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This policy applies to management and fiscal accountability of federal grants for the Moulton Niguel Water District (District). This policy is intended to supplement, not supplant the District's employee/organizational policies and procedures.

As a recipient of federal grants, the District will adhere to the regulations contained at 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, in addition to other applicable federal statutes, guidelines and directives.

1. Primary Point of Contact

A designated project manager shall serve as the primary contact between the District and the federal funding agency and any external consultants.

2. Cash Management - Legal requirement: 2 CFR 200.305

Requests for reimbursement of expenses or advance payments must be consistent and fully compliant with the terms of the grant. The District must also comply with Federal regulations.

- a. The District will maintain effective internal controls for federal grant funds.
- b. The District must protect federal grant cash and other assets and must assure that grant monies are only used for authorized purposes.
- c. The District will maintain adequate records which identify the source and application of funds for federally-funded activities. These records must include source documents of Federal awards, authorizations, obligations, unobligated balances, revenue and expenses.
- d. Office of Management and Budget (OMB) cost principles, program regulations, and terms of the grant agreement will determine if the cost is allowable, allocable and reasonable to the award.
- e. Federal expenditures will be compared with budgeted amounts for each grant.

3. Procedures for Cash Management- Legal requirement: 2 CFR 200.305

The project manager will approve allowable grant expenditures in accordance with Table 2 of the District's Purchasing Policy. The District pays for the approved expenditures through the District's normal accounting processes.

- a. The Controller initiates reimbursement requests per the stipulations of the grant award after review of federal expenditure activity.
- b. Reimbursement is made via ACH wire directly into the District's bank account.

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- c. The cash receipt is entered into the financial system.
- d. A copy of the ACH confirmation will be maintained with the cash receipt. The cash receipt is reviewed and approved in the financial system. Cash receipts are recorded in the "Grant funding" object account within the same fund used for the project business unit.
- e. If the District receives an advance, per Federal requirement, any interest earned more than \$500 will be returned to the awarding agency.

4. Allowability of Costs - *Legal requirement: 2 CFR 200.302(b)(7), 2 CFR 200.309, and 2 CFR 200.403 - 2 CFR 200.405*

Except where otherwise authorized by statute, costs must meet the following general criteria to be allowable under Federal awards:

- a. Must be necessary and reasonable for the performance of the Federal award or sponsored agreement and does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost.
- b. Must be allocable to a project if it is considered a direct cost of that project.
- c. Indirect costs that follow the District's indirect cost rate proposal, discussed in the "indirect cost" section of this policy.
- d. Must be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the District.
- e. Consistently treated when used in like circumstances and adequately documented.
- f. Must be allowed by the District's approved policy and procedures and conform to any limitations or exclusions set forth by §200.403 principles or identified in the award.
- g. Determined in accordance with Generally Accepted Accounting Principles (GAAP).
- h. Has not been included or used to meet cost sharing or matching requirements of any other federally-financed program in either the current or prior period.

In the event a special or unusual cost arises, the project manager should attempt to receive prior written approval from the Federal awarding agency to avoid any unreasonableness or non-allocability. If prior approval is not obtained, it does not mean those costs will not be allowed.

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Any expenditure that is not allowed to be charged to the award by the agreement, federal agency regulations, or the Uniform Guidance for Federal Awards shall not be charged to the award.

5. Cost Share/Matching Funds - *Legal requirement: 2 CFR 200.306*

All cost sharing/matching expenses shall be documented in the same manner as regular program expenses. Contributions must meet all the following criteria to be included as matching funds:

- a. Verifiable from the contributor's records;
- b. Not included as contributions for any other federal grant project or program;
- c. Necessary and reasonable to complete project or program objectives;
- d. Allowable under the applicable Federal Cost Principles;
- e. Not paid by the federal government under another award;
- f. Provided for in the approved budget when required by the federal awarding agency;

6. Direct Costs - *Legal requirement: 2 CFR 200.306*

Direct costs can be identified specifically with a Federal award or other program or activity or can be charged directly to the account assigned to that program or activity. Direct costs include salaries, wages, and proportional fringe benefits of staff directly engaged in the program and only if they are included in the grant agreement. Direct costs also include the cost of equipment, materials, supplies, and services, consultant fees subcontracts, or other allowable costs per the terms of the agreement.

A direct cost can benefit more than one program or function and can be allocated to the benefiting programs or functions on a reasonable or equitable basis.

7. Indirect Costs - *Legal requirement: 2 CFR 200.306*

Indirect costs are those that are incurred for common or joint objectives and cannot be identified or allocated to a specific project or activity. The indirect costs will be allocated to each capital project with annual activity each year and may include an indirect cost rate for administrative salaries.

Specific departments provide administrative support to capital projects and execution of the grant program. These departments include Accounting, General Administration, Contracts, Purchasing, Financial Planning, and General Outreach. The indirect cost rate for administrative support will be determined as of July 1 each fiscal year and will be

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calculated using expenses from the prior year (total labor for those functions divided by District wide total labor). This factor will be added to labor charged to capital projects for the upcoming fiscal year.

Indirect cost recovery or indirect cost rates may be capped to allowable amounts under specific terms included in each grant. Although infrequent, these indirect amounts and/or rates may differ from the standard indirect cost rates of the District.

8. Program and Budget Revisions - Legal requirement: 2 CFR 200.308

The project manager is responsible for obtaining written approvals for program or budget revisions.

9. Lobbying - Legal requirement: 2 CFR 200.450

Federal grant funds will not be used for lobbying activities or other influencing activities associated with obtaining grants, contracts, or agreements.

10. Reporting - Legal requirement: 2 CFR 200.327, 2 CFR 200.328 and 2 CFR 200.329

- a. Grant expenditures are coded by the project manager to the project business unit, separating Federal grant expenditures from other expenditures.
- b. The Controller reviews the financial statements and general ledger activity for accuracy, completeness, proper coding, and general adherence to award terms and conditions.
- c. The project manager submits financial status reports to awarding agency, if required.
- d. The Controller presents monthly financial status reports to the Board during regular Board Meetings.
- e. The Controller maintains the Schedule of Federal Expenditures of Awards.

11. Monitoring Grant Program - Legal requirement: 2 CFR 200.328 and 2 CFR 200.331

The District will monitor the activities and progress of its federal grants and any problems, delays or adverse conditions that will materially impact the ability to meet a grant's objectives will be reported to the federal funding agency by the project manager. This will include making sure activities follow laws, regulations and the provisions of the grant agreements; and that performance goals are achieved.

12. Timesheets - Legal requirement: 2 CFR 200.430(i) and 2 CFR 200.306

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All District employees that work on projects funded through federal grants, are responsible for completing their timesheets on a bi-weekly basis. Employees must record all time spent on grant and non-grant activities. Grant activities will be monitored by a unique identifier in the time sheets, and the actual cost of those hours will be allocated to the project business unit.

The payroll department will maintain a file with all timesheets, and the project manager will maintain a file that documents hours charged to the project.

13. Contract Administration and Payment - *Legal requirement: 2 CFR 200.318(b)*

The project manager and Contracts Analyst shall be responsible for monitoring administration of the contract and shall ensure the fulfillment of all written requirements. Disbursement of federal funds will follow the same accounts payable process as nonfederal payments.

14. Standards of Conduct - *Legal requirement: 2 CFR 200.318(c)(1) and 2 CFR 200.318(c)(2)*

District employees and members of the Board of Directors must comply with the District's conflict of interest policy. The Board Secretary shall maintain conflict of interest statements for all employees and Board members.

15. Procurement Records and Files - *Legal requirement: 2 CFR 200.318(i)*

The District will retain historical records of federal procurements in accordance with the District's records retention policy.

16. Suspension/Debarment - *Legal requirement: 2 CFR 200.213*

No procurement will be made using a contractor that has been suspended or debarred from receiving federal funds. Prior to awarding any contract, District staff will search the federal *Excluded Parties List System* (www.sam.gov) to determine that the contractor is not suspended or debarred. Documentation of this search will be maintained in the grant procurement file.

17. Open and Free Competition - *Legal requirement: 2 CFR 200.319*

Proposal selection shall be based on responsiveness to the solicitation, price, quality, deadlines of delivery, warranties, accountability and fulfillment of the service and other relevant factors.

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To ensure full and open competition, the District will abide by the following guidelines:

Procurement Amount	Action
Greater than \$75,000	Formal solicitations shall be conducted, and a cost/price analysis shall be conducted
\$10,001 - \$75,000	Cost/price analysis shall be conducted
\$1 - \$10,000	Formal solicitations or cost/price analysis are not required

The District reserves the right to award purchase orders, consultant agreements or project contracts on a sole source/noncompetitive basis when one or more of the following circumstances apply: (1) the item or service is available only from a single source that has predominate capability; (2) there is a public emergency that will not permit a delay from competitive solicitations; (3) The District received prior approval from the awarding agency; or (4) competition is determined to be inadequate after solicitation from a number of sources. A written justification will be prepared and kept on file for any noncompetitive procurement.

18. Procurement Procedures - Legal requirement: 2 CFR 200.320

A. **Methods of Procurement.** One of the following procurement methods must be used:

Procurement Method	Purpose
Micro-purchases	For supplies or services when the aggregate dollar amount does not exceed \$10,000 Solicitation of price quotations is not required.
Small purchases	For supplies, services or other property that do not exceed \$75,000. A cost/price analysis must be conducted. A minimum of three written price quotes shall be obtained.
Sealed bids	The preferred procurement method for construction projects. Formal advertising required. A minimum of three responsible bidders must be considered. Public works contracts will be awarded to the lowest responsive bidder.
Competitive proposals	For supplies and services of more than \$75,000 when the use of sealed bids is not appropriate.

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	Requests for proposals must be formally advertised and solicited from a minimum of three qualified sources. Formal solicitations shall be conducted.
Noncompetitive proposals	Authorized only by the General Manager.

- B. **Procurement Authority for Operating Expenses.** The individuals with purchasing authority and the ability to sign contracts is listed in Table 2 of the Purchasing Policy.

RFPs must be publicized and identify all evaluation factors and their relative importance. All proposals will be reviewed by the project manager and the contracts department using similar evaluation criteria for nonfederal awards.

19. Use of Small Businesses, Minority-owned Firms and Women's Business Enterprises - *Legal requirement: 2 CFR 200.321*

The District will make positive efforts to utilize small businesses, minority-owned firms, women's business enterprises, wherever fully practicable. To further this goal, the District will:

- Place qualified small and minority businesses and women's business enterprises on solicitation lists to encourage and facilitate their participation;
- Solicit small and minority businesses and women's business enterprises when they are identified as potential sources;
- When feasible, divide larger projects into smaller components to permit maximum participation by small and minority businesses and women's business enterprises;
- Establish delivery schedules, when permissible, that encourages participation by small and minority businesses and women's business enterprises;
- Use the services of organizations such as local Chambers of Commerce, the Small Business Administration and the Minority Business Development Agency of the Department of Commerce;
- Require prime contractors to take the same affirmative steps if subcontracts are awarded.

20. Cost or Price Analysis - *Legal requirement: 2 CFR 200.323*

A cost or price analysis shall be conducted for every procurement action **greater than \$10,000**. The cost or price analysis shall be performed **prior to** receiving bids or

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proposals. A cost analysis shall consist of a review and evaluation of each element of cost to determine reasonableness, allocability and allowability. A price analysis shall consist of comparing price quotations, market prices and similar information.

21. Required Contract Provisions - *Legal requirement: 2 CFR 200.326*

The District shall include all provisions required by the Federal funding agency and applicable provisions found in *Appendix II of the Uniform Guidance (2 CFR Part 200)*.

22. Equipment Records - *Legal requirement: 2 CFR 200.313(d)(1)*

A. For all equipment purchased with federal grant funds, the District will maintain accurate information about the equipment including the following:

- i. A description and serial number or other identification number;
- ii. Source of funding, including the Federal Award Information Number (FAIN);
- iii. Whether title vests in the recipient or the federal government;
- iv. Acquisition or received date and cost;
- v. Percentage of federal participation in the cost;
- vi. Location use, condition, and the date the information was reported;
- vii. Ultimate disposition data, including date of disposal and sales price.

B. Equipment owned by the federal government shall be identified as such.

23. Inventory - *Legal requirement: 2 CFR 200.313(d)(2)*

The District will conduct a physical inventory at least once each year. Any differences between quantities between the inspection and the accounting records shall be investigated. The District will verify the existence, current utilization and continued need for the equipment.

24. Disposition of Equipment - *Legal requirement: 2 CFR 200.311(c) 2 CFR 200.313(d)(5) and 2 CFR 200.313(e)*

When equipment purchased with federal funds is no longer needed for the original project or program, District staff will consult the grant's terms and conditions, and the federal program officer for disposition instructions.

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25. Financial and Program Records - *Legal requirement: 2 CFR 200.333*

All records will be retained in accordance with the District's records retention policy and retained for at least three years. The only exceptions are the following:

- a. Litigation, claims, or audits - records shall be retained until all litigation, claims or audit findings involving the records have been resolved;
- b. If the District is notified by the granting agency that records must be retained beyond the three-year period;
- c. Records for disposition of equipment shall be retained for three years after disposition;

26. Access to Records - *Legal requirement: 2 CFR 200.336*

The District will grant personnel from the federal awarding agency, Inspectors General, the Comptroller General of the United States and the pass-through entity, or any of their authorized representatives, access to any documents, papers, or other records which are pertinent to the federal grant. District staff will be available to answer questions related to such documents.

27. Safeguarding Sensitive Information - *Legal requirement: 2 CFR 200.303(e)*

The District will take reasonable measures to safeguard protected personally identifiable information and other information the Federal awarding agency or District considers sensitive consistent with laws regarding privacy and obligations of confidentiality.