwater storage, ecosystem and watershed protection and restoration, and drinking water protection. Section 79724 of Prop 1 allocates \$260 million for drinking water grants and loans for public water system (PWS) infrastructure improvements and related actions to meet safe drinking water standards, to ensure affordable drinking water, or both (Prop 1 Drinking Water). Prop 1 Drinking Water funds will be administered consistent with the this IUP and the Policy for Implementing the Drinking Water State Revolving Fund (DWSRF Policy) to the extent allowed by federal regulations and state law. The Prop 1 Drinking Water funds will supplement the

additional subsidies provided by the Federal Fiscal Year (FFY) 2017 DWSRF capitalization grant (2017 Capitalization Grant) and any prior DWSRF capitalization grants that have not been committed to projects.

1.5 GENERAL RISKS ASSOCIATED WITH GRANT FUNDING

Federal and State grants are awarded for specific “public purposes” and therefore, grantees are required to utilize funds awarded as agreed upon and stated in the grant award document. This agreement often requires adherence to additional criteria including Office of Management and Budget (OMB) Uniform Grants Guidance (UGG) and agency specific guidelines. Grant funding misuse, including fraud and waste, does occur and the consequences of these actions can include debarment from receiving future funding, administrative recovery of funds, and up to and including criminal prosecution. Misuse can be a result of simple mistakes, gross negligence, or actual criminal fraud.

Common funding misuse includes:

Conflict of Interest – Conflict of interest occurs when federal funds are used to purchase either goods or services from a party that did not participate through an open procurement process. Goods or services should be purchased through what is commonly known as an “arm’s length” transaction, where the grantee project staff and sub-contractors or vendors are not related parties including family members, or business associates.

Misuse of Funds – Misuse of funds can include, but are not limited to, charging personal expenses as business expenses to the grant, charging for costs or services that were not incurred, not tracking personnel costs correctly, and charging items to the grant that were not approved.

Theft – Theft of funds can be accomplished through a number of ways. It can include using funds for non-grant-related purposes such as purchasing personal items with grant funds, the theft of federally owned property acquired with grant funds, and reimbursement for expenses, goods, or services, that were not actually incurred.

1.6 BEST PRACTICES FOR EFFECTIVE GRANT MANAGEMENT

It is the responsibility of the recipient of grant funding to mitigate the inherent risks associated with the potential misuse of funds. Risk management involves actively recognizing and assessing potential risks to a grant-funded program and developing a plan that includes strategies and internal controls to manage said risks. This can be accomplished by understanding some of the general best practices of effective grant management.

BEST PRACTICES FOR GRANT MANAGEMENT

1. Understand Applicable Federal and State Requirements and Regulations

Staff assigned to the management of an approved grant understands all of the federal, state and local requirements, including special conditions, which apply to the grant.

2. Follow the Approved Work Plan

Staff has a plan for implementation of the grant, as set forth in the approved work plan, and a process with which to track its progress and success.

3. Implement Effective Management and Administration Systems

Staff follows best practices and has internal control systems in place that provide for accountability and ensure that grant deliverables are met in a timely manner.

4. Implement Effective Budget and Finance Systems

Staff understands financial management principles, including Generally Accepted Accounting Principles (GAAP) requirements for grant fund management and has a system for organization, management, and documentation of said funds, including allowable costs and proper cash management procedures.

5. Ensure Proper Documentation & Records Retention

Staff ensures grant related documents are organized and accessible for auditors; grant-related documents are permanently retained.

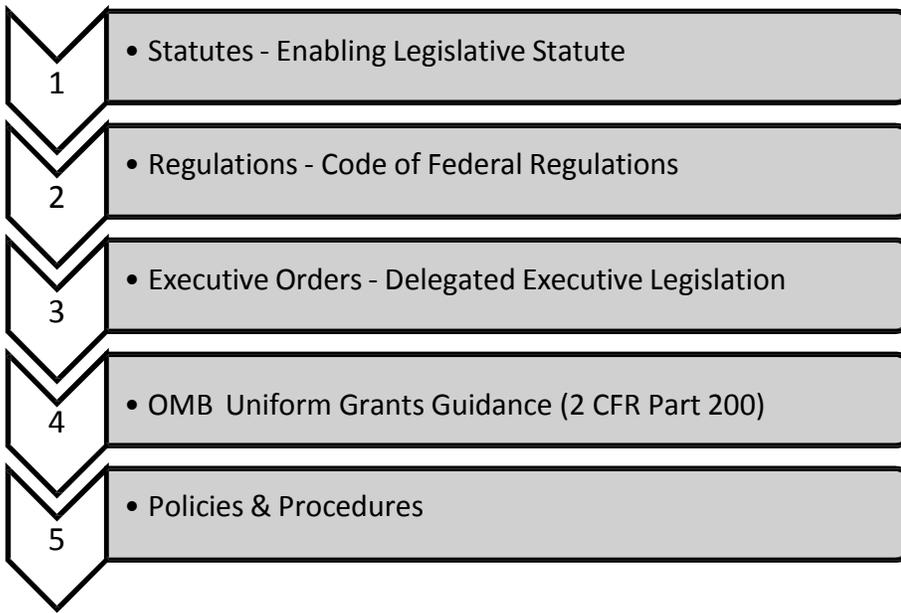
6. Establish Grant Administration Oversight Committee (Section 3.1)

SECTION 2: APPLICABLE REGULATIONS AND REQUIREMENTS

2.1 ORDER OF PRECEDENCE

As a recipient of grant funding, it is a requirement to work in compliance with the rules and regulations that are set forth in the award documentation. In order to understand the legal requirements, including federal and state regulations, OMB Uniform Grants Guidance, and special conditions and provisions which apply to grant funding, it is important to understand the “order of precedence” or the hierarchy of laws and regulations which apply to a funded program.

The following order of precedence applies to federal and state grants:



2.2 APPLICABLE REGULATIONS & OMB CIRCULARS

Determining which regulations and corresponding cost principles apply to a particular recipient entity is governed by the type of recipient. CVWD is considered a “state and local government” agency, and therefore, any Federal and State grant monies received by CVWD will need to follow the regulations as set forth by the funding agency.

Code of Federal Regulations

The *Code of Federal Regulations* (CFR) lists the general and permanent rules published in the Federal Register by each of the executive departments and agencies of the Federal Government. The CFR is a systematic collection of rules that are published in the Federal Register by the executive departments and agencies within the Federal government. It is

divided into different Titles which represent areas subject to Federal regulation. Regulations are created through an enabling statute of Congress and serve as administrative law.

An electronic version of the most recent version of the Code of Federal Regulations (CFR) is available at the U.S. Government's Printing Office website at: <https://www.ecfr.gov>

The *Federal Register* is published every business day by the National Archives and Records Administration (NARA) and contains the most up to date Federal Agency Regulations.

OMB Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (2 CFR Part 200)

The Office of Management and Budget (OMB) is charged with the responsibility of the oversight and preparation of the Federal budget, in addition to the supervision of the budget of the various Federal agencies. OMB oversees and coordinates the Administration's procurement, financial management, information, and regulatory policies and serves on behalf of the President of the United States in developing government-wide policies which aid in ensuring that Federal grants are managed properly and that Federal grant monies are spent in accordance with applicable laws and regulations.

OMB issued what is commonly referred to as its "Super Circular" or Uniform Grants Guidance (UGG). It provides guidance on Federal Award Programs.

- Supersedes and streamlines various OMB Circulars
- Aims to be more efficient, effective and transparent
- Strengthen oversight of federal funds to reduce waste, fraud, and abuse
- Review UGG (Title 2, Subtitle A, Chapter II, Part 200)

2.3 FEDERAL ACCOUNTABILITY FUNDING AND TRANSPARENCY

On September 26, 2006, the Federal Funding Accountability and Transparency Act (FFATA) was signed into law. The purpose of this Act was to ensure that the United States government was more transparent in its spending and to reduce waste in spending. Due to this legislation, federal awards and related expenditures are made public via the following website: www.USASpending.gov. To support this Act, the FFATA has created an online reporting system that requires prime contract awardees to report their awarded sub-contracts. This website can be found at www.fsr.gov. Current recipients are required to keep their DUNS number and SAM registration up-to-date. The Finance Department Administrative Assistant updates CVWD's SAM registration annually. The DUNS number is a unique nine digit identification number, used to identify the physical location of

assistance

agreement

activities.

Important Note: All new direct federal grant awards in the amount of \$25,000.00 or more are subject to FFATA reporting. CVWD is required to complete the required subaward reporting for hired subcontractors or sub-recipients.

2.4 FEDERAL DEBARMENT & SUSPENSION

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

As a recipient of grant funding, CVWD will ensure that there is a process in place to check the status of any vendor or subcontractor prior to engaging that vendor or subcontractor for services. This will be completed by either Engineering Department staff or Purchasing Division staff. Engineering Department staff will be responsible for vetting contracts executed by their department. The Purchasing Division will be responsible for vetting contracts executed by their division. CVWD staff will check the Excluded Parties List (EPL) which can be found at www.sam.gov, prior to executing any grant-funded agreements with vendors or subcontractors.

2.5 STATE OF CALIFORNIA DEPARTMENT OF INDUSTRIAL RELATIONS

The Public Works Projects Registration (Form PWC 100) should be completed by the awarding body. The completion and the submission of this form fulfills the required public works project award notification as required by Labor Code sec. 1773.3 and 8 Cal. Code Reg. sec. 16451(a). This will be completed by either Engineering Department staff or Purchasing Division staff. Engineering Department staff will be responsible for contracts executed by their department. The Purchasing Division will be responsible for contracts executed by their division. The Form PWC 100 can be accessed here: <https://www.dir.ca.gov/pwc100ext/>.

An awarding body or body awarding the contract means department, board, authority, officer or agency awarding a contract for public work. In most cases the awarding body is a unit of state or local government, such as a city, county, school district, water district, special district, or a state agency. However, in some cases the body awarding the contract may be a private entity that uses public funds for a public works construction project.

SECTION 3: GRANT ADMINISTRATION

3.1 GRANT ADMINISTRATION OVERSIGHT COMMITTEE

A Grants Administration Oversight Committee (Committee) will be established. This is considered a Government Finance Officers Association (GFOA) Best Practice.

Background. State and local governments often receive significant grants from other governments and organizations to support their programs and activities. Often grants come with requirements that apply to operations, compliance, sub-recipient monitoring and reporting. Typically there are negative consequences for failing to meet these requirements, such as the need to return funds to the grantor. Likewise, a grant may result in a program that continues, or an assets that must be maintained, well beyond the expiration of the grant.

Recommendation. To help avoid these negative consequences or unanticipated burdens, the GFOA recommends that governments create a grant administration oversight committee (committee).

The Committee will consist of the:

1. Director of Finance (or designee)
2. Director of Engineering (or designee)
3. Water Resources Manager (or designee) – IRWVG Representative
4. Engineering Project Manager or Environmental Services Supervisor
5. Subject Matter Experts (such as Environmental, Legal, Right-of-Way, etc.)
6. Controller – Single Audits (Federal) / State Audits / Annual Financial Audits
7. Financial Analyst - Finance Project Manager
8. Finance Management Analyst – Grant Billings
9. Accountant – Accounting for Grant Revenues and Expenses

The Finance Project Manager will serve as the Committee Chair.

Additional members may be added as necessary depending on the grant opportunities under review. The committee will review all grant opportunities **prior to** application to determine if the grant is in the best interest of the District. Once a grant award is received, the Committee will once again review the grant to determine if circumstances have changed for the District, and if so, if the grant is to be accepted, renewed, continued or declined. The Committee will meet at least quarterly. More frequent meetings may be held as necessary to review grant opportunities.

The GFOA recommends that the oversight committee be involved *before* applying for, accepting, renewing, or continuing a grant to ensure that all of the following will occur:

1. A department that is seeking a new grant or renewing an existing grant notifies the committee of its intent, which prompts the committee to analyze all applicable grant requirements before a decision to accept or renew the grant is made;
2. A department seeking a grant describes to the committee how the grant is consistent with the government's mission, strategic priorities and/or adopted plans. The fact that the grant would provide additional funding for a department is not reason, in and of itself, to attempt to obtain the grant;
3. A department seeking resources performs a cost/benefit analysis prior to grant application or acceptance. As necessary, the department should perform the analysis with assistance from those with special expertise (e.g., engineers). This analysis would also include costs that the government may incur at the expiration/termination of the grant and costs that may be incurred because of requirements for the government to continue certain activities/programs after the grant expires/terminates (see points 7 and 8 below);
4. Oversight responsibility (both departmental and individual) is assigned for any new or renewed programs or activities that result from the grant, including responsibility for the financial reporting required by the grant;
5. It is determined how the grant will be monitored, **including the monitoring of any sub-recipients that may receive pass-through grants**;
6. It is determined that proper resources will be available to support the grant (e.g., financial, human resource, information technology, etc.);
7. There is an evaluation of the potential need for the government to incur personnel costs after the term of the grant. Such costs could be for personnel that will terminate with the expiration / termination of the grant (e.g., severance, unemployment, etc.), or costs that the government may incur because of a need to retain employees for a specified period after the grant expires / terminates (e.g. a public safety grant that requires law enforcement personnel to remain employed for a specified period of time); and
8. There is an evaluation of the potential that the government will incur operating and maintenance costs for assets after the expiration of the grant.

3.2 CVWD GRANT ROLES AND RESPONSIBILITIES

Each CVWD grant application will designate the Financial Analyst, or designee, as the Finance Project Manager. Grant administration will be coordinated by the Finance Project Manager. This designated staff member will be tasked with day-to-day management and

oversight of the grant as laid out in the funded work plan. Furthermore, they are responsible for ensuring that grant deliverables are met in the time set forth in the approved work plan. The Finance Project Manager will work in collaboration with the Engineering Project Manager, Management Analyst, Controller and Accountant, on grant-related reimbursements, draw-downs, and required federal and state reporting.

The roles and responsibilities of the Finance Project Manager are as follows:

1. Inform the Grant Administrative Oversight Committee (Oversight Committee) about available grant funding for CVWD project(s). Provide a summary of the key facts about the grant program and how it relates to the particular project(s) and what benefits it will provide to the District and the District's customers.
2. Once the grant application has received approval from the Committee, the Finance Project Manager then submits a request to the Board of Directors for approval to apply for the grant.
3. If the Board approves the grant application, the Finance Project Manager has the CVWD Authorizing Official, the General Manager (or designee), sign the application and submits it the appropriate grantor agency.
4. If the Finance Project Manager receives notice of grant award from the grantor agency, he or she informs the Oversight Committee. The Oversight Committee reviews the grant award to determine if it is still appropriate to move forward with the grant funding.
5. If approved, the Finance Project Manager has the CVWD Authorizing Official, the General Manager (or designee), execute the grant agreement and submits it to the appropriate grantor agency.
6. Once the Finance Project Manager receives a fully executed copy of the grant agreement, a copy of the grant agreement is given to everyone on the Oversight Committee within seven business days of receipt, as well as sending a copy to Records Management.

Other roles and responsibilities of the Finance Project Manager are as follows:

7. Be the primary CVWD point of contact for Federal, State or local grant agency personnel.
8. Serves as liaison between Federal, State or local grant agency personnel and CVWD project personnel.
9. Be the primary CVWD point of contact with outside consultants that assist with the grant application process.

10. Work collaboratively with the Water Resources Manager to identify and nominate IRWMP-related grant opportunities and projects to the Oversight Committee. The Water Resources Manager will serve on the IRWVG as the CVWD representative.
11. Understand the administrative and fiscal grant requirements as set forth in the Notice of Award document.
12. Be responsible for federal and state sub-award management and monitoring:
 - Mandatory steps (2 CFR 200.331(d) and (f))
 - Discretionary steps (2 CFR 200.331(e))
13. Ensure that sub-contractors and sub-recipients are not currently suspended from the California DIR or on the federal exclusion list. (See Sections 2.4 and 2.5 above)
14. Develop an internal process to provide for continuous review and evaluation of the grant work plan throughout the span of the grant project.
15. Maintain a complete file of all grant-required grant information.
16. Work in collaboration with the Controller, Accountant and Budget Analyst to ensure project expenditures are within the scope of the approved grant budget.
17. If required, submit recommendations for the changes to the approved work plan, deliverables, and budget to the CVWD General Manager, and if approved, submit said requests to the grantor agency.
18. Work collaboratively with the Controller, Accountant and Budget Analyst on submission of required financial reports, including Single Audit (federal), State Audit & annual financial audit requirements.
19. Create and submit to grantor agency all required narrative reports.
20. Work collaboratively with Management Analyst and Accounting staff on submission of the final grant close out report.

The roles and responsibilities of the Engineering Project Managers (or designees) are as follows:

1. Preparing, or assisting Finance Project Manager to prepare, a project description and/or technical package to be included with the grant application.
2. Preparing, or assisting Finance Project Manager to prepare cost estimates to be included with the grant application
3. Preparing “Special Agreements” or “Consolidation Agreements”, or coordinating with Development Services to prepare, based on project description, cost estimates, fees, etc.
4. Nominating projects to the Oversight Committee for consideration of grant funding.
5. Ensuring that the project is included in the Capital Improvement Program.
6. Administer the design and construction of the project, once the grant is awarded.

The roles and responsibilities of the Finance Department’s Management Analyst and Budget Analyst are as follows:

1. The Management Analyst will prepare an abstract, including the key terms and due dates of the grant; file this abstract in the grant file, on the Network drive or Sharepoint and in Filenet.
2. The Management Analyst will create and submit all quarterly reimbursement / draw down requests to grantor agencies within sixty days of the end of each quarter.
3. The Management Analyst will monitor all grant-charged costs and cost allocations and sign-off on their coding.
4. The Management Analyst will update and maintain the Grants Status tracking sheet for the monthly GM’s report.
5. If required, the Management Analyst will work collaboratively with the Finance Project Manager and the Engineering Project Manager to develop and submit budget request changes to grantor agencies.
6. Management Analyst will develop an internal process for the closing of grant projects to ensure compliance with close out activities as set forth in the Notice of Award document.
7. Maintain all grant-related source documentation for audit purposes.

The roles and responsibilities of the Controller and Accountants are as follows:

1. Upon the award of a federal grant to the District, Controller (or designee) will contact the District's audit firm so that the audit firm can provide the Finance Project Manager and lead Department with the critical compliance requirements that will be evaluated in the Single Audit, State Audit and year-end Financial Audit.
2. Accounting will ensure proper charging of costs to grant activities and Controller (or designee) will sign off on coding of costs before they are paid by Accounts Payable or charged via journal entry.
3. The Controller and Accountants will work closely with the Management Analyst and Budget Analyst to resolve any outstanding questions on the SEFA (Schedule of Expenditure of Federal Awards) and SESA (Schedule of Expenditure of State Awards) in order to be prepared for the interim and year-end audits.
4. Accounting will conduct regular financial compliance reviews of grant-funded activities and associated costs at least twice a year, at mid-year and year-end.

3.3 AUTHORIZED ORGANIZATIONAL REPRESENTATIVE

An Authorized Organizational Representative (AOR), also commonly called an "Authorized Signatory," is the individual who is authorized to sign all Notice of Award documents on behalf of the grantee. The General Manager, or designee, is CVWD's Authorized Organization Representative.

On occasion, a grant award may require a supporting resolution; if one is needed it will be prepared by the Finance Project Manager and will be submitted to the Board of Directors for approval.

3.4 AWARD NOTIFICATION, REVIEW, AND ACCEPTANCE PROCEDURE

Upon receiving the Notice of Grant Award (NGA) package from the funding agency, CVWD will follow this review and acceptance procedure:

1. If the Finance Project Manager receives the notice of grant award (NGA) from the grantor agency, he or she informs the Oversight Committee. The Oversight Committee reviews the grant award to determine if it is still appropriate to move forward with the grant funding.
2. If approved, the Finance Project Manager has the CVWD Authorizing Official, the General Manager (or designee), execute the grant agreement and submits it to the appropriate grantor agency.
3. Once the Finance Project Manager receives a fully executed copy of the grant agreement, a copy of the grant agreement is given to everyone on the Oversight Committee within seven business days of receipt.

4. Finance Project Manager will receive the original, executed grant award agreement documentation and a copy will be forwarded to the Oversight Committee and Records Management.
5. Finance Project Manager will review the grant award and schedule an initial project meeting at which time an implementation plan for stated grant work plan activities, as were set forth in the approved grant document, will be developed.

3.5 INITIAL PROJECT MEETING

Within 30 days of receipt of grant award agreement and authorization from the CVWD General Manager to begin project activities, the Finance Project Manager shall convene a “kick off” meeting with all appropriate CVWD personnel that will be involved in grant activities.

Initial Grant Project Meeting Procedure

1. Review all funding agency requirements with project staff including applicable regulations and record keeping and reporting requirements.
2. Address any staff issues and concerns with the grant work plan. Identify potential problems in grant implementation and create contingency plans.
3. Create an implementation timeline/schedule for grant work plan activities with roles and responsibilities and related activities clearly assigned to specific personnel.
4. Set up a calendar of due dates for all narrative and fiscal reports.
5. Set up a master project grant file, including project number(s)

Grant File Set Up

In order to provide for continuity across grant funded programs, grant master files should consist of the following documents:

1. Original grant application
2. Abstract of the grant, including key terms and due dates of the grant
3. Award letter & special conditions
4. Implementation schedule
5. Required reports and their due dates
6. Modification documents

7. Monthly fiscal reports on grant activities
8. Miscellaneous – Correspondence with funding agency
9. Sub-recipient agreements, if any, including risk analysis, monitoring plan, copies of their prior audits and/or Single Audits, etc.

3.6 GRANT REPORTING PROCEDURE

The Notice of Grant Award (NGA) package for all grants will contain information on reporting requirements for grant-funded projects. Reporting requirements will differ among funding agencies, and reports may be required on a monthly, quarterly, bi-annual, or annual basis. General report types are performance, financial, or close out reports. It is the Budget and Grant Manager’s responsibility to ensure that all required reports are submitted to the funding agency before their respective due dates.

Failure to submit required reports on time or failure to submit accurate reports can negatively affect current and future funding from the funding agency.

Grant Reporting Procedure

1. Upon receipt of NGA package, a grant report schedule will be set up by the Finance Project Manager.
2. Two (2) weeks prior to each report’s due date, the Finance Project Manager will meet with key project staff. The Finance Management Analyst will review the current status of the grant project and related finances.
3. The Finance Project Manager will prepare the required narrative report and submit the report.
4. The Finance Management Analyst will prepare the required fiscal report and submit the report.

3.7 GRANT CLOSE OUT PROCEDURE

The Notice of Grant Award will state the period of the grant-funded project and will state the last date of the project period. The close out of a grant-funded project must be completed in a timely manner and consist of all required reports as stated in the NGA. The close out of a grant does not negate any additional requirements for reporting of property purchased with grant funds, grant records retention, or financial accountability. If any grant funds have not been expended during the approved grant project period, they must be returned to the funding agency. During the close out of any grant funded project, the following procedure should be followed:

Grant Close-Out Procedure

1. Review final supplies, materials, or equipment purchases. Additional charges made after the close out date will be disallowed by the funding agency.
 2. Review all previously submitted funding agency required reports to verify accuracy (all required reports should be contained in the grant file).
 3. Ensure all project staff effort has been correctly accounted for and is contained in the grant file.
 4. Schedule a grant close-out meeting with the Grant Administrative Oversight Committee and project staff to review all information in the grant file for accuracy.
 5. Send closed grant file to appropriate location and verify with Document Control that all grant-related documents have been scanned into Filenet. The retention period for grant records is PERMANENT.
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SECTION 4: MANAGING BUDGET AND FINANCE ACTIVITIES

4.1 FINANCIAL MANAGEMENT SYSTEMS

Financial management systems serve a critical role in the grant management process in that they provide for internal controls that support CVWD's ability to track grant expenditures, ensure allowability of costs, and provide that proper documentation is kept for grant-related expenditures. Lastly, it provides CVWD with the ability to fulfill the federal or state granting agency's financial reporting requirements.

It is the policy of CVWD to have financial management systems in place that provide the following:

1. Ensure adequate justification for grant expenditures, as necessary and reasonable
2. Track indirect costs in an efficient manner
3. Track the flow of grant funds
4. Establish internal controls for grant cash management
5. Ensure compliance with OMB's Uniform Grant Guidance (2 CFR 200)

The Finance Department is responsible for keeping all grant fund accounting records. As a recipient of grant funds, it is the responsibility of CVWD to:

1. Have processes in place for cash management (See cash management policy).
2. Maintain adequate financial records
3. Comply with reporting requirements
4. Conduct regular budget reviews
5. Report any budget-related irregularity to the granting agency

4.2 GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

Generally accepted accounting principles (GAAP) are uniform minimum standards and guidelines for financial accounting and reporting. GAAP establishes appropriate measurement and classification criteria for financial reporting. The CVWD has adopted GAAP to provide for fiscal control and accounting procedures while managing grant funded programs.

The following web sites provides additional information on GAAP: Governmental Accounting Standards Board - www.gasb.org American Institute of Certified Public Accountants - www.aicpa.org

4.3 THE SINGLE AUDIT

A non-Federal entity that expends \$750,000 or more during the non-Federal entity's fiscal year in Federal awards must have a single or program-specific audit conducted for that year in accordance with the provision of this part. The Audit Requirements are required by the Office of Management and Budget (OMB) Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (2 CFR 200, Subpart F, 200.500 – 200.512) to have a Single Audit. The purpose of the Single Audit is to review an agency's compliance with federal program requirements, as established in a grant award. The auditing process analyzes and examines not only the financial requirements of a grant, but award work plan requirements and deliverables. Auditors are in search of weaknesses in an agency's internal controls that govern their use of federal grant funds.

Issues that are often reviewed during the Single Audit process include:

1. Cash management
2. Allowable versus unallowable costs charged to the grant
3. Property/equipment acquisition, management, and maintenance
4. Procurement/bidding processes
5. Adherence to requirements such as lobbying, civil rights, drug free workplace
6. Time of effort for project staff
7. Matching requirements (if applicable)

The District's auditors conduct an audit, similar to the Single Audit, of state-funded grant projects.

PREPARING FOR THE SINGLE AUDIT PROCESS

Preparation for the Single Audit should be part of daily operational processes that creates a system of checks and balances. It is the policy of CVWD's Finance Department to have processes in place which support the following goals:

Provide for Risk Assessment – CVWD's Finance Department will be diligent in identifying internal and external risk to a grant funded program's finances.

Provide for Monitoring – CVWD's Finance Department will have monitoring processes in place that will provide for internal controls to routinely review the financial management of grant funding.

The following website provides additional information on current audit requirements:
<https://www.gpo.gov/fdsys/pkg/CFR-2014-title2-vol1/pdf/CFR-2014-title2-vol1-part200-subpartF.pdf>

SECTION 5: ENSURING PROPER DOCUMENTATION

5.1 GENERAL STANDARDS FOR SUPPORTING DOCUMENTATION

Documents provide for a record of various financial events, transactions, or activities. Typical grant transactions may include: Personnel and benefits costs, equipment and supplies purchases, cost for contractor-related services, and grant income or revenue. Supporting documentation provides CVWD with internal controls which in turn, provide evidence of who requested a transaction, why it was approved, and if it was a necessary transaction.

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

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

5.2 RECORD RETENTION REQUIREMENTS

OMB Circular A-102 was established to ensure consistency and uniformity among Federal agencies in the management of grants and cooperative agreements with State, local, and federally-recognized Indian tribal governments and states that, “all Federal agencies administering programs that involve grants and cooperative agreements with State, local and Indian tribal governments (grantees) shall follow the policies in this Circular. If the enabling legislation for a specific grant program prescribes policies or requirements that differ from those in this Circular, the provisions of the enabling legislation shall govern.” Pursuant to this circular is Section 42, “Uniform Administrative Requirements for Grant and Cooperative Agreements to State and Local Governments,” also known as the “Common Rule.” It is the policy of CVWD to maintain grant-related records according to the records retention policy established by the CVWD Board of Directors or the granting agency, whichever is longer.

Related records include the following:

- Notice of Award Package
- Required Narrative and Financial Reports
- All Related Financial Documentation

IMPORTANT NOTICE REGARDING RETENTION OF RECORDS

One grantor agency working with CVWD has a retention period of 36 years. Based upon this fact, it was decided to change the records retention period for grants to PERMANENT.

5.3 FILE RETENTION PROCEDURE

The Finance Department is responsible for all grant fund accounting records. The Finance Management Analyst is responsible for maintaining file folders for each particular grant which includes all supporting documentation for expenditures and payment of reimbursement. An additional folder is maintained for all other notes and correspondence pertaining to the grant. The folders are kept in the Finance Department throughout the life of the grant. Upon completion and closeout of the grant project, the files are scanned into the electronic records retention system, catalogued, and sent off-site for storage. Grant files will be PERMANENTLY retained.

APPENDIX A: RELEVANT TERMS

CVWD utilizes definitions as stated in the United States Office of Management and Budget (OMB), **Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (2 CFR Part 200)** which are published to provide for standards for obtaining consistency and uniformity among Federal agencies for the audit of States, local governments, and non-profit organizations expending Federal awards.

Auditee - Any Non-Federal entity that expends Federal awards which must be audited under this part.

Auditor - An auditor that is a certified public accountant or a Federal, State or local government audit organization, which meets the general standards specified in generally accepted government auditing standards (GAGAS). The term auditor does not include internal auditors of non-profit organizations.

Audit finding - Deficiencies which the auditor is required to report in the schedule of findings and questioned costs.

CEQA – California Environmental Quality Act

CFDA number - The number assigned to a Federal program in the Catalog of Federal Domestic Assistance (CFDA).

Cognizant agency for audit - The Federal agency designated to carry out the responsibilities of the program.

Contractor - A dealer, distributor, merchant, or other seller providing goods or services within normal business operations; provides similar goods and services to many different purchasers; normally operates in a competitive environment; provides goods and services that are ancillary to federal program operations; not subject to compliance requirements of the federal program as a result of the agreement. The term contractor replaces the term vendor. 2CFR 200.330(b)

Corrective action - Action taken by the auditee that:

- (1) Corrects identified deficiencies;
- (2) Produces recommended improvements; or
- (3) Demonstrates that audit findings are either invalid or do not warrant auditee action.

DAC – Disadvantaged Community

DWR – California Department of Water Resources

Federal agency - The same meaning as the term agency in Section 551(1) of title 5, United States Code.

Federal 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. It does not include procurement contracts, under grants or contracts, used to buy goods or services from contractors. Any audits of such contractors shall be covered by the terms and conditions of the contract. Contracts to operate Federal Government owned, contractor operated facilities (GOCOs) are excluded from the requirements of this part.

Federal awarding agency - The Federal agency that provides an award directly to the recipient.

Federal financial assistance - Assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals.

Federal program:

- (1) All Federal awards to a non-Federal entity assigned a single number in the CFDA.
- (2) When no CFDA number is assigned, all Federal awards from the same agency made for the same purpose should be combined and considered one program.

Generally accepted accounting principles (GAAP) - The meaning specified in generally accepted auditing standards issued by the American Institute of Certified Public Accountants (AICPA).

Generally accepted government auditing standards (GAGAS) - Standards issued by the Comptroller General of the United States, which are applicable to financial audits.

Internal control - A process, affected by an entity's management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- (1) Effectiveness and efficiency of operations;
- (2) Reliability of financial reporting; and
- (3) Compliance with applicable laws and regulations.

Internal control pertaining to the compliance requirements for Federal programs - A process, affected by an entity's management and other personnel, designed to provide reasonable assurance regarding the achievement of the following objectives for Federal programs:

- (1) Transactions are properly recorded and accounted for, to:
 - (i) Permit the preparation of reliable financial statements and Federal reports;
 - (ii) Maintain accountability over assets; and
 - (iii) Demonstrate compliance with laws, regulations, and other compliance requirements;
- (2) Transactions are executed in compliance with:
 - (i) Laws, regulations, and the provisions of contracts or grant agreements that could have a direct and material effect on a Federal program; and
 - (ii) Any other laws and regulations that are identified in the compliance supplement; and
- (3) Funds, property, and other assets are safeguarded against loss from unauthorized use or disposition.

Loan - A Federal or state loan or loan guarantee received or administered by a non-Federal entity. The State Drinking Water State Revolving Fund (“DWSRF”) loan program may include federal pass-through funding.

Local government - Any unit of local government within a State, including a county, borough, municipality, city, town, township, parish, local public authority, special district, school district, intrastate district, council of governments, and any other instrumentality of local government.

Major program - A Federal program determined by the auditor to be a major program in accordance with identified as a major program by a Federal agency or pass-through entity.

Management decision - The evaluation by the Federal awarding agency or pass-through entity of the audit findings and corrective action plan and the issuance of a written decision as to what corrective action is necessary.

Non-Federal entity - A State, local government, Tribe, or non-profit organization.

Non-profit organization:

- (1) Any corporation, trust, association, cooperative, or other organization that:
 - (i) Is operated primarily for scientific, educational, service, charitable, or similar purposes in the public interest;
 - (ii) Is not organized primarily for profit; and
 - (iii) Uses its net proceeds to maintain, improve, or expand its operations; and
- (2) The term non-profit organization includes non-profit institutions of higher education and hospitals.

OMB - The Executive Office of the President, Office of Management, and Budget.

Oversight agency for audit - The Federal awarding agency that provides the predominant amount of direct funding to a recipient not assigned a cognizant agency for audit. When there is no direct funding, the Federal agency with the predominant indirect funding shall assume the oversight responsibilities.

Pass-through entity - A Non-Federal entity that provides a Federal award to a sub-recipient to carry out a Federal program.

Program-specific audit - An audit of one Federal program.

Questioned cost - A cost that is questioned by the auditor because of an audit finding:

- (1) Which resulted from a violation or possible violation of a provision of a law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the use of Federal funds, including funds used to match Federal funds;
- (2) Where the costs, at the time of the audit, are not supported by adequate documentation; or
- (3) Where the costs incurred appear unreasonable and do not reflect the actions a prudent person would take in the circumstances.

Recipient - A Non-Federal entity that expends Federal awards received directly from a Federal awarding agency to carry out a Federal program.

Research and development - All research activities, both basic and applied, and all development activities that are performed by a Non-Federal entity. Research is defined as a systematic study directed toward fuller scientific knowledge or understanding of the subject studied. The term research also includes activities involving the training of individuals in research techniques where such activities utilize the same facilities as other research and development activities and where such activities are not included in the instruction function. Development is the systematic use of knowledge and understanding gained from research directed toward the production of useful materials, devices, systems, or methods, including design and development of prototypes and processes.

Single Audit - An audit which includes both the entity's financial statements and the Federal awards.

State - Any State of the United States, the District of Columbia, the Commonwealth of Puerto Rico, the Virgin Islands, Guam, American Samoa, the Commonwealth of the Northern Mariana Islands, and the Trust Territory of the Pacific Islands, any instrumentality thereof, any multi-State, regional, or interstate entity which has governmental functions, and any Indian tribe as defined in this section.

Sub-recipient - A Non-Federal entity that expends Federal awards received from a pass-through entity to carry out a Federal program, but does not include an individual that is a beneficiary of such a program. A sub-recipient may also be a recipient of other Federal awards directly from a Federal awarding agency. A key indicator of a sub-recipient relationship is that the agency uses funds to carry out a program for a public purpose specified in federal authorizing statute; the agency's performance is measured against federal program objectives; the agency is responsible for program decision making; the sub-recipient is responsible for adherence to applicable federal program compliance requirements. 2CFR 200.330(a)

Types of compliance requirements - Types of compliance requirements listed in the compliance supplement. Examples include: activities allowed or unallowed; allowable costs/cost principles; cash management; eligibility; matching; level-of-effort; earmarking; and reporting.

APPENDIX B: WEBSITE REFERENCES

Automated Standard Application for Payments (U.S. Department of the Treasury)
www.ASAP.gov

The California Division of Financial Assistance (DFA) administers the implementation of the Drinking Water State Revolving Fund (DWSRF) is:
http://www.waterboards.ca.gov/drinking_water/services/funding/SRF.shtml.

The California Division of Financial Assistance (DFA) administers the implementation of the State Water Resources Control Board's financial assistance programs:
http://www.waterboards.ca.gov/water_issues/programs/grants_loans/

Catalog of Federal Domestic Assistance:
www.cfda.gov

Electronic Code of Federal Regulations
<https://www.ecfr.gov>

Electronic Code of Federal Regulations, Part 200 – Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards:
<https://www.ecfr.gov/cgi-bin/text-idx?node=2:1.1.2.2.1&rgn=div5>

Federal Funding Accountability and Transparency Act Subaward Reporting System (FSRS)
www.fsr.gov

Governmental Accounting Standards Board
www.gasb.org

Publicly accessible, searchable website mandated by the Federal Funding Accountability and Transparency Act (FFATA):
www.USASpending.gov.

U.S. General Services Administration Federal Government System for Award Management (SAM):
www.sam.gov.

Publicly accessible, searchable website mandated by the Federal Funding Accountability and Transparency Act (FFATA):
www.USASpending.gov.