

GRANTS ADMINISTRATION

The purpose of this document is to summarize the City of Newton's grants administration policies and practices for municipal and general purpose state and federal grant funds. Although school grant funds are in the custody of the treasurer and under general ledger control of the comptroller, they are managed by a central school grants administration office

Grant revenue and expenditures are accounted for on the cash basis during the fiscal year. At fiscal year-end accruals are recorded for all obligations that have been incurred, but not paid and for all grant reimbursements that have been earned, but not received. Reimbursements not received within 60 days of fiscal year end will generally be deducted from the City's certified free cash position by the Massachusetts Department of Revenue.

All grant procurement and employment activities are conducted in accordance with the City's standard procurement and employment policies, unless grant regulations require otherwise. The City's Purchasing Department also verifies that the federal disbarment status of all vendors, prior to final contract award, regardless of anticipated contract funding source. This process negates the possibility of an adverse audit finding in the event that a contract originally expected to be funded exclusively with local or state shared revenues needs to be used for federally funded purposes.

GENERAL FUND OPERATING ASSISTANCE

State and federal funds that are awarded to the City for general operating funding purposes are accounted for and reported in the General Fund. These grants include state "Cherry Sheet" aid and other state and federal programs that reimburse General Fund expenditures such as the special education (SPED) Medicaid program and the Medicare Part D prescription drug reimbursement program.

Massachusetts Department of Revenue, Division of Local Services <http://www.mass.gov/dor/local-officials/municipal-data-and-financial-management/cherry-sheets/> is the authoritative source for adopted "Cherry Sheet" aid. In the event that the amount of such aid that the City assumed for budget planning purposes differs from the actual final total, an adjustment must be made in the budget prior to setting the tax rate each year.

Most "Cherry Sheet" funds are paid on a monthly basis by the State treasurer's office and deposited directly to the City's Rockland Trust state and federal grant bank account. The Comptroller is responsible for preparation of the cash receipt schedule to recognize each monthly payment, and for preparing journal entries to record state assessment and qualified bond debt service off-sets to monthly "Cherry Sheet" distributions.

Quarterly SPED Medicaid billings are the responsibility of the Newton Public School Department and Medicare Part D reimbursement billings are the responsibility of the City Human Resources Department. The Comptroller is responsible for monitoring billings and timely recording of same on the City's general ledger, along with the preparation of cash receipt schedules to recognize revenue disbursed to the City.

The Veteran Services Officer is responsible for submitting necessary information to the Commonwealth to obtain 75% reimbursement of eligible veteran benefits paid by the City. A copy of each month's reimbursement request is to be forwarded to the Comptroller. Veteran benefit reimbursements are made on a quarterly basis, approximately one year in arrears by the Commonwealth.

The Comptroller's Office annual operating budget is responsible for any federal single audit costs associated with federal aid that is classified as General Fund operating assistance.

CATEGORICAL GRANT ASSISTANCE

All entitlement and competitive grant funds that are awarded for a specific purpose are accounted for and reported in either a special revenue fund or a capital project fund. This is necessary in order to demonstrate to the grantor(s) that funds have been used for the purpose that they have been granted and to facilitate financial audit of the City's management of grant funds.

Capital construction grants (including CH 90 highway improvement; Mass Works public improvements; MWPAT and MWRA water and sewer grant; and MSBA school project assistance) are accounted for in a capital project fund. All operating grants are accounted for and reported in either a separate fund or a sub-fund within either **the Municipal Federal Grant Fund** or the **Municipal State Grant Fund**. Separate key organizations are maintained within each sub-fund for each grant year award. Separate funds are used for all large multi-year grants such as the Community Preservation matching grant; Community Development Block grant; and the HOME consortium grant program. Unless a grant has a requirement for a separate bank account all grant cash will be a part of the City's pooled cash. Separate revenue accounts are used to distinguish between federal revenues paid directly (4310) and federal grant funds that are passed thru a state agency (4320).

Since the City does not have a centralized grants administration office, each municipal department is responsible for the grant application process. The federal Catalog of Federal Domestic Assistance (CFDA) (<https://www.cfda.gov/>) and the Massachusetts Department of Revenue's Grant Finder (<http://www.mass.gov/anf/budget-taxes-and-procurement/grants/>) are authoritative sources of available grant programs and program requirements.

Grant expenditure budgets will be expected to provide for all retirement, fringe benefit, and financial audit costs associated with categorical grants. Departments will also be responsible for detailed grant program compliance, including sub-grantee monitoring; all interim and final reporting to granting agencies; and the timely reimbursement billings. All grant applications must be approved and signed by the Mayor, before final submission to the state or federal governments.

Departments making application for federal grant funds are reminded that pursuant to the US Office of Management and Budget (OMB) "Uniform Grant Guidance" (2CFR 200, effective December 26, 2014) each City department that manages federal grant funds is responsible for understanding and complying with all requirements of the of the federal governments "Uniform Grant Guidance." Further, all state and federal grant funds, regardless of the dollar amount or the award or expenditures, are subject to financial and/or compliance audit by the state or federal granting agency or their agent(s).

As required by the municipal finance laws, all state and federal grant awards are subject to approval by the Board of Aldermen prior to the expenditure of any such funds. Annual expenditure authority for recurring grant programs are included in the City's annual appropriation order. At the point that a department receives notice of a grant award, a copy of the grant award agreement and line item expenditure budget should be forwarded to the Mayor's Office with a request that the Mayor docket an expenditure authorization vote and the appropriation of any required local match by the Board of Aldermen.

A signed board order, an approved grant award letter (with identifying CFDA number for each federal award), and written documentation of the grant reimbursement process are necessary in order for the Comptroller to set up grant budgets on the City's general ledger (necessary before any such funds can be obligated). Upon receipt of all required approvals and reimbursement process documentation, the Comptroller will notify the department in writing of the grant expenditure budget account codes.

The Comptroller is responsible for quarterly and annual financial reporting of all state and federal grants, including the preparation of the year end schedule of federal awards spending for audit by the City's independent financial auditors.

Reimbursement grants: Most state and federal grant programs either reimburse the City for eligible costs as they are incurred and reimbursement is billed, or reimburse the City on a predetermined schedule such as semi-annually or quarterly. The revenue and expenditure budgets for reimbursement grants are recorded in the project ledger, based upon the approved grant application and signed board order and attached to the revenue and expenditure ledgers in the appropriate grant fund. The project budgets for each such grant will control spending until such time as grant funding is received. While it is generally expected that all grant expenditure activity will be charged directly to grant fund expenditure budgets, it is recognized that this may not always be practical in terms of certain minor grants that reimburse public safety General Fund overtime charges. As reimbursements are received for such activities, the Comptroller will reclassify the related expenditures between the grant fund and the City's General fund.

Departments with grant administration responsibilities are expected to monitor their grant spending and make timely reimbursement requests to the appropriate state and federal agencies, with notice to the Comptroller of all such reimbursement requests. Unless a grant has a requirement for a separate bank account for purposes of receiving reimbursements, it is expected that all reimbursements will be electronically deposited to the City' Rockland Trust state and federal grant bank account. The Comptroller reviews activity in this account weekly and prepares a cash receipt schedule to recognize grant revenue. Written notice of all grant receipts is made to the appropriate department by the Comptroller.

Advance Funding grants: Grant funds received in advance of any grant expenditures by the City will be recorded in the grant fund expenditure budget upon receipt. Should any such grant agreements require that interest income on undisbursed cash be credited to the grant fund, the Comptroller will allocate

investment income from pooled cash on a quarterly basis, based upon month end MMDT rates, unless the grant agreement requires that undisbursed cash be held in a separate bank account.

Community Development Block grant: The City's annual CDBG grant awards are accounted for in separate sub-funds within the Community Development Block Grant Fund (fund 15). Individual grant activities are accounted for within individual projects within the project ledger, for each grant year. Community Development staff are responsible for the timely draw down of reimbursements related to the CDBG grant program and reconciling grant activity for each grant year to the federal IDIS system. Since the grant has a requirement for a separate bank account for all reimbursement deposits, the treasurer transfers reimbursement cash to general cash on a weekly basis. The Comptroller allocates investment income to the fund on a quarterly basis for all revolving loan repayment cash being held in the fund for future housing rehabilitation loans. Loan receivable balances are maintained in the NCDA Revolving Loan Fund (fund 17). Since the CDBG program is classified as a major program for federal single audit purposes, the CDBG fund provides funding for additional audit costs each year.

HOME Consortium grant: Annual HOME Consortium grant funds and related program income are accounted for in a separate sub-funds within the HOME Grant Fund (fund 16). Each participating community's share of each year's grant award is accounted for within individual projects for each grant year. To the extent that program income creates a positive cash balance in the fund, the Comptroller allocates investment income to the fund from earnings on pooled cash. Since the HOME program is classified as a major program for federal single audit purposes, the HOME fund provides funding for additional audit costs each year.

Federal Municipal grants: Separate sub-funds are maintained within the Municipal Federal Grant Fund (fund 18) for each major federal grant program and separate activities are maintained within each sub-fund for each year's grant award.

State Municipal grants: Separate sub-funds are maintained within the Municipal Federal Grant Fund (fund 19) for each major state grant program and separate activities are maintained within each sub-fund for each year's grant award.

Community Preservation matching grant: State matching funds for the City's 1% CPA tax surcharge are accounted for as a revenue source of the Community Preservation Fund (fund 21), which is appropriated by the Board of Aldermen as part of the City's annual appropriation order for each fiscal year. The Comptroller and Board of Assessors are responsible for providing annual year-end documentation to the Massachusetts Department of Revenue for the determination of the amount of CPA matching funds.

Chapter 90 Highway improvement grant: Chapter 90 roadway improvement grant activity is accounted for and reported in the CH 90 Highway Improvement Fund (fund 33). Separate sub funds are used to account for each year's grant award and individual activities are used to account for each approved project within a grant award. Although the City receives an annual grant award from the Commonwealth, the City is required to make application to the Massachusetts Department of Transportation for individual roadway improvement projects to be funded from the grant award. No grant funds can be obligated until the individual project is approved in writing by Mass DoT.

Upon notification of the City's annual award and verification that it is not more than has been authorized in the annual appropriation order, the Comptroller records the new award as an "Unallocated Grant Award" within the expenditure ledger. Funds are later transferred from this account to individual activity accounts as the Mass DoT approves specific projects.

At the same time that the City's Department of Public Works requests a vendor payment from the fund, the DPW prepares and submits a reimbursement request form to the Comptroller. The Comptroller is responsible for completing the payment information on the form and submitting it to Mass DoT for reimbursement at the same time that the vendor check is issued. The Comptroller is responsible for maintaining accounts receivable detail for all outstanding CH 90 reimbursements and reconciling approved project balances to Mass DoT's monthly report of CH 90 grant activity. Any unexpended balance in a project expenditure budget is closed out to the "Unallocated Grant Award" account at the time that the DPW and Comptroller file the final report for each approved project.

Mass Works grants: Mass Works grants are accounted for and reported in the City's Mass Works grant fund (fund 333). The administration of this grant program is identical to the CH 90 grant program.

Massachusetts Water Resources Authority Water main improvement grants: Grants from the MWRA for water main improvements are accounted for in the MWRA Water Main Rehabilitation sub fund (36B) of the City Water Improvement Capital Project Fund (fund 36). Separate activities are maintained with the sub fund for each year's grant.

Since these grants are funded in advance of any spending by the City, MWRA requires that grant funds be deposited into a separate MMDT account and that all interest income earned on undisbursed cash be reserved for additional water main improvements. The treasurer reports investment income earnings monthly and the Comptroller records all interest earnings in a separate expenditure suspense account within the fund. These funds may only be expended with prior written approval of the MWRA.

The Comptroller is responsible for making a report to the treasurer at the end of each fiscal quarter summarizing grant disbursements during that time frame and requesting that this sum be transferred from the MMDT account to a City general account to reimbursement fund disbursed from the vendor account for grant purposes.

Massachusetts Water Resources Authority Sewer I&I removal grants: Sewer I&I grants from the MWRA are accounted for and reported in the City's Sewer Improvement Capital Project Fund (fund 37). The administration of this grant program is identical to the Water main improvement grant.

