



Administrative Policy

Grant Acquisition, Management and Compliance

AP No.

4-1

Effective Date:

Upon Approval

1. POLICY STATEMENT

Article VI, Section 7a, of the City Charter of the City of Houston.

2. POLICY PURPOSE

To establish a Citywide policy governing grant acquisition, management and compliance procedures to ensure consistent use by City departments and compliance with the 2 Code of Federal Regulations 200 (2 C.F.R. Part 200) and all applicable federal, state and local regulations.

- 2.1 To provide written guidelines to ensure consistency in the City's grant acquisition and management process across grant administering departments.
- 2.2 To encourage departments to responsibly pursue external funding that can be reasonably managed while serving the needs of the City.
- 2.3 To ensure grant audits are being conducted in an appropriate manner and City departments are audit ready.
- 2.4 To coordinate grant acquisition among City departments.
- 2.5 To generate grant revenue recovery and monthly grant initiative reporting to capture whether grants are being sought by City departments and reporting their respective revenues.
- 2.6 To achieve zero audit findings in each annual audit.

3. SCOPE

All City departments and divisions are required to adhere to this policy.

4. DEFINITIONS

Capitalized terms used but not defined in this policy have the meaning assigned to them in 2 C.F.R. Part 200 Subpart A.

allocation: The process of assigning a cost, or a group of costs, to one or more cost objective(s), in reasonable proportion to the benefit provided or other equitable relationship. The process may entail assigning a cost(s) directly to a final cost objective or through one of more intermediate cost objectives.

application: A written initial, modification, or renewal request for funds, goods, or services submitted by the City to federal, state, nonprofit, private, or local entities, that describes the City's obligations as condition of receiving grant funds.

audit finding: A deficiency which the auditor reports in the Schedule of Findings and Questioned Costs of the Single Audit Report (SAR).

auditee: Refers to the City of Houston or a specific department.

Approved:

Date Approved:

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June 5, 2017

auditor: A public accountant or a federal, state, or local government audit organization, which meets the general standards specified for external auditors in Generally Accepted Government Auditing Standards (GAGAS).

award: An approved instrument for funds, goods, services, or other assistance subject to terms agreed upon in an executed grant agreement, cooperative agreement, or other legally binding contractor the cost-reimbursement contract under the Federal Acquisition Regulations that the City receives directly from an awarding agency.

budget: The financial plan for the project or program that the awarding agency approves during the award process.

capital fixed assets: Land, improvements to land, easements, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, and all other tangible or intangible assets and projects that are used in operations and that have useful lives exceeding more than one year and are capitalized in accordance with GAAP exceeding the capitalization threshold of \$5,000, as modified by Fixed Asset Management or by the City's Fixed Asset manual. Separately, the capitalization of projects is handled by the City's Fixed Asset Groups.

capital project section (CAP): Business units within the Department of Public Works and Engineering (PWE) and the Houston Airport System (HAS) that manage the capital project budgets, payables and associated revenues.

cash match: Contribution by the City that is based on cash funds and does not include in kind contributions such as city personnel time, supplies, services, training, equipment or other property.

catalog of federal domestic assistance: A listing of all federal assistance programs by title, agency and number.

closing: A process initiated by a recipient prior to the end of the grant validity period to place a grant in closing status in the City's financial system.

closeout: The formal conclusion of all spending, reporting and any changes or exceptions. A requirement of most grantors, this process documents that all required work and administrative actions are complete according to the terms of the award and any applicable federal (e.g., 2 § C.F.R. 200.343), state or local regulations.

code of federal regulations (CFR): A codification of the rules governing federal assistance programs published in the Federal Register.

compliance supplement: Refers to Appendix XI to 2 C.F.R. Part 200—Compliance Supplement (previously known as the Circular A-133).

contractor: A supplier of goods or services that are commonly available to both government and non-government entities that is not subject to the same federal, state and/or local regulations as an award recipient or subrecipient.

cost allocation plan: A document that identifies the cost of indirect services provided by central service departments (e.g., Finance, Human Resources, Houston Information Technology Services, or Administrative and Regulatory Affairs) and what administration costs each program (i.e. a City departmental organizational subdivision) should bear according to the indirect cost rate. The cost of these services may be allocated or billed to users.

cost objective: A cost objective may be a major function of the City, a particular service or project, a federal award, or an indirect cost activity.

cost sharing: A contribution based on overall costs of a project or activity provided by the grantee or by third parties from sources other than the grant funds. Can be a "cash match" of money or "in-kind match" of personnel, supplies, services, training, equipment or other property.

disallowed costs: Means those charges that the awarding agency or the City determines to be unallowable, in accordance with the applicable terms and conditions of the award.

equipment: Means tangible personal property having a useful life of more than one year and a per-unit acquisition cost which equals or exceeds the lesser of the capitalization level established by the City for financial statement purposes, or \$5,000.

expenditures: Charges made to a project or a program from which an award was received. The charges may be reported on a cash or accrual basis.

external funds: Any federal, state, local or private, agency monies external to City government, usually in the form of a grant.

federal audit clearinghouse (FAC): The clearinghouse designated by Office of Management and Budget as the repository of record where the City is required to transmit the Single Audit Report.

fiscal year (FY): For City purposes, the period from July 1 through June 30. For the State of Texas, the period from October 1 through September 30. For the federal government, the period from January 1 through December 31. Other fiscal years as may be prescribed by granting agencies.

generally accepted accounting principles (GAAP): Refers to the meaning specified in accounting standards issued by the Government Accounting Standards Board (GASB) and the Financial Accounting Standards Board (FASB).

generally accepted government auditing standards (GAGAS): Refers to generally accepted government auditing standards issued by the Comptroller General of the United States, which are applicable to financial audits, also known as the Yellow Book.

grant: An award to carry out a purpose under terms established by the grantor depending on the type of award and applicable federal, state and local regulations.

grantee: A City Department or division receiving financial assistance directly from an awarding agency to carry out a project or program. Also referred to as recipient or subrecipient.

grantor: Entity providing financial assistance in the form of an award. Also referred to as the sponsor or awarding agency.

grants management section (grants management/GM): The section within the Finance (FIN) Department responsible for the general oversight of grants resulting in the creation of the policies, procedures and operations supporting the receipt, award and monitoring of grants.

grant status: Refers to the grant lifecycle including application, award, closing and closed stages within the City's financial system.

indirect cost (IDC): Expenses (overhead, facilities and administrative costs) necessary for the general operation of the organization and project activities but are not readily identified with a particular grant, contract, project, or activity. The costs are incurred for a common or joint purpose benefitting more than one cost objective.

indirect cost rate proposal: Documentation prepared by the City to substantiate its request for the establishment of an indirect cost rate.

internal controls: The process implemented by the City designed to provide reasonable assurance regarding the achievement of objectives in effectiveness and efficiency of operations, reliability of reporting for internal and external use, and compliance with applicable laws and regulations.

low value grant: Refers to grant or award with a value below \$400,000 with no cash match requirement.

pass-through entity: City department that provides a subaward to a subrecipient to carry out a grant program.

performance goal: A target level of performance expressed as a tangible, measurable objective, against which actual achievement can be compared, including a goal expressed as a quantitative standard, value, or rate. In some instances (e.g., discretionary research awards), this may be limited to the requirement to submit technical performance reports (to be evaluated in accordance with agency policy).

performance period: The designated start and end date in a grant award. Also known as the validity period.

post-award: The active grant validity period whereby grant activities and expenditures can proceed according to the conditions of the grant agreement.

pre-award spending: Authorization from the awarding agency to allow for certain expenditures of funds prior to the start of the grant validity period for a specific purpose as stated in the grant agreement or for full time personnel only. Pre-award spending must be approved by GM.

project period: Means the Performance Period and supplemental time, if any, for providing services for a period not to exceed five (5) years, with council authorization, if applicable.

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

(a) Which resulted from a violation or possible violation of a statute, regulation, or the terms and conditions of an award, including for funds used to match funds; (b) Where the costs, at the time of the audit, are not supported by adequate documentation; or (c) Where the costs incurred appear unreasonable and do not reflect the actions a prudent person would take in the circumstances

recipient: A City department or division that receives an award from an awarding agency to carry out an activity. The term recipient does not include subrecipients.

single audit: financial, internal control and compliance audit established for entities that collectively expend \$750,000 or more in a year per 2 C.F.R. Part 200 or UGMS.

subaward: an award provided by the City to a subrecipient to carry out all or part of the award. All terms and conditions are passed down to the subrecipient. It does not include payments to a contractor or payments to an individual that is beneficiary of a federal program.

subrecipient: An agency or organization, that receives a subaward from the City.

supplies: Tangible personal property other than those described as equipment. A computing device is a supply if the acquisition cost is less than the lesser of the capitalization level established by the City for financial statement purposes or \$5,000, regardless of the length of its useful life.

uniform grant management standards (UGMS): Under authority of Chapter 783 of the Texas Government Code, UGMS outlines the standards for State of Texas grant programs, including cost principles, administrative requirements and the Texas Single Audit circular.

unliquidated obligations: Refers to obligations incurred by the City that have not been paid (liquidated) for financial reports prepared on a cash basis. For reports prepared on an accrual expenditure basis, these are obligations incurred by the City for which expenditure has not been recorded.

unobligated balance: The amount of funds under an award that the City has not obligated. The amount is computed by subtracting the cumulative amount of the City's unliquidated obligations and expenditures of funds under the Federal award from the cumulative amount of the funds that the Federal awarding agency directly or pass-through entity authorized the City to obligate.

validity period: The lifespan of a particular grant that has been awarded to the City. At the conclusion of the validity period, the grant must be closed, extended or renewed. This period may be extended for payroll, closeout or internal program modifications as requested by the departments.

5. ROLES AND RESPONSIBILITIES

5.1 Grants Management

- 5.1.1 Supports and implements the directives and initiatives of the Mayor's Office including dashboards, grant revenue recovery and reports preparation.
- 5.1.2 Updates City grant-related policies, procedures and business processes to comply with grant requirements under 2 C.F.R. Part 200, UGMS, and regulations issued by the grantor agency and/or state agencies and updates grantees of any regulatory changes.
- 5.1.3 Prepares the Schedule of Expenditures of Federal and State Awards (SEFA), subrecipient data and reviews the data collection form for the federal audit clearinghouse and the reconciliation to the Comprehensive Annual Financial Report (CAFR) for the fiscal year ending June 30.
- 5.1.4 Provides technical and management assistance to departments in the operation of their grants to ensure compliance with all applicable OMB Circulars along with other federal and state certifications and assurances.
- 5.1.5 Coordinates Citywide Single Audit, in accordance with 2 C.F.R. Part 200.
- 5.1.6 Places grants in a closed status upon receipt of the certification from the City Controller's Office.
- 5.1.7 Receives a Departmental Grant Opportunity (DGO) notification from all departments planning to apply for grant funds.
- 5.1.8 Receives all grant applications (new and continuation) for inclusion in the City's financial system and placement in application status.
- 5.1.9 Tracks and monitors key data elements for reporting purposes.
- 5.1.10 Provides technical assistance to the departments through the grant lifecycle including research, application and closing.

5.2 Finance – Cost Allocation Section

- 5.2.1 Submits indirect cost rates determined by the annual cost allocation plan for central service departments to the cognizant agency for approval.
- 5.2.2 Provides indirect cost rate to City departments for inclusion in grant application submissions.

5.3 Finance – Capital Project Section and Fixed Asset Management

- 5.3.1 Maintains the City records for the related grant reimbursable Capital Improvement Projects and prepares the necessary CAFR reports for applicable capital projects.

- 5.3.2 Capitalizes completed projects and directs purchased assets into depreciable asset records and prepares the Fixed Asset roll forwards for the CAFR.

5.4 City Council

- 5.4.1 Authorizes and approves or denies grant applications whether initial or continuation, with an annual value over \$400,000.
- 5.4.2 Considers the acceptance of grants with City cash match fund requirements, where the City match must be made in whole, or in part in cash funds.
- 5.4.3 Considers all subsequent procurement, contractual and administrative actions, unless such approval is not required by law or the item was already pre-approved in a prior council action.
- 5.4.4 Delegates approval authority to the appropriate department director to apply, accept and expend grant awards and subsequent awards, if any, as allowed under a council action.

5.5 City Controller

- 5.5.1 Certifies availability of funds and as needed, reviews final financial grant closeout report and issues the Single Audit Report in tandem with the Comprehensive Annual Financial Report (CAFR).
- 5.5.2 Reviews and forwards a grant application package with a cash match requirement, received from the Legal Department, to the City Secretary's Office to be placed on Council agenda.

5.6 City Departments

- 5.6.1 Establish internal controls, processes and procedures to align and comply with this policy for implementing grant programs and to monitor programmatic and fiscal compliance.
- 5.6.2 Serve as primary liaison with the grantor.
- 5.6.3 Obtain department director's approval to apply for grants, submit DGO data to GM, identify any match requirements and prepare and submit grant applications to grantor with required documentation by the deadline.
- 5.6.4 Determine whether City Council approval is needed to apply for and accept grant funds, and prepare a City Council Coversheet (coversheet).
- 5.6.5 Comply with Ordinance No. 97-776 (Attachment D), which requires the department to seek and obtain City Council approval prior to submitting a grant application for any grant with city cash match requirements or with an annual value over \$400,000.
- 5.6.6 Submit two (2) copies of the application signed by the director with supporting documentation and a copy of the Coversheet to the Legal Department for preparation of an ordinance and submission to City Council. If applications with security concerns prevent public disclosure of such information, the ordinance must identify the document(s) that establishes such obligations and the location in which it is maintained.
- 5.6.7 Submit a copy of the application and supporting documents, including the Coversheet, to GM at the time of application submission to the grantor for grant setup and placement in application status.
- 5.6.8 Ensure the grant application is fully executed by the City and the federal or state agency grantor following City Council approval, if needed.

- 5.6.9 Submit a revised grant setup request to GM with supporting documentation upon receipt of a grant award from a grantor agency for placement in award status.
- 5.6.10 Monitor the grant program activities directly or through a contractor, including activities of subrecipients, for compliance with the grant agreement and subawards and any applicable federal, state and local requirements. Attachment C – Subrecipient Monitoring Checklist serves as a guideline and checklist for subrecipient oversight for fiscal and programmatic activities.
- 5.6.10.1 Review financial and performance reports required by the awarding agency.
- 5.6.10.2 Follow-up and ensure that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the award provided to the subrecipient from the awarding agency, which deficiencies may be detected through audits, on-site reviews, or other means.
- 5.6.10.3 Issue a management decision for audit findings pertaining to the award, if applicable.
- 5.6.10.4 Use a risk assessment, Attachment B – Subrecipient Risk Assessment, and monitoring tools to ensure proper accountability and compliance with program requirements and achievement of performance goals.
- 5.6.10.5 Verify that every subrecipient is audited as required by all federal and state laws and regulations.
- 5.6.10.6 Consider whether the results of the subrecipients audits, on-site reviews, or other monitoring indicate conditions that necessitate adjustments to the City's records.
- 5.6.10.7 Collect and review audit reports of subrecipients, issue management decisions on audit findings, and ensure the subrecipient takes any necessary corrective action.
- 5.6.11 Retain all records relating to the grant program for a minimum of three years after (1) the date the final financial report (FFR) is submitted; or (2) the last request for grant records during an audit, whichever occurs first, unless a longer period is required by the grantor or 2 C.F.R. §200.333.
- 5.6.12 Provide all necessary documents and proactively communicate potential audit findings to GM for review and technical support during the Single Audit Review.
- 5.6.13 Close the grant with funder and submit the FFR to Controller's Office for certification (refer to section 5.5.1). No later than 60 days after closing with the funder, the closing process (refer to section 6.4.3) must be completed.
- 5.6.14 Reconcile all expenditures under the grant programs and forward copies of final grant reports to GM. Once the department has reconciled its FFR to the grantor, the department must reconcile the same final financial information in the City's financial system no later than 60 days after closing the grant with the grantor.
- 5.6.15 Reconcile all expenditures posted in the Grant Not – Relevant Schedule each quarter.

5.7 Legal Department

- 5.7.1 Upon receipt of a grant application and all supporting documentation, if any, from the department, prepares an ordinance to accompany the Coversheet for Council approval.

- 5.7.2 Reviews grant applications and related contracts prior to Council approval.
- 5.7.3 Resolves legal questions regarding grants and related contracts, if any.
- 5.7.4 Assists, as necessary, with the development or negotiation of the terms and conditions of grant applications and related contracts.
- 5.7.5 Processes the approved grant application packages as follows:
 - 5.7.5.1 For any grant requiring a cash match: Submit the grant application package, consisting of 1) the original ordinance, 2) a copy of the signed Coversheet, and 3) two copies of the grant application with supporting documentation, if any, to the City Controller's Office for certification of the cash match funds.
 - 5.7.5.2 For grants over \$400,000/year: Submit the grant application package, consisting of 1) the original ordinance, 2) a copy of the signed Coversheet, and 3) two copies of the grant application with supporting documentation, if any, to the City Secretary's Office for placement on a City Council Agenda, subject to final approval of the Mayor or his/her designee.
 - 5.7.5.3 For grants valued at \$400,000 or less per year: Submit the grant application package consisting of two copies of the grant application with supporting documentation, if any, under the Mayor's Blue Form, to the City Secretary's Office for the Mayor's approval and signature and then the City Controller's countersignature.

5.8 Housing and Urban Development (HUD) Funding

- 5.8.1 While keeping with all aspects of this policy, Housing Community Development Department (HCDD) is primarily responsible for administering HUD-related programs for the City.
- 5.8.2 All City departments receiving HUD funds or grant funds originating or passing through HCDD, will adhere to and comply with the same requirements as though such City department was the primary administrator. This includes proper timekeeping as required by applicable prevailing wage statutes, specific grant fund allocation, etc.

6. GRANTS MANAGEMENT PROCEDURES

6.1 Pre – Award Process

- 6.1.1 Grant programs that a department wishes to operate shall be evaluated by the department to determine its benefit to the City, long and short-term financial implications, feasibility and compatibility with existing City services and goals. The review may include evaluations of the amount of funds and resources available, regulations, sustainability, assurances, compliance, certifications, eligible activities, reporting and match requirements.
- 6.1.2 Departments seeking grants through either Notice of Financial Availability (NOFA) process or individual research must fill out requested information through the DGO Link referenced in Section 5.6.3 for inclusion in the monthly Grant Initiatives Report.
- 6.1.3 Submitting Requests to Council
 - 6.1.3.1 Under Ordinance No. 97-776 (Attachment D), applying for and receiving grant funds with cash match requirements of any amount or with an annual value over \$400,000 requires City Council approval.
 - 6.1.3.2 The department must submit a draft Coversheet to GM for review prior to submission to the Agenda Office. The Coversheet should describe the proposed application in the

background section, such as the following:

- 6.1.3.2.1. Purpose and need for the project
 - 6.1.3.2.2. Total cost, cash match requirement and fund account information
 - 6.1.3.2.3. Fiscal Note – Budgetary impact
 - 6.1.3.2.4. Grant Program Period
 - 6.1.3.2.5. Grant project period not to exceed five years
 - 6.1.3.2.6. Application (new, renewal, modification)
 - 6.1.3.2.7. Authorization to apply and accept award and supplemental awards
 - 6.1.3.2.8. Proposed Council Agenda date
- 6.1.3.3 Departments must complete a funding verification form, which includes grant fund and GL Account information.
- 6.1.4 Upon approval by City Council, the department submits the Coversheet, grant application package and ordinance to GM for creation in the GM module in application status.
- 6.1.5 Following approval by GM, the department will submit to the Legal Department the grant application package for City Council approval by ordinance (for grants valued over \$400,000 and/or cash match requirements).
- 6.1.6 The City Controller will certify the availability of cash matching funds, if any, for any financial obligation of the City in connection with the grant application and forward the original and one copy with the certified ordinance and a copy of the Coversheet to the City Secretary for presentation to the Mayor's Agenda Director for inclusion on the Council Agenda.
- 6.1.7 Following Council approval of an application, the City Secretary will forward the original application and any copies to the Mayor for signature, as needed. After the Mayor's signature and City Controller's countersignature are obtained, the department may submit the grant applications to the grantor.
- 6.1.8 It is anticipated that processing the above-described steps will require 30 days following receipt of the applications by the Legal Department and Grants Management; thus, it is incumbent on departments/divisions to submit applications within ample time to meet the Agenda Office deadline (which as of May 1, 2017, is Tuesday at 4 PM at least two weeks' notice prior to placement on a requested Council Agenda date).
- 6.1.9 Department requests Council authorization to allow the director to apply for and accept future funding under a grant program that is offered on a recurring or multi-year basis as specified in the approving ordinance for the project period but not to exceed five years. This section does not apply to any grant application or contract that requires City cash match funds, as opposed to in-kind contributions.

6.2 Low Value Grants

- 6.2.1 All grant requirements identified under Roles and Responsibilities for GM and City departments apply to low value grants, except for seeking Council approval and related processes and procedures.

6.3 Pre – Award Spending

6.3.1 Departments may request pre-award spending of their grant application under the following circumstances:

6.3.1.1 The grantor authorizes expenditures of funds prior to the start of the grant validity period for a specific purpose as stated in the grant agreement.

6.3.1.2 A City department has already received City Council authorization to apply for, accept and expend funds for a grant program where the grant validity period has already begun, and the grantor has committed funds in writing but the grant agreement has not been fully executed.

6.3.2 Departments shall not use pre – award spending for any purpose other than payroll. Pre – award spending may only be used for payroll purposes for up to 25% of the grant award and for no longer than 60 days.

6.3.3 Pre – Award spending must be approved by GM.

6.4 Post – Award

6.4.1 Award notice – Upon receipt of the notice of the grant award, the department is responsible for reviewing the grant agreement and forwarding all information to GM. GM will review documentation to move a grant to award status. Upon notification from GM, departments shall enter and pre-post the grant's budget in the City's financial system.

6.4.2 Grant Budget Modifications – Departments will notify GM when modifications to the grant budget are necessary and provide supporting documentation and appropriate approvals. GM should make the necessary database posts and notify the department upon completion.

6.4.3 Closing process – Departments shall begin the closing process no later than 60 days before the end of the grant. Departments shall give GM at least five days advance warning when they are not able to close grant funded payroll positions before the end of the grant. Further, departments shall:

6.4.3.1 Submit the closing checklist to GM including the FFR and reconciliation of expenditures to the general ledger no later than 60 days after closing the grant with the grantor.

6.4.3.2 Ensure all outstanding invoices are paid and billings and/or drawdowns are submitted to the grantor.

6.4.3.3 Review all records for compliance and ensure performance measures are completed.

6.4.3.4 GM may only open, for a designated period, a grant placed in closing status for payroll purposes, year-end processing or limited reconciliations. The opening of a closed grant is at the discretion of the GM team leader.

6.4.4 Final billing and reporting - There should be no new purchase acquisitions or reimbursement requests at the conclusion of the validity period with the exception of entitlement grants and grantee procedures. In accordance with 2 C.F.R. Part 200 or the terms of the grant agreement, departments shall:

6.4.4.1 Dispose of equipment, if applicable

6.4.4.2 Return excess revenue to the grantor agency;

- 6.4.4.3 Reconcile excess expenditures including personnel costs from the grant fund and move to to another fund or open grant, if applicable.
- 6.4.4.4 Once the department has reconciled and forwarded its Final Financial Reports to the grantor, the department must reconcile the same final financial information in the City's financial system no later than 60 days after closing the grant with the grantor. Departments shall send the FFR to the City Controller's Office for certification.
- 6.4.4.5 Departments are to perform a quarterly reconciliation of Grant Not-Relevant transactions and conduct the necessary research to determine where the charges should be posted, make the necessary transfers to ensure accurate posting and take the appropriate actions to prevent future posting errors.

6.5 Procurement

- 6.5.1 Departments shall refer for all grant related procurement issues, bid invitations, and request for proposals to the City of Houston Strategic Procurement Division.

6.6 Grant Accountability and Auditing

- 6.6.1 Finance shall ensure that an annual single audit or other audit of federal and state grant funds is performed in compliance with applicable provisions of the Single Audit Act, 2 C.F.R. Part 200, compliance supplements and other relevant federal, state and local rules and regulations.
- 6.6.2 GM ensures the annual SAR is uploaded to the Federal Audit Clearinghouse City within 30 days upon completion and notifies the department.

6.7 External Auditor Selection

- 6.7.1 Finance has primary responsibility for the timely selection of an Independent Certified Public Accounting firm to perform annual Citywide audits in compliance with state law and City purchasing guidelines.

6.8 Monitor and Tracking of Subrecipient Audit Activities

- 6.8.1 Finance is responsible for the monitoring and receipt of subrecipient expenditures for tracking for audit purposes and activities. Each department shall submit an Attachment A, Subrecipient Tracking Sheet, to GM during SEFA preparation. Subrecipients of the City who receive federal grant awards in the amount of \$750,000 and above are required to have an Independent Certified Public Accountant firm perform annual audits of their activities.
- 6.8.2 The department shall be responsible for monitoring the subrecipient requirements as follows:
 - 6.8.2.1 Monitor project progress, conduct site visits, and monitor compliance with the contract agreement.
 - 6.8.2.2 Ensure subrecipient funds are used for approved purposes only.
 - 6.8.2.3 Ensure subrecipients are in compliance by submitting all applicable attachments to GM.
 - 6.8.2.4 All requirements as listed in section 5.6.10.
 - 6.8.2.5 Submit subrecipient SAR, if applicable.

6.9 Single Audit Report

6.9.1 In accordance with 2 C.F.R. § 200.501 and annual Compliance Supplements, the single audit is intended to be the financial and compliance audit of a federal and state assistance programs. The audit must be conducted in accordance with GAGAS. The audit must cover the entire operations of the City. The financial statements and SEFA are required each City's fiscal year. The audit report shall include, at a minimum, all of the following elements:

6.9.1.1 The City's financial statements.

6.9.1.2 A SEFA showing the total federal and state expenditures for each financial assistance program.

6.9.1.3 An auditor's opinion on the financial statements, with notes, and a supplementary data opinion as to whether the financial statements are presented fairly in all material respects in accordance with GAAP and an opinion as to whether SEFA is fairly stated in all material respects in relation to the financial statements as a whole.

6.9.1.4 An auditor's report on the study and evaluation of internal control systems. The auditor's report shall identify the significant internal accounting controls, and those controls designed to provide reasonable assurance that federal programs are being managed in compliance with applicable laws and regulations, contracts and award agreements. The auditor's report shall also identify the controls that were evaluated, the controls that were not evaluated together with the reasons why, and the material weaknesses identified as a result of the evaluation. This report must describe the scope of testing of internal control and compliance and the results of the tests, and, where applicable, it will refer to the separate schedule of findings and questioned costs.

6.9.1.5 An auditor's report on compliance containing:

6.9.1.5.1. An opinion as to whether the grant recipient or subrecipient has complied with applicable laws and regulations and the terms and conditions of federal awards which could have a direct and material effect on each major program and refer to a separate schedule of findings and questioned costs.

6.9.1.5.2. A schedule of findings and questioned costs which must include the following three components: (1) A summary of the auditor's results; 2) Findings relating to the financial statements which are required to be reported in accordance with GAGAS; and (3) Findings and questioned costs for federal awards which must include audit findings.

6.9.2 All fraud, abuse, illegal acts or indications of such acts, including all questioned costs found as the result of these acts that are disclosed during the audit, shall be covered in a separate written report.

6.9.3 A Corrective Action Plan (CAP) corrects identified deficiencies and recommends improvements on the auditor findings and comments on the status of corrective action on prior year findings. A CAP shall accompany the single audit report. The CAP must provide the name(s) of the contact person(s) responsible for corrective action, the corrective action planned, and the anticipated completion date. If the City does not agree with the audit findings or believes corrective action is not required, then the CAP must include an explanation and specific reasons.

6.10 Audit Resolution Process – Subrecipient

6.10.1 The department administering the grant will be responsible for resolving questioned or disallowed audit costs and audit findings identified in Citywide and subrecipient audits and forwarding a written resolution of audit findings to the Finance Director or designee. The

Finance Director or designee will review and approve the department's resolution and supporting analysis or documents and submit the proposed resolution to the grantor agency or auditor for approval.

- 6.10.1.1 After the grantor agency issues a final audit, the department administering the grant must forward a copy of the report to the Finance Director or designee. The department shall review audit findings, in consultation with the subrecipient and submit a written response to the Finance Director. The department will be required to meet deadlines for responding to any audit findings as imposed by the grantor agency.
- 6.10.1.2 A cooperative audit resolution is the use of audit follow-up techniques which promote prompt corrective action by improving communication, fostering collaboration, promoting trust, and developing an understanding with the subrecipient.
- 6.10.1.3 The response to audit findings shall include a CAP which outlines specific action to be taken or underway to correct any deficiencies identified in the audit report.
- 6.10.1.4 The department administering the grant will issue an initial determination to subrecipients. Up to 30 days will be allowed for the subrecipient to respond to the audit findings.
- 6.10.1.5 After receiving the final audit report, the department will issue a final determination to the subrecipient by the deadline imposed by the City after receiving the final audit report. Final determination will reference all questioned and disallowed costs, and administrative findings cited in the audit report.
- 6.10.1.6 The department shall submit the final determination to the Finance Director for review, approval and submittal to the appropriate federal or state grantor agency.

6.11 Appeal Procedure – Subrecipient

- 6.11.1 A subrecipient may appeal an audit finding within 30 days of receipt of the final determination to an Appeals Board, composed of the Finance Director or designee, a representative of the City Legal Department and the Office of the City Controller, and the director or designee of the department administering the grant. The Finance Director will make the final decision to allow or disallow costs in compliance with applicable laws and regulations, to proceed with debt collection, or to adopt other remedies for resolution of questioned and disallowed costs. The time frame for audit resolution will be as follows:

- 6.11.1.1 Resolution leading to final determination – 120 days

- 6.11.1.2 Appeal from final determination – 30 days

- 6.11.1.3 Disposition of audit findings – 150 days

6.12 Remedies for Noncompliance

- 6.12.1 If the subrecipient fails to comply with federal statutes, regulations or the terms and conditions of an award/contract, the City may impose additional conditions, as described in 2 C.F.R. § 200.207, Specific conditions. If the City determines that noncompliance cannot be remedied by imposing additional conditions, the City may take one or more of the following actions, as appropriate in the circumstances to the extent allowed by law and the applicable agreements:

- 6.12.1.1 Temporarily withhold cash payments pending correction of the deficiency by the subrecipient or more severe enforcement action by the City.

- 6.12.1.2 Disallow (that is, deny both use of funds and any applicable matching credit for) all or part

of the cost of the activity or action not in compliance.

6.12.1.3 Wholly or partly suspend or terminate the award/contract.

6.12.1.4 Recommend suspension or debarment proceedings to the applicable federal awarding agency.

6.12.1.5 Withhold further awards/contracts for the project or program.

6.12.1.6 Take other remedies that may be available.

6.12.2 The City must notify the subrecipient as to:

6.12.2.1 The nature of the additional requirements;

6.12.2.2 The reason why the additional requirements are being imposed;

6.12.2.3 The nature of the action needed to remove the additional requirement, if applicable;

6.12.2.4 The time allowed for completing the actions if applicable, and

6.12.2.5 The method for requesting reconsideration of the additional requirements imposed.

6.13 Follow-Up on Corrective Action

6.13.1 The department administering the grant will conduct follow-up to verify that corrective action has been taken by the subrecipient.

7. RELATED DOCUMENTS AND INFORMATION

7.1 Legal and Compliance references- All City departments that apply for and administer state and/or federal grants are required to be knowledgeable in and have policies in place to ensure compliance with the following (in the order in which they are typically followed):

- 2 C.F.R. Part 200
- Federal Awardee Performance and Integrity Information System (FAPIIS)
- Federal Clearinghouse
- Compliance Supplement – 2 C.F.R. Part 200, Appendix XI
- Texas Uniform Grant Management Standards (UGMS)

7.2 Federal and state granting agency policies and rules;

7.3 Grant award terms and conditions as set forth in the grant agreement; and

7.4 City charter, ordinances, policies and procedures.

7.5 Department Grant Opportunities Link:

http://citypointe/FASvcs_DEPT/DEPT/Finance/FRO/Grants/Grant%20Applications/Lists/Grant%20Applications/Item/newifs.

8. APPENDICES

- Attachment A – Subrecipient Tracking Sheet
- Attachment B – Subrecipient Risk Assessment
- Attachment C – Subrecipient Monitoring Checklist

- Attachment D – Ordinance No. 97-776, adopted June 25, 1997

9. POLICY SPONSOR

Department: Finance

DEPARTMENT:
FISCAL YEAR:
GRANT NUMBER:
CFDA NUMBER:

Department Chief Financial Officer

Attachment B Subrecipient Risk Assessment

Date Completed: _____

FY: _____

Subrecipient Name: _____

Subrecipient Type (select from drop down) _____

Subrecipient DUNS: _____

Completed By-Name: _____

Completed By-Program: _____

Instructions:

1. Read the AP 4-1 regarding subrecipient monitoring Section 6.8
2. Complete this form once a Fiscal Year (FY) for each recipient who will be awarded one or more grants or contracts from the program in the open FY. The results of this risk assessment will apply to all awards to the subrecipient from the City of Houston (COH) in the open FY.
3. For each category, enter a numerical rating of 0=Not applicable (N/A), 1=Low, 2=Medium or 3=High in the Rating box. Use the information provided under the Rating Description sections to assist you in assigning a rating to each category. If not a new recipient, consider the recipient's performance on currently open and recently closed awards/contracts, to the risk category.
4. For each category below, specify in the "Basis for Rating and Other Comments" field the factors that contributed to the rating entered. Provide enough detail to give an independent reviewer a clear understanding of the rationale used to determine the rating. If documents exist to support your rating (e.g., performance report on previous award) identify the document(s) and specify the location of the document(s). Here is an example of the type of detail to be entered in the "Basis for Rating and Other Comments" fields:

Category 1 Rating = 1; "Basis for Rating and Other Comments" field reads: *The recipient has successfully implemented awards under our program in the past. Some projects include sub-recipients and construction, but awards with these complexities have been well managed. Summaries of past project results are available in the subrecipient file.*

Category 1: POTENTIAL FOR IMPLEMENTATION PROBLEMS	Rating:
----------------------------------------------------------	------------------------------------------------------------------------------------------------------------------

Category 1 Rating Descriptions

0=N/A:	Not a valid response.
1=Low:	Project has no identifiable challenges; no past issues; typical project period for the program or project type; well-qualified recipient; project not complex; no sub-recipients; subrecipient has all equipment required for the performance of the project.
2=Medium:	New project for subrecipient; one or more sub-recipients; longer than typical project period for the program or project type; unproven recipient; recipient has had some issues with implementation on other awards/contracts; some challenges or potential challenges identified, such as recent staff turnover or reorganization that could affect implementation; recipient does not have all equipment required for the performance of the project but, as noted in its application package, has plans in place to obtain necessary equipment in advance of need.
3=High:	Project has multiple sub-recipients; complex project; multiple partners; construction project; recipient has had significant issues with implementation on other awards/contracts; significant challenges identified; subrecipient does not have all equipment required for the performance of the project and has not secured sufficient resources to make sure lack of equipment does not significantly delay planned project activities.

Basis for Rating and Other Comments:

Category 2: FINANCIAL MANAGEMENT SYSTEM AND FUNDS MANAGEMENT RECORD	Rating:
----------------------------------------------------------------------------	------------------------------------------------------------------------------------------------------------------

Category 2 Rating Descriptions

0=N/A:	Subrecipient is a Commercial Organization, Foreign Entity, or Individual.
1=Low:	Subrecipient has received a Federal financial assistance subaward in the past, has a financial management system in place that meets the applicable funds management requirements in 2 CFR Part 200, and the program has never identified any funds management issues on previous subawards to recipient.
2=Medium:	Subrecipient has received a subaward directly or as a subrecipient in the past, has a financial system in place that meets the applicable funds management requirements in 2 CFR Part 200, but has had funds management issues on a current or previous subaward(s). Subrecipient was responsive to COH communications or requests for information or action in regards to identified issues. Issues were resolved.

Attachment B Subrecipient Risk Assessment

3=High:	Subrecipient has never received a Federal financial assistance subaward directly or as a subrecipient and does not have experience managing Federal funds, or subrecipient has received a subaward in the past and has had significant funds management issues on a current or previous subaward(s), such as routinely submitting incorrect financial reports, requesting more than immediate cash needs, major variances between budget and actual expenditures, difficulty maintaining required matching funds, disallowed costs, among others. One or more reports of waste, fraud or abuse currently under investigation or determined to be valid. Subrecipient was not responsive to COH communications or requests for information or action in regards to identified issues. Issues were never resolved.
----------------	------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

Basis for Rating and Other Comments:

Category 3: PERFORMANCE TRACK RECORD

Rating:

Category 3 Rating Descriptions

0=N/A:	Not a valid response.
1=Low:	Subrecipient met all proposed outcomes and/or deliverables on previous subaward/contracts; on schedule to meet proposed outcomes and/or deliverables on current subaward/contract. Subrecipient met most proposed outcomes and/or deliverables on previous subaward/contract and reason(s) for delay or non-performance was (were) unavoidable; on schedule or only slightly delayed to meet proposed outcomes and/or deliverables on current subaward/contract.
2=Medium:	Subrecipient may have had issues related to compliance with subaward terms and conditions on current or past subaward/contract but subrecipient was responsive to COH communications or requests for information or action related to the issues. Issues were resolved.
3=High:	Subrecipient has no past or current subaward/contract with COH or failed to deliver proposed outcomes and/or deliverables on previous subaward/ contract; reason(s) for delay or non-performance was (were) unavoidable; significantly behind schedule or failing to meet maintenance of effort required on current subaward/contract due to failures within recipient's control to correct. Subrecipient significantly failed to comply with subaward terms and conditions. Subrecipient was not responsive to COH communications or requests for information or action related to the issues. Issues were never resolved. Subrecipient failed to meet the performance goals identified in the current or past subaward/contract.

Basis for Rating and Other Comments:

Category 4: STAFF LEVEL AND KEY STAFF QUALIFICATIONS

Rating:

Category 4 Rating Descriptions

0=N/A:	Subrecipient is an individual.
1=Low:	Subrecipient provided information detailing the experience and qualifications of key project personnel. All personnel appear qualified to meet the project objectives; no past issues with subrecipient in regards to key staff qualification. The project is fully staffed.
2=Medium:	Subrecipient provided information detailing the experience and qualifications for some key project personnel. All of the identified personnel appear qualified to meet the project objectives, but other key project personnel have not yet been hired.
3=High:	Subrecipient has not yet identified/hired any key project personnel; one or more of the personnel identified do not appear qualified to meet the project objectives; or one or more key personnel left the project and replacement(s) have not been identified.

Basis for Rating and Other Comments:

Category 5: DELIVERY EXPERIENCE

Rating:

Category 5 Rating Descriptions

0=N/A:	Not a valid response.
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Attachment B Subrecipient Risk Assessment

1=Low:	Subrecipient has delivered the funded project/program or similar projects/programs for COH for at least five years.
2=Medium:	Subrecipient has delivered the funded project/program or similar projects/programs for COH for at least two years.
3=High:	Subrecipient has never delivered the funded project/program or similar projects/programs, or has delivered the funded project/program or similar projects/programs for COH for less than two years.

Basis for Rating and Other Comments:

Category 6: AWARD ADMINISTRATION AND REPORTING COMPLIANCE

Rating:

Category 6 Rating Descriptions

0=N/A:	Subrecipient has no past or current subaward/contract from the program.
1=Low:	Subrecipient has been timely in the submission of budget and project amendment requests, prior approval requests, financial and performance reporting, extensions of performance period and reporting due dates, and significant development reports, as applicable.
2=Medium:	Subrecipient has mostly been timely in the submission of budget and project amendment requests, prior approval requests, financial and performance reporting, extensions of performance period and reporting due dates, and significant development reports, as applicable. When out of compliance, subrecipient was responsive to written notifications and requests from the COH regarding late or incomplete requests or reports.
3=High:	Subrecipient has consistently been late in the submission of budget and project amendment requests, prior approval requests, financial and performance reporting, extensions of performance period and reporting due dates, and significant development reports, as applicable. Subrecipient is seldom or not at all responsive to written notifications and requests from the COH regarding late or incomplete requests or reports.

Basis for Rating and Other Comments:

Category 7: SINGLE AUDIT

Rating:

Category 7 Rating Descriptions

0=N/A:	Subrecipient is a Commercial Organization, Foreign Entity, or Individual.
1=Low:	Subrecipient is a government or non-profit entity and their application indicates that they were not required to submit a Single Audit report for their most recently closed fiscal year; subrecipient completed a Single Audit for at least one of their two most recently closed fiscal years. Subrecipient submitted required Single Audit report to the Single Audit Clearinghouse on time. Subrecipient did not have any Qualified or Adverse/Disclaimer opinions, significant internal control deficiencies or findings for non-compliance.
2=Medium:	Subrecipient has not had any Adverse/Disclaimer opinions, more than two significant internal control deficiencies, or more than two findings for non-compliance on any Single Audit conducted in the last five years. Subrecipient was late in submitting required Single Audit report to the Single Audit Clearinghouse.
3=High:	Subrecipient has had an Adverse/Disclaimer opinion, more than two significant internal control deficiencies, or more than two findings for non-compliances on any Single Audit conducted in the last five years. Subrecipient has a history of not submitting Single Audit reports to the Single Audit Clearinghouse on time. Subrecipient currently working under a Single Audit Corrective Action Plan related to a current or previous award funded by the COH or other funder.

Basis for Rating and Other Comments:

Attachment B
Subrecipient Risk Assessment

Category 8: OTHER AUDITS REQUIRED BY FUNDING PROGRAM

Rating:

Rating Descriptions

0=N/A:	Subrecipient has no past or current subaward/contract from the program; or previous/current/pending subaward/contract funded by COH directss thought funds. If previous/current/pending subaward/contract funded by other types of funds, program authorizing legislation does not require recipients to conduct a formal audit.
1=Low:	Subrecipient has had no significant internal control deficiencies or findings for non-complianceby COH or other funders.
2=Medium:	Subrecipient has had less than two significant internal control deficiencies and less than two findings for non-compliance by COH or other funders.
3=High:	Subrecipient has had more than two significant internal control deficiencies and more than two findings for non-compliance by COH or other funders.

Basis for Rating and Other Comments:

--

RISK RATING AVERAGE (auto-calculated based on numerical scores entered in Rating boxes above):

0.00

Instructions: In the Preliminary Risk Level box below, enter the preliminary risk level that corresponds with the risk rating average calculated above, as follows:

Enter "Low" if the number in the Risk Rating Average box above is between **0-1.49**

Enter "Medium" if between **1.5-2.49**

Enter "High" if between **2.5-3**

PRELIMINARY RISK LEVEL (Low, Medium or High):

--

OTHER FACTORS IMPACTING RISK LEVEL:

Instructions: Consider if there are any other factors that impact, either by raising or lowering, the recipient's preliminary risk level. If there are such factors, describe each factor and explain how each raised or lowered the preliminary risk level in the text box below, and then enter either "Low", "Medium" or "High" in the Final Risk Level box below. If the subrecipient was placed on the Suspension and Debarment list of SAM.gov, this will result in an automatic "High" risk level.

If no such factors exist, enter "No other factors impact the preliminary risk level" in the text box below, and then enter the same value as entered in the Preliminary Risk Level box above in the Final Risk Level box below.

--

FINAL RISK LEVEL (Low, Medium or High):

--

Instructions: Based on the result of this risk assessment, incorporate the required monitoring activities into all Subrecipient Monitoring in the open FY following the AP 4-1, Attachment C - Subrecipient Monitoring Checklist.



Department: _____

Grant Number: _____

Subrecipient: _____

Start Date: _____

Attachment C – Subrecipient Monitoring Checklist

	Comments:
<input type="checkbox"/> Type of Organization: Please Select	
<input type="checkbox"/> Subrecipient Determination: Please Select	
Subaward Information (Request and attach copy of COH grant award/contract/agreement with approved budget)	
<input type="checkbox"/> Contract period of subaward:	
<input type="checkbox"/> Amount of subaward:	
<input type="checkbox"/> Amount/Percentage of subaward to be subcontracted out: (Request copy of all subcontracts and monitoring performed by subawardee) if applicable.	
<input type="checkbox"/> Amount/Percentage of this subaward vs total federal/state/private funding from all funding sources:	
<input type="checkbox"/> Cash Match/Cost Sharing requirements for COH subaward:	
<input type="checkbox"/> Indirect Cost Rate/Amount for COH subaward: (Request copy of negotiated agreements for fringe benefits and IDC rates) if applicable.	
<input type="checkbox"/> Equipment purchased with COH subaward: (Perform inventory review and request copy of equipment list) if applicable.	
Risk Assessment of Subrecipient (Request and review copy of Attachment B Subrecipient Risk Assessment. The Subrecipient Monitoring Checklist should only include additional evaluation of any area previously identified as "high" risk unless Program Manager requests additional areas of review) (Ratings: 0 = N/A; 1 = Low; 2 = Medium; 3 = High)	Date of Risk Assessment: _____ Final Risk Level: _____
<input type="checkbox"/> Category 1: Potential for Implementation Problems – Significant issues with implementation of subaward/contract, does not have all equipment or resources required for performance of project, multiple partners, contracts not in place with partner agencies.	Rating: _____
<input type="checkbox"/> Category 2: Financial Management System and Funds Management Record – Does not have experience managing Federal funds or has had significant funds management issues on a current/previous award; i.e. incorrect financial reports, major variances between budget vs. actual, maintaining required matching funds, disallowed costs, etc.	Rating: _____
<input type="checkbox"/> Category 3: Performance Track Record – Failed to deliver proposed outcomes or deliverables on previous award/contract, significantly behind schedule, failed to meet performance goals, significantly failed to comply with award terms/conditions.	Rating: _____
<input type="checkbox"/> Category 4: Staff Level and Key Staff Qualifications – Has not yet identified or hired any key project personnel, personnel identified do not appear qualified to meet the project objectives, personnel left the project and replacements have not been identified.	Rating: _____
<input type="checkbox"/> Category 5: Delivery Experience – Never delivered the funded project or program or similar projects/programs for COH for less than two years.	Rating: _____
<input type="checkbox"/> Category 6: Award Administration and Reporting Compliance – Late in the submission of budget and project amendment requests, prior approval requests, financial and performance reporting, not responsive to written notifications.	Rating: _____
<input type="checkbox"/> Category 7: Single Audit – Adverse/Disclaimer opinion, more than two significant internal control deficiencies or two findings for non-compliance within five years, a history of not submitting Single Audit reports to the Federal clearinghouse timely, working on corrective action plan for previous/current award for COH or other funder.	Rating: _____
<input type="checkbox"/> Category 8: Other Audits Required by Funding – More than two significant internal control deficiencies and more than two findings for non-compliance by COH or other funders.	Rating: _____
Program Monitoring Actions (Review and attach all support documentation ie. Funder required program goals, outcomes, requirements, objectives,	Review Period(s): _____

performance reports, policies, procedures, ect. as required for period(s) of review)	
<input type="checkbox"/> Does subrecipient follow and maintain program eligibility requirements:	
<input type="checkbox"/> Does subrecipient meet established performance measures/goals/outcomes (Monthly/Quarterly/Annually):	
<input type="checkbox"/> Does subrecipient have established internal program policies and procedures:	
<input type="checkbox"/> Does subrecipient authorize and submit required certifications and reports timely to COH:	
Fiscal Monitoring Actions (Request and attach all support documentation ie. audited financial statements and notes, mangement letters etc. as required for period(s) of review)	
<input type="checkbox"/> Does subrecipient expend >\$750,000 in federal/state funds (Subject to 2 CFR 200):	
<input type="checkbox"/> Has subrecipient been debarred from doing business with the federal/state government: (Request copy of debarment certification and review https://gsa.gov/debarment; SAM.gov)	
<input type="checkbox"/> Has the Federal/State or any other authority placed the subrecipient in a special financial status, financial watch, fiscal emergency, high risk, etc. (Review FAPIIS https://www.fapiis.gov/)	
<input type="checkbox"/> Balance Sheet Statement Review: Current Ratio – Current Assets/Current Liabilities:	
<input type="checkbox"/> Cash Flow Statement Review: Has subrecipient operated at a loss for the current or past periods:	
<input type="checkbox"/> Single Audit Report: (Review previous 2 CFR 200 audit report or OMB Data Collections Form https://harvester.census.gov/facweb)	
<input type="checkbox"/> Questioned Costs:	
<input type="checkbox"/> Findings:	
<input type="checkbox"/> Corrective Actions:	
<input type="checkbox"/> Annual Subrecipient Certification Form: (Request and attach completed form from subrecipient)	
<input type="checkbox"/> Invoice Review: (Request and attach all support documentation i.e. invoices, timesheet, detail travel, payroll register, general ledger, etc. as required for period(s) of review)	Review Period(s):
<input type="checkbox"/> Amount is correct in accordance with approved budget:	
<input type="checkbox"/> Sufficient detail is provided to permit identification of costs:	
<input type="checkbox"/> Adequate supporting documents provided for reimbursement:	
<input type="checkbox"/> Expenditures are in compliance with 2 CFR 200 and specific program requirements:	
<input type="checkbox"/> Invoice certified by subrecipient:	
<input type="checkbox"/> Proper approval by the COH Program Manager or designee:	
<input type="checkbox"/> Other special terms and conditions:	
<input type="checkbox"/> Observe operations and project performance:	
<input type="checkbox"/> Program Specific Audit or Funder Audits: (Request and attach copies of all audits results and reviews performed within last 2 years)	
<input type="checkbox"/> Audit Findings:	
<input type="checkbox"/> Corrective action plans:	
Closing Actions:	
<input type="checkbox"/> Contact subrecipient officials to discuss areas of concern: (Exit Conference)	
<input type="checkbox"/> Observations, Concerns, Audit Findings:	
<input type="checkbox"/> Corrective action plans:	
<input type="checkbox"/> Management Letter: (Complete and issue closing letter to subrecipient to close audit review).	

Attachment D
Code of Ordinance 97-776

Mayor's Office

To the Honorable City Council of the City of Houston:

In accordance with the provisions of Article VII, Section 7 of the Charter of the City of Houston, I submit and introduce to you the Ordinance set out below with the request that it be passed finally on the date of its introduction. There exists a public emergency requiring such action and I accordingly request that you pass the same if it meets with your approval.

Date: _____, 1997

Mayor of the City of Houston

Bob Lan

Controller's Office

To the Honorable Mayor and City Council of the City of Houston:

In accordance with Article II, Section 19a of the Charter of the City of Houston, I do hereby certify that the money required for the expenditure or expenditures specified in Section 7 of the Ordinance set out below will be available out of current or general revenue prior to the maturity of any such obligation, and is not appropriated for any other purposes.

Date: *June 17*, 1997

Gary Miller
City Controller of the City of Houston

FF 46-9

City of Houston Ordinance No. 97-776

AN ORDINANCE RELATED TO THE FISCAL AFFAIRS OF THE CITY; APPROVING THE ANNUAL BUDGETS OF THE CITY OF HOUSTON, TEXAS, FOR FISCAL YEAR 1998 FOR THE GENERAL, ENTERPRISE, SPECIAL, INTERNAL SERVICE, REVOLVING AND DEBT SERVICE FUNDS; RECEIVING AND ACCEPTING FOR REVIEW PRIOR TO SUBMISSION THE COMMUNITY DEVELOPMENT 1997 CONSOLIDATED ANNUAL PLAN; AMENDING ORDINANCE NO. 87-1881 RELATING TO THE USE OF EXCESS FUNDS IN THE GENERAL FUND FUND BALANCE; APPROPRIATING EXCESS FUNDS IN THE GENERAL FUND FUND BALANCE AND AUTHORIZING THEIR TRANSFER; APPROVING AND AUTHORIZING THE DELEGATION OF AUTHORITY TO APPLY FOR AND ACCEPT GRANT FUNDS IN SPECIFIED CIRCUMSTANCES; PROVIDING FOR FUTURE ADJUSTMENT TO THE BEGINNING FUND BALANCES; MAKING VARIOUS AMENDMENTS TO THE PROPOSED BUDGETS; MAKING CERTAIN FINDINGS RELATED THERETO; PROVIDING A REPEALING CLAUSE; PROVIDING FOR SEVERABILITY; AND DECLARING AN EMERGENCY.

* * * * *

WHEREAS, on May 30, 1997, the Mayor of the City of Houston, Texas, filed with the City Secretary a proposed budget of the expenditures of the City of Houston General, Enterprise, Special, Internal Service, Revolving and Debt Service Funds for the Fiscal Year beginning July 1, 1997 and ending June 30, 1998, (the "Proposed Budget"); and

WHEREAS, pursuant to a resolution of the City Council of the City of Houston, and after notice was provided as required by law, a public hearing on the Proposed Budget was held in the Council Chamber in the City Hall Annex on June 17, 1997, at which hearing all citizens, including all taxpayers, had the right to be present and to be heard, and those who requested to be heard were heard; and

WHEREAS, the City Council has considered the Proposed Budget and has made those changes to the Proposed Budget that in the City Council's judgment are warranted by law and demanded by the best interest of the taxpayers of the City; and

WHEREAS, the City Council desires to approve and adopt the final Budget as set out herein; and

WHEREAS, the City Council wishes to receive and accept for review the Community Development 1997 Consolidated Annual Plan, prior to its future final approval for submission to the United States Department of Housing and Urban Development; and

WHEREAS, the City Council wishes to amend the Financial Policies ordinance with regard to the use of excess funds in the General Fund Fund Balance; and

WHEREAS, the City Council wishes to delegate certain authority to Department Directors to apply for and accept grants; NOW, THEREFORE,

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF HOUSTON:

Section 1. The findings contained in the preamble of this Ordinance are determined to be true and correct and are adopted as a part of this Ordinance.

Section 2. In accordance with the City Charter and Sections 102.001 through 102.011, Tex. Loe. Gov't Code (Vernon's), the City Council hereby approves and adopts the Proposed Budget as amended and supplemented herein as the Fiscal Year 1998 City of Houston, Texas, Budget, the same being contained in the budget document on file with the City Secretary in two volumes entitled "Proposed Budget For Fiscal Year Ending June 30, 1998", with such deletions as previously made, as amended and supplemented herein, but specifically not including as part of the Budget, the City-wide Overview, the description of the General Fund other than the Fund Summary, data relative to any Fiscal Years prior to 1998, the Appendices or information concerning Full-Time Equivalents, all of which is provided for background and reference purposes only (the "Budget"). The City Secretary is hereby directed to attach to Volume I of the Budget a copy of this ordinance, any motions amending the Proposed Budget and an endorsement reading: "The Official Budget of the City of Houston, for the General, Enterprise, Special, Internal Service, Revolving and Debt Service Funds for the Fiscal Year Beginning July 1, 1997 and ending June 30, 1998" and to keep the Budget on file in her office as a public record. In addition, in accordance with Section 102.009(d), Tex. Loe. Gov't Code (Vernon's), the City Secretary is hereby directed to file a true copy of the approved Budget in the offices of the county clerks of the counties in which the City is located.

Section 3. The Beginning Fund Balance reflected in the Budget for each fund for which a budget is adopted hereby shall automatically be adjusted to be the amount of the Ending Fund

Balance included in the final Comprehensive Annual Financial Report for Fiscal Year 1997 for each respective fund. The revised Beginning Fund Balance shall thereafter be used to calculate the Ending Fund Balance for each such fund which shall also be adjusted automatically. No adjustment to the expenditure budgets is authorized by this Section.

Section 4. The City Council hereby incorporates into the final approved Budget the revisions to the Proposed Budget contained in Exhibits A, B and C and D, attached hereto and incorporated herein for all purposes.

Section 5.

A. The City Council hereby authorizes the Director of any City department, or his or her designee, to apply for and receive funds on the City's behalf for all grant assistance programs related to that department that are valued at \$400,000 or less per year, provided that no matching City funds are required. Each department Director is hereby officially designated as the City's representative and is authorized to execute, in conjunction with the City Attorney, all grant-related documents on behalf of the City of Houston. The City Secretary is hereby authorized to attest to all such signatures and to affix the seal of the City to all such documents.

B. Each department Director is hereby designated as the official authorized to accept the funds, if awarded, for all grant assistance programs related to his or her department and to accept all subsequent awards, if any, pertaining to the designated grant program, unless City Council fails to approve, by budget or otherwise, any matching funds required. The Mayor and the respective Director or any officials herein designated are authorized to execute all documents accepting such funds.

C. The respective Director must prepare and submit to Council on or before June 30 of each year an accounting of all grant monies accepted and those received by the Department during the prior fiscal year.

Section 6. City of Houston Ordinance No. 87-1881, adopting financial policies for the City of Houston, is hereby amended by adding the following sentence to the end of Item 4 of Exhibit "A" of that ordinance:

"To the extent that funds in the General Fund Fund Balance exceed 7.5% of total expenses less debt service, the excess funds are available upon appropriation for non-recurring expenses."

Section 7. The City Council hereby appropriates the difference between the General Fund Ending Fund Balance, as adjusted by Section 3 hereof, and the amount derived as 7.5% of total General Fund expenses, less debt service ("Excess Funds"). The City Council hereby authorizes the Mayor to transfer the Excess Funds described hereinabove to any account in any fund without regard to Section 10 hereof. (In order to expend the Excess Funds transferred to a Fund other than the General Fund, a budget amendment in that Fund, and appropriation and a transfer for expenditure will be required).

Section 8. The City Council hereby authorizes for each City Department the positions listed for that Department on the Personnel Summary included in the budget for that Department. In addition, the City Council previously has authorized classified positions subject to Chapter 143, Tex. Loc. Gov't Code, through individual personnel ordinances which shall continue to regulate those positions. The City Council further authorizes all currently existing grant funded positions. In the future, additional grant funded positions will be authorized by acceptance or modification of a grant whether by City Council or administratively. The City Council takes cognizance of the fact that in

order to facilitate the operations of the various City departments the numbers and types of positions needed to carry out the functions of the departments may vary. Accordingly, the Mayor is hereby authorized to alter the numbers and types of positions authorized herein (classified positions subject to Chapter 143, Tex. Loc. Gov't Code not being authorized herein, but by separate personnel ordinances) in order to accomplish the program goals of each department; provided, however, that in so doing, all such positions must have been established by City Council in the Master Classification Ordinance and the total departmental expenditures for the affected department must remain within authorized budgetary limits, or in the case of grant funded positions, within the funding levels of the grant. The Personnel Summaries adopted by this Section are not to be considered part of the Budget adopted by this ordinance for purposes of amendments to the Budget.

Section 9. All expenditures heretofore made for Fiscal Year 1998, if any, are hereby approved, ratified and confirmed and since it is the intention of the City Council that the Budget hereby approved be inclusive of previous expenditures and commitments for Fiscal Year 1998, the City Controller is hereby directed to apply the amounts thereof to the appropriate accounts in the Budget.

Section 10. The City Council takes cognizance of the fact that in order to facilitate operations of the various City departments established in the Code of Ordinances of the City of Houston (singularly "department"), and to make adjustments occasioned by events transpiring during the year, some transfers will be necessary to and from some of the accounts contained in the Budget as adopted herein. Accordingly, the Mayor shall have authority to transfer funds to and from the Budget accounts within any department without limitation. In addition, for transfers among departments within a Fund, the Mayor shall have authority to transfer funds from any Budget account

(whether one or more) in one department to any other account or accounts in any other department within the Fund, but for each department such aggregate interdepartmental transfers from any Budget Expenditure Account Group in that department's budget shall not exceed 5% of the total amount shown for such Budget Expenditure Account Group in the adopted budget for such department. Provided, however, that any such transfers shall not be subjected to or be included within the foregoing 5% limit if such transfers are approved by City Council in compliance with Section 102.001 through 102.011, Tex. Loc. Gov't. Code (Vernon's).

As used in this section the term "Budget Expenditure Account Group" means a group of accounts within a department or a group of nondepartmental accounts which have similar purposes (for example, the Budget Expenditure Account group for "Personnel Services" within a given department might include all of the following accounts: 10100, 10105, 10110, 10120, 10130, 10135, 10140, 10145, 10150, 10155, 10200, 10205, 10210, 10215, 10230, 10235, 10240, 10245, 10250, 10255, 10260, 10265, 10270, 10275, 10405, 10410, 10415, 10420).

Section 11. The City Council hereby receives and accepts for review prior to submission the 1997 Consolidated Annual Plan including without limitation, the following 1997-1998 grant applications to the United States Department of Housing and Urban Development ("HUD") upon the expiration of the citizen comment period: 1) 23rd Year Community Development Block Grant ("CDBG") in the amount of \$37,391,000.00, (\$35,891,000.00 Entitlement Grant; \$1,500,000.00 Program Income); 2) Home Investment Partnerships ("HOME") in the amount of \$10,422,000.00 (\$10,222,000.00 Grant; \$200,000.00 Program Income); 3) Housing Opportunities for Persons with AIDS ("HOPWA") in the amount of \$3,316,000.00, and 4) Emergency Shelter Grants in the amount of \$948,000.00, in substantially the forms as those which are included in the volume

entitled City of Houston 1997 Consolidated Annual Plan - Department of Housing and Community Development on file in the office of the Department of Housing and Community Development at 601 Sawyer, 4th Floor, Houston, Texas.

Section 12. All ordinances or parts of ordinances in conflict herewith are hereby repealed to the extent of such conflict only.

Section 13. The City Council officially finds, determines, recites and declares that a sufficient written notice of the date, hour, place and subject of this meeting of the City Council was posted at a place convenient to the public at the City Hall Annex of the City for the time required by law preceding this meeting, as required by the Open Meetings Law, Chapter 551, Tex. Gov't Code, and that this meeting has been open to the public as required by law at all times during which this ordinance and the subject matter thereof has been discussed, considered and formally acted upon. The City Council further ratifies, approves and confirms such written notice and the contents and posting thereof

Section 14. If any provision, section, subsection, sentence, clause or phrase of this ordinance, or the application of same to any person or set of circumstances is for any reason held to be unconstitutional, void or invalid, the validity of the remaining portions of this ordinance or their application to other persons or sets of circumstances shall not be affected thereby, it being the intent of the City Council in adopting this ordinance that no portion hereof or provision or regulation contained herein shall become inoperative or fail by reason of any unconstitutionality, voidness or invalidity of any other portion hereof and all provisions of this ordinance are declared to be severable for that purpose.

Section 15. There exists a public emergency requiring that this Ordinance be passed finally

on the date of its introduction as requested in writing by the Mayor; therefore, this Ordinance shall be passed finally on such date and shall take effect immediately upon its passage and approval by the Mayor; however, in the event that the Mayor fails to sign this Ordinance within five days after its passage and adoption, it shall take effect in accordance with Article VI, Section 6, Houston City Charter.

PASSED AND ADOPTED day of 14 th 0, 1997.

APPROVED this 24^S day of July, 1997.


 Mayor of the City of Houston

Pursuant to Article VI, Section 6, Houston City Charter, the effective date of the foregoing Ordinance is

 City Secretary

(Prepared by Legal Dept. " --< (/.-/ /
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 Senior First Assistant Cityj4!dorney

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