

Uniform Guidance Policies and Procedures Federal Awards Administration



City of Sault Ste. Marie Michigan

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Overview

Purpose – This manual has been prepared to document the policies and procedures for the administration of federal awards of the City of Sault Ste. Marie, Michigan (the "City"). These policies and procedures are intended to be sufficiently comprehensive to adequately meet the requirements of 2 CFR 200 (the "Uniform Guidance"). However, in no case are these policies and procedures intended to supersede or limit federal or state laws or regulations, or the provisions of individual grant agreements.

Hierarchy of Authority – In the event that conflicting guidance on the administration of Federal awards is available, the City has deemed guidance from the Office of Management and Budget (OMB) to be most authoritative, followed by guidance from the grantor agency and finally the state and local agencies.

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

The City Manager and designated representatives are authorized and required to establish and document operating procedures to ensure compliance with the provisions of federal and state regulations and the provisions of grant agreements. Such procedures are documented herein, and will be reviewed and updated as necessary, but not less than once every three years.

Training – Accounting and finance personnel, and program administrators of Federal awards will be provided the necessary training through various mechanisms, such as: (1) consulting with the City's auditors as needed for clarification, (2) participating in various training opportunities, such as those offered by appropriate professional organizations, (3) reading guidance issued by the grantor agency, (4) participating in program related webinars. (5) receipt of handbook.

Compliance Failures – Compliance failures, whether noted internally by management or through the external audit process, will be addressed immediately by reviewing the reason for the failure with responsible personnel and devising an improved process to encourage compliance in the future.

Financial Management Systems General Accounting and Financial Management

It is the policy of the City of Sault Ste. Marie, Michigan (the “City”) to comply with all statutory, regulatory, and contractual requirements in the conduct of and accounting for its financial operations. The official books of record for the City will be maintained subject to the following provisions:

Commission Policies. The following policies have been separately reviewed and approved by the Commission, and are incorporated here by reference:

- City Charter/Code of Ordinances, applicable Articles and Chapters:
 - Chapter 5 – General Provisions Regarding Officers and Personnel of the City
 - Chapter 8 – General Finance (includes budget, financial reporting and annual audit)
 - Chapter 11 – Borrowing Power
 - Chapter 12 – Purchasing - Contracts – Leases
 - Article IV – Purchases
 - Article V – Code of Ethics and Conduct
- Capital Project Management, Resource Management, and Financial Reporting Policy
- Records Retention Schedule
- Purchasing Policy and Procedure
- Policy Regarding City Credit Cards, adopted 01/19/98, Amended 4/4/2022
- Fund Balance Policy, adopted 12/02/13
- Debt Management Policy, adopted 01/18/16
- Land Sale Policy, adopted 12/06/99, Amended 2/07/2022
- Personnel Policy Handbook, which provides guidelines for conduct and information regarding employer practices. Provisions in the handbook shall govern when a Collective Bargaining Agreement or Employment Contract does not set forth a governing policy. The City’s labor organizations include the following:
 - United Steelworkers of America - Public Works
 - United Steelworkers of America - Clerical
 - United Steelworkers of America - Firefighters
 - United Steelworkers of America - Fire Captains
 - Michigan Fraternal Order of Police Labor Commission -Patrol Unit
 - Michigan Fraternal Order of Police Labor Commission -Police Records
 - Michigan Fraternal Order of Police Labor Commission -Police Command

Additional Policies and Procedures. The following policies and procedures will also be applied to the extent that they do not conflict with or contradict the Commission policies listed above:

1. The City will account for its operations in accordance with the Generally Accepted Accounting Principles (GAAP) applicable to local units of government.

2. The City will comply with the provisions of 2 CFR 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the “**Uniform Guidance**”).
3. The City will comply with all contractual requirements detailed in its duly executed grant agreements with awarding agencies.
4. The Commission will contract annually with an independent CPA firm for the purposes of conducting the City’s external financial audit. To the extent that the City has expended federal awards in excess of \$750,000, the City will have a single audit performed in accordance with 2 CFR 200.
5. The City Clerk’s Office shall develop a “*book of official policies*” adopted by the Commission, in addition to these Policies and Procedures manual.
6. The City Finance Department shall be responsible for the maintenance of all accounting and financial records (including journals, timesheets, bank statements, audit reports, and similar documents). Such records shall be retained as required by contractual or regulatory requirements as described in the section of this manual titled “Records Retention Schedule”
7. Other policies and procedures not adopted by the City Commission, but used as guidelines include the following:
 - Special Assessment Billing Policy, last updated November 2018
 - Payment Arrangement Policy – Water
 - Payment Arrangement Policy – Accounts Receivable
 - Travel Approval Procedure (employees)
 - City Petty Cash

Financial Management Systems

Purchasing and Procurement

It is the policy of City of Sault Ste. Marie, Michigan (the “City”) to ensure that all disbursements of City funds are properly reviewed and authorized, and consistent with sound financial management principles. In order to meet these objectives, all disbursements of City funds shall be subject to the following provisions:

Commission Policies. The following policies have been separately reviewed and approved by the Commission, and are incorporated here by reference:

- City Charter/Code of Ordinances, applicable Articles and Chapters:
 - Chapter 11 – Borrowing Power
 - Chapter 12 – Purchasing - Contracts – Leases
 - Article IV – Purchases
 - Article V – Code of Ethics and Conduct
- Purchasing Policy and Procedure
- Policy Regarding City Credit Cards, adopted 01/19/98, Amended 4/4/2022

Additional Procedures. The following procedures will also be applied to the extent that they do not conflict with or contradict the Commission policies listed above:

1. Invoices will be received by the City. The employee responsible for the purchase will complete a purchase order which is then reviewed by the Department Head. Once approved by the Department Head, the department representative will submit the invoice to the Administration Office (Finance Department) for payment processing. At this time, the expenditure is considered for allowability under grant agreements (see “Allowable Costs/Cost Principles” in the single audit section of this manual).
2. Appropriate general ledger expense accounts will be noted on the approved invoices by the Department Head.
3. When an employee incurs work-related expenses to be reimbursed by the City, the following requirements apply:
 - a. The employee expense report will be submitted to the Department Head for approval. Once approved by the Department Head the expense report will be then submitted to the Finance Department along with all supporting receipts for processing of payment.
 - b. Receipts will be attached to the expense report for all expenses (excluding mileage and meals). If a receipt is not available, reimbursement shall not be paid.

- c. An employee will not be reimbursed for any expense that is disallowed by Federal cost principles.
- d. Mileage will be reimbursed by the City at the standard IRS rate.
- e. An employee making a disbursement using personal funds on behalf of the City may be subject to State sales tax, while payments made by the City directly are exempt from such tax due to its status as a local unit of government. As such, an employee will only incur a work-related expense with personal funds to the extent that it is not practical or reasonable for the purchase to be made directly by the City. This type of procurement should occur infrequently and be clearly documented.

PROCUREMENT POLICY

These procedures are intended to serve as guidelines for the procurement of supplies, equipment, construction services and professional services. These guidelines meet the standards established in 24 CFR 85.36.

apparent, is involved. Such a conflict could arise if the employee, officer or agent; any member of his/her immediate family; his/her partner; or an organization which employs or is about to employ any of the above, has a financial or other interest in the firm selected for award.

No officer, employee or agent of the City of Sault Ste. Marie shall solicit or accept gratuities, favors or anything of monetary value from contractors or firms, potential contractors or firms, or parties to sub-agreements, except where the financial interest is not substantial, or the gift is an unsolicited item of nominal intrinsic value.

Any alleged violations of these standards of conduct shall be referred to the City of Sault Ste. Marie Attorney. Where violations appear to have occurred, the offending employee, officer or agent shall be subject to disciplinary action, including but not limited to dismissal or transfer; where violations or infractions appear to be substantial in nature, the matter may be referred to the appropriate officials for criminal investigation and possible prosecution.

PROCUREMENT PROCEDURES

The director or supervisor of each department or agency of the City of Sault Ste. Marie responsible for procurement of services, supplies, equipment, or construction obtained with federal funds shall review all proposed procurement actions to avoid the purchase of unnecessary or duplicative items. Such reviews shall consider consolidation or breaking out to obtain a more economical purchase. When determined appropriate by the Director or Supervisor, an analysis to determine which approach would be the most economical shall be undertaken.

The City of Sault Ste. Marie shall take affirmative steps to assure that small and minority firms, women's business enterprises, and labor surplus firms are solicited whenever they are potential qualified sources. The City of Sault Ste. Marie shall also consider the feasibility of dividing total

requirements into smaller tasks or quantities so as to permit maximum participation by small and minority firms, women's business enterprises, and labor surplus firms. Where permitted by regulations, delivery schedules will be developed which will include participation by such businesses.

The City of Sault Ste. Marie shall assist the prime contractor whenever possible by providing copies of lists which identify qualified small and minority firms, women's business enterprises, and labor surplus area firms.

SELECTION PROCEDURES

ALL procurement carried out with federal funds, where the City of Sault Ste. Marie is a direct party, shall be carried out in a manner that provides maximum free and open competition. Procurement procedures will not restrict or eliminate competition. The City of Sault Ste. Marie shall not place unreasonable requirements on firms in order for them to qualify to do business. Nor will the City of Sault Ste. Marie encourage or participate in noncompetitive practices among firms. The City of Sault Ste. Marie is alert to organizational conflicts which would jeopardize the negotiation process and limit competition. The City of Sault Ste. Marie will not require unnecessary experience or bonding requirements.

Pursuant to state law and federal regulations (24 CFR 85.36(b)), all solicitations of offers shall incorporate a clear accurate description of the technical requirements for the material, service, or product to be procured. In competitive procurements, these descriptions shall not contain features which unduly limit competition. The description may include a statement of the qualitative nature of the material, product, or service and the minimum essential characteristics and standards to which it must conform if it is to satisfy its intended use. Detailed product specifications shall be avoided whenever possible. A "brand name or equal" description may be used to define the performance or other salient requirements of procurement. The specific features of the named brand which must be met by offerors shall be clearly stated.

All solicitations of offers shall clearly set forth all requirements which offerors must fulfill and all other factors to be used in evaluating bids, proposals, or statements of qualifications.

Contracts shall be awarded only to responsible contractors/firms that possess the potential ability to perform successfully under the terms and conditions of the proposed procurement.

Consideration shall be given to such factors as the contractor's/firm's capacity, integrity, compliance with public policy, record of past performance, and financial and technical resources.

METHODS OF PROCUREMENT

Direct procurement by the City of Sault Ste. Marie shall be made by using one of the following methods depending on the type of service to be procured.

Small Purchase Procedures. Relatively simple, informal procurement procedures will be used where the purchase of materials, single task services, supplies, equipment, and/or other property will cost the aggregate more than \$10,000, except where further limited by state law or local policy. For purchases

between \$5,000 & \$10,000, the procurement officer must obtain a minimum of three oral or written price or rate quotations from qualified sources. Documentation on all quotations received (whether oral or written) shall be made a part of the file. Selections shall be made principally on price. Payment shall be made upon delivery or completion.

Competitive Sealed Bids/Formal Advertising. Under this procedure bids are publicly advertised in accordance with the applicable laws. A firm fixed price contract (either lump sum or unit price) shall be awarded to the responsible bidder whose bid is lowest in price and that conforms to all the material terms and conditions of the advertisement for bids.

Competitive sealed bids can be used ONLY when the following criteria are met: (1) there are complete, adequate, and realistic specifications or purchase descriptions; (2) there are two or more responsible bidders who are willing and able to compete effectively; (3) the procurement can be made on a firm fixed-price contract and selection of the successful bidder can appropriately be made principally on the basis of price.

When formal advertising is used the following conditions shall be met.

- i. The advertisement for bids shall be publicly advertised.
- ii. The advertisement for bids, including the specifications and pertinent attachments, shall clearly define the items, end products or services needed in order for the bidders to properly respond to the advertisement.
- iii. All bids shall be opened publicly at the time and place specified in the advertisement for bids.

A firm fixed-price contract award shall be made by written notice to the lowest responsive and responsible bidder whose bid conforms to the advertisement for bids. Notwithstanding the above, any or all bids may be rejected when there are sound documented business reasons in the best interest of the Disaster Recovery CDBG Program.

“Responsible bidder” refers to the character or quality of the bidder -- whether it is an entity with which the City of Sault Ste. Marie is safe doing business.

“Responsive bidder” refers to whether or not the bidder has offered the City of Sault Ste. Marie in its bid what was asked for in the specifications.

The disqualification of a bidder for **lack of responsibility** will require notice to the bidder and the opportunity for a hearing. Rejection of a bid because of **unresponsiveness** requires only that bidder be informed of why bid was rejected.

SEALED BID REQUIREMENTS & PROCEDURES

Sealed Bid Requirements

1. Advertisement or bids. Instructions to potential bidders including location and time and date for submission; availability of bid documents and duration of public inspection, deposit(s) and other bidding requirements; notice of Federal contract requirements.

2. Information for Bidders. Instructions to potential bidders including bid preparation requirements; details for price submission; bidder qualifications, bid security requirements, timelines for bid and contract award; liquidated damages provisions; conditions of work; addenda and interpretations; security for performance; power of attorney; governing laws and regulations; method of bid award; and obligations of bidders.
3. Requirements for a Bid Guarantee. The "bid guarantee" shall consist of a firm commitment such as a bid bond, certified check, or other negotiable instrument accompanying a bid as assurance that the bidder will, upon acceptance of his bid, execute such contractual documents as may be required within the time specified.
4. Requirements for a Performance Bond. A performance bond on the part of the contractor for 100 percent of the contract price. A "performance bond" is one executed in connection with a contract to secure fulfillment of all the contractor's obligations under such contract.
5. Requirements for a Payment Bond. A payment bond on the part of the contractor for 100 percent of the contract price. A "payment bond" is one executed in connection with a contract to assure payment as required by law of all persons supplying labor and material in the execution of the work provided for in the contract.
6. Requirements for a Certificate as to Corporate Principal.
7. Requirements for a Public Work Bid, including acceptable pricing format.

Sealed Bid Procedures

The sealed bid solicitation will be published at least once, not less than 30 and not more than 45 days before the date for filing bids in a newspaper that serves as the official publication for the grantee. If the grantee does not have an official publication, then it will be published in a newspaper published at least once weekly and having general circulation in the geographic area served by the governmental entity. Preference should be given to a newspaper published daily if available.

The sealed bid solicitation will ensure the complete plans and specifications will be available on the date of the first advertisement.

The advertisement for the sealed bid solicitation will indicate where specifications can be obtained and when and where bids will be received and opened.

All sealed bids received will be the date and time stamped upon receipt.

Any sealed bid which does not arrive at the designated place by the appointed time will not be considered and will not be opened. The bid will be marked by the time received and returned to the bidder unopened.

All bids will remain confidential until the public bid opening.

All bids submitted on time will be publicly opened and the sealed bids read aloud.

Where specified in the bid documents, factors such as discounts, transportation costs, and life cycle costs shall be considered in determining which bid is lowest. Payment discounts shall only be used to determine low bid when prior experience indicates that such discounts are generally taken.

After approval by the governing body, a firm fixed price award in writing to the lowest responsive bidder whose bid conforms to the advertisement for bids will be made.

A bid abstract of the bid opening will be maintained. At a minimum it will include the following:

- date, time, and location of the bid opening;
- a listing of all bids received and the amounts of their bids
- a listing of all the people present;
- a tabulation of the bids opened;
- the award decision

Unsuccessful bidders will be promptly notified in writing.

Competitive Negotiation: Requests for Proposals/Qualification Statements. The technique of competitive proposals is normally conducted with more than one source submitting an offer. All competitive proposals shall be conducted using a formal RFP/RFQ containing at least the minimum items in the attached RFP/RFQ outline below. Architectural and engineering services must be procured via requests for qualification statements; administrative consulting and other professional services must be procured via requests for proposals. Other professional services may also be procured by requests for proposals. The following procedures will be used for competitive negotiation:

- i. Requests for proposals or qualification statements will be adequately publicized to achieve sufficient competition. All submittals will be honored and entered into the competition.
- ii. Request for proposals or qualification statements shall contain a detailed list of tasks in the proposed scope of work that is expected to be accomplished.
- iii. The request for proposals or qualification statements shall identify all significant evaluation factors or selection criteria, including the corresponding point system that will be used to rate the proposals/qualification statements. Requests for proposals shall always include cost and at least one non-cost evaluation factor.
- iv. The selecting official (or committee, if one is designated) shall review all proposals and statements received and make a technical evaluation of each. This shall also include a written statement that identifies the basis upon which the selection was made, including the importance of cost (for RFPs).
- v. A contract award will be made to the responsible offeror whose submission is deemed most appropriate to the City of Sault Ste. Marie with consideration for price, qualifications, and other factors set by the local governing body. Unsuccessful offerors shall be notified in writing within ten working days of the contract award. Documentation of notification shall be maintained in the contract selection file for the individual project.

For qualifications-based procurement of architectural/engineering (A/E) professional services whereby competitors' qualifications are evaluated, and the most qualified competitor is selected, at least three firms will be solicited. Following the review of the qualification statements received, the most qualified competitor will be selected to enter into contract negotiation. This shall always include negotiation of

price to insure cost reasonableness. At the conclusion of successful negotiation, the competitor shall be invited to enter into a contract.

RFP/RFQ OUTLINE

All RFPs or RFQ issued by the City of Sault Ste. Marie for professional services will at minimum contain the following items:

1. Advertisement/Purpose (Introduction) – Will include a Cover Letter to summarize the services being solicited and the due date for proposals.
2. Program Information – Will include an overview of the grant/project status and a summary of the roles and responsibilities of all involved parties to provide the context for the solicited services and capture the interest of potential respondents.
3. Scope of Services - Will include an overview of the solicited services, summarize general expectations, specify the anticipated role of the selected firm, and provide a detailed list of tasks to be accomplished. It should be connected to the fee proposal and be detailed enough to be in the final contract.
 - Statement of Work (RFP only): All tasks the selected consultant will be expected to perform will be listed in detail. The List must be detailed enough for the consultant to provide the price or estimated cost for the services.
4. Submission and Evaluation Requirements – Will describe what sections should be included in the proposal (e.g., approach, organization chart or staffing plan, fee proposal (RFP only), etc.) and what information each of those sections should contain. Also, the criteria the Committee will use to evaluate the proposal and the weights for each criterion will be described. Submission requirements and evaluation criteria should be linked.
 - Approach section (RFP): For each task identified in the scope of work, respondent is to describe how they would accomplish the task(s).
 - Project staffing: Respondent will be asked to include an organization chart, names and roles of principal staff members, time commitments for principal staff members, and attach resumes.
 - Qualifications: Respondent will be asked to include project summaries of the respondent's relevant experience, organized by firm or by type of experience.
 - Fee proposal (RFP only): Respondent will be asked to provide a price for services described in the approach, broken out by task.
 - Evaluation Criteria: The criteria on which the proposals will be evaluated (e.g., creativity of approach, reasonableness of fee, quality of relevant qualifications, previous experience, etc.) will be listed and the weighting for each criteria given.

5. Schedule and Required Information – Will provide information about the procurement not related to the actual project. This includes a schedule/timetable for the procurement, information on written questions and pre-proposal conference, contractual obligations, information on conflict of interest, and all other required clauses.
6. Attachments - Provide any required forms (e.g., form for fee proposal or Certifications/Assurances), further clarify the expectations by including a sample contract, copies of the roles/responsibilities checklist, and/or scopes of work for other consultants, and include more detailed information on the project (e.g., application or project summary).

CONTRACT PRICING

The City of Sault Ste. Marie shall perform cost or pricing analysis in connection with EVERY procurement action including contract modifications in accordance with the requirements of “Cost and Price Analysis for HUD Grantees and Funding Recipients”. Costs or prices based on estimated costs shall be allowed only to the extent that the costs incurred, or the cost estimates included in negotiated prices are consistent with federal cost principles [48 CFR Part 31]. Lump sum prices will only be utilized when there is a definable work product and the quantity to be provided is certain and the contractor assumes all the risk for costs incurred. Unit prices can be utilized when there is a definable work product and the contractor assumes all the risk for costs incurred, but the quantity is estimated. Cost reimbursement will be utilized when the task does not result in a definable work product, or the contractor will not assume the risk of incurring the cost to complete the task. Cost reimbursement, unit or lump sum price, or a combination thereof may be utilized as appropriate.

A cost reimbursement type contract is most appropriate when the scope and extent of the work to be performed are not clearly defined, such as a professional services contract. A cost reimbursement contract MUST clearly establish a cost ceiling which may not be exceeded without formally amending the contract and must identify a fixed dollar profit that may not be increased unless there is a contract amendment that increases the scope of the work.

A fixed price contract is appropriate when the scope of work is very well defined and product oriented. A fixed price contract can only be awarded when fair and reasonable prices can be established through adequate price competition and the solicitation is based principally on price. A fixed price contract MUST establish a guaranteed price that may not be increased.

Cost plus percentage of cost and percentage of construction cost methods of contracting MUST NOT be used.

PROCUREMENT RECORDS

The City of Sault Ste. Marie shall maintain records sufficient to detail the history of the procurement. The records will include the following: rationale for the method of procurement, selection of contract type, contractor selection or rejection and the basis for the contract price

CONTRACT PROVISIONS

The records shall include the following contract provisions and conditions:

- i. Contracts other than small purchases shall contain provisions that allow for administrative, contractual, or legal remedies if contractors violate or breach contract terms and provide for sanctions and penalties as appropriate.
- ii. All contracts in excess of \$10,000 shall provide for termination for cause and for convenience by the City of Sault Ste. Marie including the manner in which it will be done and the basis for settlement.
- iii. All construction contracts and subcontracts in excess of \$10,000 shall include provisions which require compliance with Executive Order 11246, Equal Employment Opportunity, as amended by Executive Order 11375, and as supplemented in DOL regulations (41 CFR Part 60).
- iv. All contracts and subcontracts for construction or repair shall include a provision for compliance with the Copeland "Anti-Kick-Back" Act (18 USC 874) as supplemented by DOL regulations (29 CFR Part 3).
- v. All contracts or subcontracts in excess of \$2,000 for construction or repair shall include a provision for compliance with the Davis-Bacon Act (40 USC 276a to a-7) as supplemented by DOL regulations (29 CFR Part 5).
- vi. All construction or repair contracts or subcontracts in excess of \$2,000, and in excess of \$2,500 for other contracts which involve the employment of mechanics or laborers, shall include a provision for compliance with Sections 103 and 107 of the Contract Work Hours and Safety Standards Act (40 USC 327-330) as supplemented by DOL regulations (29 CFR Part 5).
- vii. Each contract shall include a notice of DCEO requirements and regulations pertaining to reporting and patent rights under any contract involving respect to any discovery or invention which arises or is developed in the course of or under such contract, and of the state requirements pertaining to copyrights and rights in data.
- viii. All negotiated contracts shall include a provision that makes it possible for the DCEO, HUD, the Comptroller General of the United States, or any of their duly authorized representatives, to have access to any books, documents, papers, or records of the contractor/firm that are directly pertinent to the contract, for the purpose of making audit examination excerpts and transcriptions. Further, the contract must include a provision that all required records will be maintained by the contractor/firm for a period of four years after the City of Sault Ste. Marie formally closes out each Disaster Recovery CDBG program.
- ix. All contracts, subcontracts, and subgrants in amounts in excess of \$100,000 shall contain a provision which requires compliance with the requirements of Section 306 of the Clean Air Act (42 USC 1857 h), Section 508 of the Clean Water Act (33 USC 1368), Executive Order 11738, and Environmental Protection Agency regulations (40 CFR part 15).
- x. Contracts shall recognize mandatory standards and policies relating to energy efficiency that are contained in the State Energy Conservation Plan issued in compliance with the Energy Policy and Conservation Act (P.L. 94-163).

- xi. The City of Sault Ste. Marie will be permitted to require changes, remedies, changed conditions, access and record retention, and suspension of work clauses approved by the City Commission.

CONTRACT ADMINISTRATION

The City of Sault Ste. Marie shall maintain contract administration systems that ensure contractors/firms perform in accordance with the terms, conditions, and specifications of their contracts or purchase orders. The accepted performance of contractors/ firms will be a factor in subsequent contract negotiations and award. Remedial action by the City of Sault Ste. Marie through legal processes shall be considered in instances of identified significant nonperformance.

PROTEST PROCEDURE

Any person who is aggrieved in connection with the solicitation or award of a contract shall make a protest to the chief procurement officer/Purchasing Agent.

Protests with respect to a **solicitation** shall be submitted in writing at least two working days prior to the opening of bids. Protests with respect to the **award** of a contract shall be submitted in writing within ten calendar days after the contract has been awarded.

Financial Management Systems

Cash Receipts

In order to safeguard the funds of the City, cash receipts will be deposited promptly and in-tact.

Commission Policies. The following policies have been separately reviewed and approved by the Commission, and are incorporated here by reference:

- City Charter/Code of Ordinances, applicable Articles and Chapters:
 - Chapter 5 – General Provisions Regarding Officers and Personnel of the City
 - Chapter 8 – General Finance (includes budget, financial reporting and annual audit)
 - Article V – Code of Ethics and Conduct
- Capital Project Management, Resource Management, and Financial Reporting Policy
- Records Retention Schedule
- Purchasing Policy and Procedure
- Policy Regarding City Credit Cards, adopted 01/19/98, Amended 4/4/2022

Additional Procedures. The following procedures will also be applied to the extent that they do not conflict with or contradict the Commission policies listed above:

1. Cash and check collections at the City:
 - a. Cash and checks collected by the departments must issue receipts for all amounts received and submit to Treasurer's Office for recording in the accounting system and bank deposit. Deposits are reconciled to the accounting system and banked daily.
 - b. Exceptions to the above receipting method are banked and later recorded by the Treasurer's Office. These include parking receipts, event donations, and Sault Seal Recreational Facility revenues, and ambulance revenues. Separate systems are used to reconcile receipts on a monthly basis.
2. Electronic Funds Transfers / Credit Card transactions are processed, reconciled and reviewed at least monthly by the Finance Department. Additional points of sale (including Sault Seal Recreational Facility and Aune Osborn Campground) shall be approved by the Finance Director/Treasurer when added and are also reconciled and reviewed at least monthly by the Finance Department.
3. Wire transfers and ACH/EFT payments received for Federal and State grant funds will be recorded by the City Treasurer's Office or through general journal entries by the City Finance Department. Journal entries to record outgoing funds will include appropriate documentation and be signed and dated by an authorized signer on the bank account and independently reviewed and approved.

Financial Management Systems Payroll and Timekeeping

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

Commission Policies. The following policies have been separately reviewed and approved by the Commission, and are incorporated here by reference:

- City Charter/Code of Ordinances, applicable Articles and Chapters:
 - Chapter 5 – General Provisions Regarding Officers and Personnel of the City
- Personnel Policy Handbook, which provides guidelines for conduct and information regarding employer practices. Provisions in the handbook shall govern when a Collective Bargaining Agreement or Employment Contract does not set forth a governing policy. The City's labor organizations include the following:
 - United Steelworkers of America - Public Works
 - United Steelworkers of America - Clerical
 - United Steelworkers of America - Firefighters
 - United Steelworkers of America - Fire Captains
 - Michigan Fraternal Order of Police Labor Commission -Patrol Unit
 - Michigan Fraternal Order of Police Labor Commission -Police Records
 - Michigan Fraternal Order of Police Labor Commission -Police Command

Additional Procedures. The following policies and procedures will also be applied to the extent that they do not conflict with or contradict the Commission policies listed above:

City of Sault Ste. Marie Systems Memo – PAYROLL PROCEDURES

The City of Sault Ste. Marie is using BS&A as its financial accounting software and in particular modules, Timesheets and Payroll. Full time permanent employees who have access to a computer enter their own time; they are set up as standard hour employees. They only have to enter any vacation, sick, funeral, or holiday pay. They may need to scan in and attach their leave time slips to the day that they are used and/or can write a note when they make an attachment. When they are done with the pay period, they check the box that says that their timesheet is complete.

All employees are required to enter their own time unless on extended leave or part of the exempted departments. Exempted departments with employees who do not enter their own time include Streets, Water Transmission & Distribution, Water Meter, Sewer and all part time seasonal staff. Employees whose time is entered by another are required to review, sign and

date a bi-weekly timesheet, which is then scanned and attached to the last day in the pay period in timekeeping.

Timekeepers in the Public Works department enter time for the employees based on daily timesheets/work logs. In the Public Works (Street), their time can be charged to the G/L number that corresponds to the activity performed. This includes selection of the correct pay code, where equipment, materials and labor can be charged out. The Accounting Assistant will then generate information for trunkline billing report for work done on major streets trunkline.

For part-time seasonal employees, including parks and auxiliary police, time is entered by their supervisors. Most of these employees do not routinely use a computer for their work. These employees complete and/or sign and date a paper timesheet for the pay period which is scanned and attached to the BS&A timesheet. The City Commission's flat rate is paid the first payroll of the month.

Department supervisors review their staff and make sure employees have logged in, entered or reviewed their time, and the box is checked to indicate it is complete and then they approve their own department. Supervisors generally are set up to only see their staff. The City Manager Administrative Assistant and City Manager review and approve Department Heads' time. The Payroll Coordinator reviews all time, first looking through timesheets to verify slips are attached for leave time, all full-time employees are being paid for standard hours, hours over standard hours are counted correctly as overtime, reviews differential pay each supervisor has approved, and any other errors are fixed. When this is complete, the Payroll Coordinator approves and tells the Finance Director that timesheets are ready for the final approval, noting any unusual employee timesheet issues. The Finance Director reviews and completes the final approval of the timesheets. If the Finance Director is unavailable, then the Assistant Finance Director has the rights as final approval also as this is a required step to process timesheets and move them over to Payroll.

Once Timesheets are approved, then the Payroll Coordinator moves over to the payroll module where the Payroll Wizard is the next step. All the steps must be followed in order. The first is to initialize the payroll, then import the timesheets. A trial run is done first and checked to make sure that all employees are showing up. Then a live run is done, here if something needs to be changed it can be edited during this step. If a G/L is not entered or not correct the process halts. The process then continues in the payroll module.

New employees, changes in employee status or pay rates are documented on written authorizations signed by the City Clerk/Deputy City Manager and the City Manager, and they include new hires, changes of pay rates for initial step increases, terminations, etc. Changes to employee's contributions to Blue Cross health coverage come from the City Clerk/Deputy City Manager, with most being done each January after open enrollment. Maintenance that affects the current payroll is entered prior to timekeeping entries being imported into payroll.

All employees are required to receive pay checks via direct deposit, including seasonal, temporary and auxiliary. An exception will be made for a new employee's first check if they are unable to get banking information established in time. The payroll direct deposit file is uploaded to the online banking access and is in the employees' accounts on Friday morning. All payroll reports for the pay period are saved in a folder that is listed by payroll ending date. These include payroll register, check register, direct deposit register and all payroll journals and posting journals for the payroll. Direct deposit forms are kept in the employee's file and a new signed form is required for each change. All paycheck stubs are e-mailed to the employees prior to payday. A copy of a prior check will be sent by e-mail upon request.

Vacation and sick leave hours are calculated, and department leave registers are e-mailed to the appropriate department heads. Department heads receive a copy of employees' leave time with each pay cycle. Employee can view leave time banks on each pay stub. Remittance checks are also calculated and printed at this time. The payroll is journalized and posted, and all reports are saved to the folder for that pay period. The last few pages of the payroll register are printed and given to the Finance Director. This has the total payroll, including deductions and employer share of benefits such as FICA, Medicare and MERS pension. The Finance Director transfers the cash needed to cover payroll and transmittals from the pooled cash to the payroll bank account. Once this is done, the payroll is closed, and another payroll cycle is opened up in Timesheets for entry. Two future pay periods are available in timesheets at any given time.

The remittance checks are mailed on Thursday afternoon, including AFLAC, FOTC, and Comerica for the employee's contribution to Police & Fire pension, etc. Payments for the employer share of Police & Fire pension are sent via ACH with a transfer initiated by the Finance Director.

Financial Management Systems

Bank Reconciliations

The following procedures will apply to the reconciliation of bank accounts:

1. Bank reconciliations will be performed monthly for each bank account.
2. Bank reconciliations will be completed prior to the end of the following month.
3. Bank reconciliations for all accounts are routinely prepared by the Assistant Treasurer/Accountant and are reviewed along with all bank statements and related documentation, and approved by the Finance Director.

Financial Management Systems

Journal Entries and Non-routine Transactions

The City will occasionally need to record a general journal entry or other non-routine transaction. Such transactions may relate to Federal awards. The following policies and procedures apply to all general journal entries:

1. General journal entries will be an allowable transaction type for recording: corrections and adjustments, accruals and reversing entries. EFT payments and ACH transfers are recorded in Accounts Payable if practical.
2. All general journal entries will be posted to the GL sequentially with adequate supporting documentation scanned and attached. Documentation is required for all entries and payments in order for the software to post.
3. All entries are subject to review and approval by an independent individual or the Finance Director.

Financial Management Systems

Capital Assets

The following provisions will govern the purchasing, accounting, and inventory of capital assets:

Commission Policies. The following policies have been separately reviewed and approved by the Commission, and are incorporated here by reference:

- City Charter/Code of Ordinances, applicable Articles and Chapters:
 - Chapter 8 – General Finance (includes budget, financial reporting and annual audit)
 - Chapter 12 – Purchasing - Contracts – Leases
 - Article IV – Purchases
- Capital Project Management, Resource Management, and Financial Reporting Policy
- Records Retention Schedule
- Purchasing Policy and Procedure
- Land Sale Policy, adopted 12/06/99, Amended 2/07/2022
- Donation Policy, adopted 11/16/2020

Additional Procedures. The following policies and procedures will also be applied to the extent that they do not conflict with or contradict the Commission policies listed above:

1. Procurement of capital assets will be governed by the Commission's procurement and purchasing policies.
2. Donated capital assets will be recorded as described in The Donation Policy.
3. All capital assets will be depreciated using the straight-line method over estimated useful lives.
4. Capital asset records will be maintained by the Finance Department and updated at least annually at year-end for audit purposes. In the case of larger capital projects, records are maintained by the department of the Project Manager or Grant Administrator.
5. To the extent that capital assets are purchased with Federal funds, such items will be flagged as "Federally-funded" in the financial accounting records in order to ensure the appropriate use of proceeds on sale (if applicable) in accordance with Federal guidelines.
6. A complete physical inventory of capital assets will be completed no less than once every two years. As part of this process:

- a. Capital assets will be physically inventoried and compared to the records used for **financial accounting purposes. Inconsistencies will be investigated and resolved, and the records will be adjusted accordingly.**
 - b. Movable equipment Finance Department records are compared to Clerk's Office vehicle listing used for insurance purposes annually. Inconsistencies will be investigated and resolved, and the records will be adjusted accordingly.
 - c. A detailed listing of capital assets from the financial accounting records will be provided to building principals and other department heads for input on accuracy, completeness, and existence of assets. Inconsistencies will be investigated and resolved, and the financial accounting records will be adjusted accordingly.
 - d. The remaining useful lives of capital assets will be reviewed for reasonableness and adjusted when considered necessary and appropriate.
7. Other policies and procedures related to compliance with the provisions of the OMB Compliance Supplement are included within this manual in the section titled "Equipment and Real Property Management".

Financial Management Systems

Long-term Debt

The following provisions will govern the issuance of long-term debt (including, but not limited to: bonds and notes payable, capital assets, installment purchase agreements, and compensated absence):

Commission Policies. The following policies have been separately reviewed and approved by the Commission, and are incorporated here by reference:

- City Charter/Code of Ordinances, applicable Articles and Chapters:
 - Chapter 11 – Borrowing Power
 - Chapter 12 – Purchasing - Contracts – Leases
- Debt Management Policy, adopted 01/18/16

Additional Procedures. The following procedures will also be applied to the extent that they do not conflict with or contradict the Commission policies listed above:

1. Compensated absences payable for earned but unused sick and vacation time, as provided for in bargaining agreements, will be updated at the close of each fiscal year and recorded as a liability. Such accruals will be limited to the maximum payout based on these policies. A certain amount will be designated as current each year, based on management's estimate using age, years of service and budgeted retirements from the personnel budget worksheets.

Financial Management Systems

Grant Administration

1. Grant Development, Application, and Approval –

- a. Legislative Approval – The point at which legislative approval is required is determined by the requirements of the grant program. If the grant must be submitted by “an individual authorized by the legislative body”, then Commission approval is required prior to submitting the application. Otherwise, and in cases of urgent deadlines, the City Manager (or his/her designee) is authorized to submit grant applications.
- b. Matching Funds – Grants that require state or local match must be coordinated through the City Manager’s office and Finance Department. At a minimum, funds must be identified within the existing budget to provide the match, or a budget amendment will be required. For operational grant awards, depending on the nature of the grant, the level of service provided once grant funds are depleted will be approved by the Commission.

Refer to the section within this manual titled “Matching, Level of Effort, and Earmarking” for additional information on compliance with the provisions of the OMB Compliance Supplement.

- c. Grant Budgets – Most grants require the submission of an expenditure budget. The approved grant budget will be provided to the City Commission as part of the agenda item memo, with a motion for a budget revision to authorize funding. The budget amendment may be held until the grant is awarded if status of award is doubtful, but local match funding sources will be flagged upon application to hold reserves availability. Grant agency funding source must be identified in the agenda memo to allow for proper coding of grant revenue in compliance with the State chart of accounts. The Finance Department will revise the budget upon commission authorization.
- d. Supplemental information (must be in accordance with the above requirements):

Recurring Grants:

- Long-term recurring grants may be submitted at any time by an elected official or department head to which the grant applies, upon first notifying the City Administrator and providing a copy of all application materials.

Grants Under \$25,000:

- The City Project Manager/Grant Administrator (or his/her designee) is authorized to submit applications when no in-kind or monetary local match is required.

Grants \$25,000 and more:

- City Commission approval is required before grant applications can be submitted by the Project Manager/Grant Administrator to which the grant applies. For large grant opportunities, it can be time consuming to prepare an application. Therefore, grants of \$250,000 or more require Commission approval before working on the application.
- The Project Manager/Grant Administrator to which the grant applies will complete the application and provide a completed copy to the City Manager's Office.
- If the grantor approves the grant application for funding, City Commission approval to accept the grant is required.
 - This step is for all grants meeting this dollar threshold-- reoccurring and new.
- If the City Commission approves acceptance of the grant, the Project Manager/Grant Administrator to which the grant applies must work with the City Manager (or designee) to verify all terms of the grant are being met.

2. Grant Program Implementation –

- a. Notification and Acceptance of an Award – Official notification of a grant award is typically sent by a funding agency to the program director and/or other official designated in the original grant proposal. However, the authorization to actually spend grant funds is derived from the Commission through the approval of a grant budget.

Adoption of the grant budget can be approved as a component of the City-wide operating budget or with action at any public City Commission meeting.

- b. Establishment of Accounts – When a new grant award is received, the program director will provide the Finance Department with information needed to establish revenue and expense accounts for the project. Ordinarily, this information will be attached to an agenda memo and include a copy of a summary of the project and a copy of the full project budget sources and uses.
- c. Purchasing Guidelines – All other City purchasing guidelines apply to the expenditure of grant funds. The use of grant funds does not exempt any purchase from normal purchasing requirements. All typical paperwork and bidding requirements apply. All normal staff approvals apply to each payment made under the grant.

3. Financial and Budgetary Compliance –

- a. Monitoring Grant Funds – Project Manager/Grant Administrator may track and monitor grant revenues, expenditures and budgetary compliance using financial software projects. They may also need to use some internal mechanism (such as a spreadsheet). The Finance Department maintains this information in the general ledger (the City's accounting system) and this is the City's "official" accounting system for the purposes of granting agencies.
 - b. Fiscal Years – Routinely, the fiscal year for the granting agency will not coincide with the City's fiscal year. This may require adjustments to the City's internal budget accounts and interim financial reports as well as special handling during fiscal year-end close. It is the responsibility of the Project Manager/Grant Administrator to bring such discrepancies to the attention of the Finance Department at the time the grant accounts are established. Grant draws and reporting can be done quarterly to allow for sufficient and up to date records that coincide with most fiscal year ends. The Finance Department is copied on all grant draw submissions as made.
 - c. Grant Budgets – When the general ledger accounting structure for a grant is designed, it will include the budget that was prepared when the grant application was submitted. The terms of each specific grant will dictate whether any budget transfers between budgeted line items will be permitted. In no case will the City be authorized to exceed the total budget authority provided by the grant. If an additional local match is required to cover projected additional costs, the Project Manager/Grant Administrator will request funding and seek Commission authorization in the form of a budget amendment prior to incurring costs and/or work being performed.
4. Other Guidelines – Specific information on policies and procedures related to compliance with the provisions of the OMB Compliance Supplement have been addressed later in this manual and should be considered along with the information in this section.

Commission Policies. The following policies have been separately reviewed and approved by the Commission, and are incorporated here by reference:

- City Charter/Code of Ordinances, applicable Articles and Chapters:
 - Chapter 8 – General Finance (includes budget, financial reporting and annual audit)
 - Chapter 11 – Borrowing Power
 - Chapter 12 – Purchasing - Contracts – Leases
 - Article IV – Purchases
- Capital Project Management, Resource Management, and Financial Reporting Policy
- Purchasing Policy and Procedure

Financial Management Systems Year-end Closing and Reporting

The following provisions will govern the year-end close-out process of the City for purposes of external financial reporting:

1. Accruals will be recorded as needed to ensure that revenues and expenditures are reported in the appropriate accounting period:
 - a. Accounts Payable Disbursements – Invoices for goods or services received during the previous fiscal year will be recorded as expense/accounts payable as of June 30. Such determinations will be made by the Finance Department and in accordance with GAAP and GASB statements & guidelines.
 - b. Payroll-related Accruals – Costs of hourly personnel paid after Fiscal Year End for services performed during the previous year will be recorded as expenditures/salaries payable at Fiscal Year End. The amount will be based on hours worked during the fiscal year multiplied by the employee's hourly rate. Additional consideration will be made for FICA taxes, retirement benefits, health insurance, and related employee benefits.

Payroll accruals will be prepared and documented by the Finance Department.

- c. Prepays – Payments made prior to year-end that cover goods or services to be received in a future period will be recorded as prepaid items as of June 30.
- d. Inventory – Inventory will be counted as close as possible to Fiscal Year End. Amounts will be valued at original cost first in first out, or current cost if original cost is unavailable, and provided to the Finance Department for review and adjustment in the general ledger.
- e. Receivables – General – Cash received after year-end for which a good or service was provided during the previous fiscal year will be recorded as revenue/accounts receivable. All such adjustments will be supported by appropriate documentation, such as remittance advice or dated subledgers.
- f. Receivables – Grant – After all year-end expense accruals have been recorded, an entry will be recorded for the amount of grant eligible expenditures in the as of Fiscal Year End as revenue/grants receivable fiscal year. Grant receivables will only be recorded to the extent that sufficient amounts remain in the grant award. A copy of the grant draw form is the preferred documentation, and this will be submitted to Finance as soon as practical upon the close of the fiscal year.

2. The preparation of the year-end financial statements in accordance with GAAP will be prepared by City Finance and audited by independent external auditors, based on the City's reasonably adjusted trial balance. The draft financial statements provided by the auditors will be reviewed in detail by the Finance Department along with any audit-proposed journal entries, to ensure that the audited financial statements agree to the City's books and records.

Refer to the policy on "audits" within this manual for further information on audit requirements and related City policies.

3. To the extent that the City is required to have a single audit completed in accordance with 2 CFR 200, the City will accumulate the information necessary to prepare a schedule of expenditures of federal awards (SEFA or the "schedule") in accordance with Federal and State requirements. This schedule will be characterized as follows:
 - a. The schedule will include all federal financial assistance, including grants, contracts, property, loans, loan guarantees, interest subsidies, cooperative agreements, insurance, or direct appropriations. Amounts will be reported whether received directly from the Federal government or through a pass-through agency (given that the City is determined to be a subrecipient and not a vendor).
 - b. Non-cash assistance will be identified as such in the schedule.
 - c. The schedule will be prepared on the same basis of accounting as the related financial statements.
 - d. Federal awards will be grouped based on Federal awarding agency. Each Federal award with current expenditures will be listed along with its CFDA number, pass-through grantor name (if applicable) and award/pass-through grantor number (if applicable). Such information will agree to the award documentation.
 - e. If the CFDA number of a Federal award cannot be reasonably determined, it shall be reported in the schedule using the two-digit prefix for the related Federal agency, followed by "UNKNOWN".
 - f. To the extent that amounts are passed through to subrecipients, such amounts will be identified on the face of the Schedule by award number.
 - g. To the extent that a separate line item is included in the financial statements for Federal revenue, this amount shall agree to expenditures in the schedule. Any reconciling items will be disclosed in the footnotes to the schedule.

- h. The footnotes to the schedule will disclose the significant accounting policies used in preparing the schedule.
- i. The footnotes to the schedule will disclose the method of charging indirect costs to federal awards (if applicable).

Financial Management Systems Annual Audit

Every Michigan government must have a financial statement audit completed each year by a certified public accounting firm.

Commission Policies. The following policies have been separately reviewed and approved by the Commission, and are incorporated here by reference:

- City Charter/Code of Ordinances, applicable Articles and Chapters:
 - Chapter 8 – General Finance (includes budget, financial reporting and annual audit)
- Capital Project Management, Resource Management, and Financial Reporting Policy

Additional Procedures. The following procedures will also be applied to the extent that they do not conflict with or contradict the Commission policies listed above:

1. The City will have a financial statement audit completed annually as of its fiscal year ended June 30.
2. An adequate written agreement (the “engagement letter”) will be signed by the City and its independent auditors. It will contain information on period to be audited, support to be provided, reporting requirements, fees, time requirements, contractual information, and a statement that the engagement is intended to meet governmental oversight agencies’ requirements (2 CFR 200, GAAS and GAS). A copy of the engagement letter will be provided each year to the Commission.
3. The City Manager shall be responsible for overseeing the process of preparing for the annual audit. In order to minimize errors in this process, all audit schedules and workpapers should be reviewed by an individual other than the preparer.
4. To the extent that expenditures of federal awards equal or exceed \$750,000, the City will also have a single audit completed in accordance 2 CFR 200. Refer to the section of this manual titled “Year-end Closing and Reporting” for information on the schedule of expenditures of federal awards.
5. The audit will be submitted electronically to the Michigan Department of Treasury on or before the statutory deadline. The electronic submission will be performed by the City’s independent auditors.
6. If a single audit is conducted, the data collection form and reporting package will be submitted electronically to the Federal Audit Clearinghouse as a joint effort between the City and its independent auditors.

OMB Compliance Supplement General Information

Source of Information – Each year the Federal government (Office of Management and Budget) issues a comprehensive document on the compliance requirements each grant recipient is obligated to follow in general terms, along with program-specific guidance on various grant awards. Each of the compliance requirements are considered individually in this manual.

The following pages document the policies and procedures of the City related to compliance with such procedures, as applicable. In each year that the City is subject to a single audit, applicable compliance requirements are expected to be tested in detail by the City's independent auditors.

Objectives – The objectives of most compliance requirements are generic in nature. While the criteria for each program may vary, the main objective of the compliance requirement is relatively consistent across all programs. As such, the policies and procedures of the City have been based on the generic sense of the compliance requirement. For selected compliance requirements, this manual addresses the specific regulations applicable to individual grants. This is not intended to imply that a program is not subject to such policies if it is not specifically mentioned here. It is the intention of the City that all Federal awards are subject to the following policies and procedures.

Controls over Compliance – In addition to creating policies and procedures over compliance with provisions of Federal awards, the City has implemented internal controls over such compliance, generally in the form over administrative oversight and/or independent review and approval. In order to document these control activities, all independent reviews are signed/initialed and dated.

Documentation – The City will maintain adequate documentation to support both the compliance with applicable requirements as well as internal controls over such compliance. This documentation will be provided to the City's independent auditors and/or pass-through grantor agencies, as requested, during the single audit and program audits.

Commission Policies. The following policies have been separately reviewed and approved by the Commission, and are incorporated here by reference:

- City Charter/Code of Ordinances, applicable Articles and Chapters:
 - Chapter 5 – General Provisions Regarding Officers and Personnel of the City
 - Chapter 8 – General Finance (includes budget, financial reporting and annual audit)
 - Chapter 11 – Borrowing Power
 - Chapter 12 – Purchasing - Contracts – Leases
 - Article IV – Purchases

- Capital Project Management, Resource Management, and Financial Reporting Policy
- Records Retention Schedule
- Purchasing Policy and Procedure
- Policy Regarding City Credit Cards, adopted 01/19/98, Amended 4/4/2022
- Land Sale Policy, adopted 12/06/99, Amended 2/07/2022

Source of Governing Requirements – The requirements for activities allowed or unallowed are contained in program legislation, Federal awarding agency regulations, and the terms and conditions of the award.

OMB Compliance Supplement

Activities Allowed/Unallowed and Allowable Costs/Cost Principles

The requirements for allowable costs/cost principles are contained in 2 CFR 200, subpart E, program legislation, Federal awarding agency regulations, and the terms and conditions of the award. The requirements for the development and submission of indirect (facilities and administration (F&A)) cost rate proposals and cost allocation plans (CAPs) are contained in 2 CFR part 200 Appendix X.

In order to ensure compliance with these requirements, City of Sault Ste. Marie, Michigan has implemented the following procedures:

1. All grant expenditures will be in compliance with the Uniform Guidance. State law, City policy, and the provisions of the grant award agreement will also be considered in determining allowability. Grant funds will only be used for expenditures that are considered reasonable and necessary for the administration of the program.
2. Grant expenditures will be approved by Project Manager/Grant Administrator initially through the purchase order process, if used in accordance with dollar thresholds, and again when the bill or invoice is received. This will be evidenced by signature or initials and date on the invoice. Accounts payable disbursements will not be processed for payment by the Finance Department until necessary approval has been obtained.
3. Payroll costs will be documented in accordance with the Uniform Guidance as described in the section of this manual titled "Payroll and Timekeeping".
4. The City will be permitted to charge indirect costs to federal grants at either (1) the federally negotiated indirect cost rate (if one exists) or (2) the de minimis rate of 10 percent. The selected rate will be applied to Modified Total Direct Costs (MTDC).

OMB Compliance Supplement

Cash Management

Source of Governing Requirements – The requirements for cash management are contained in 2 CFR 200.305, program legislation, Federal awarding agency regulations, and the terms and conditions of the award.

In order to ensure compliance with these requirements, the City of Sault Ste. Marie, Michigan has implemented the following procedures:

1. Currently, all of the City's grants are awarded on a reimbursement basis. As such, program costs will be expended and disbursed prior to requesting reimbursement from the grantor agency. The City will continue to monitor new grant agreements and will follow the method of cash management (e.g., reimbursement basis, advances, etc.) as prescribed within the grant agreement.
2. Draw requests will be initiated by the Project Manager/Grant Administrator who will determine the appropriate draw amount. Documentation of how this amount was determined will be retained and signed/dated.
3. Each cash draw request will be reviewed by another party which may include the City Manager, Finance Director or City Engineer, who will sign/initial and date the paperwork as evidence of the review. A copy will be provided to the Finance Department.
4. The receipt of cash draws will be processed through the means prescribed by the grant agreement and monitored by the City Finance Department. Upon receipt of funds, the Finance Department will provide documentation of receipt to the Project Manager/Grant Administrator.
5. A copy of the cash draw will be filed along with the approved paperwork described above or scanned image attached to the receipt and retained for audit purposes by the Project Manager/Grant Administrator.

OMB Compliance Supplement

Eligibility

Source of Governing Requirements – The requirements for eligibility are contained in program legislation, Federal awarding agency regulations, and the terms and conditions of the award.

Grant administrators are aware of the existence of such compliance requirements and will monitor grant agreements for any change in applicability. Formal policies and procedures will be developed, as needed, to meet changes in circumstances.

OMB Compliance Supplement

Equipment and Real Property Management

Source of Governing Requirements – The requirements for equipment and real property are contained in 2 CFR section 200.313 (equipment), 2 CFR section 200.311 (real property), 48 CFR section 52.245-1 (equipment and real property), program legislation, Federal awarding agency regulations, and the terms and conditions of the Federal award.

Commission Policies. The following policies have been separately reviewed and approved by the Commission, and are incorporated here by reference:

- City Charter/Code of Ordinances, applicable Articles and Chapters:
 - Chapter 8 – General Finance (includes budget, financial reporting and annual audit)
 - Chapter 11 – Borrowing Power
 - Chapter 12 – Purchasing - Contracts – Leases
 - Article IV – Purchases
- Capital Project Management, Resource Management, and Financial Reporting Policy
- Records Retention Schedule
- Purchasing Policy and Procedure
- Land Sale Policy, adopted 12/06/99, Amended 2/07/2022

Additional Procedures. The following procedures will also be applied to the extent that they do not conflict with or contradict the Commission policies listed above:

In order to ensure compliance with these requirements, City of Sault Ste. Marie, Michigan has implemented the following procedures:

1. All equipment will be used in the program for which it was acquired or, when appropriate, other Federal programs.
2. When required, purchases of equipment will be pre-approved by the grantor or pass-through agency. The Project Manager/Grant Administrator will be responsible for ensuring that equipment purchases have been previously approved, if required, and will retain evidence of this approval.
3. Equipment records will be maintained, a physical inventory of equipment shall be taken, and an appropriate system shall be used to safeguard equipment, as described in the section of this manual titled “Capital Assets”.

OMB Compliance Supplement

Matching, Level of Effort and Earmarking

Source of Governing Requirements – The requirements for matching are contained in 2 CFR section 200.306, program legislation, Federal awarding agency regulations, and the terms and conditions of the award. The requirements for level of effort and earmarking are contained in program legislation, Federal awarding agency regulations, and the terms and conditions of the award.

City of Sault Ste. Marie, Michigan defines “matching”, “level of effort”, and “earmarking” consistent with the definitions of the OMB Compliance Supplement:

Matching or cost sharing includes requirements to provide contributions (usually non-Federal) of a specified amount or percentage to match Federal awards. Matching may be in the form of allowable costs incurred or in-kind contributions (including third-party in-kind contributions).

Level of effort includes requirements for (a) a specified level of service to be provided from period to period, (b) a specified level of expenditures from non-Federal or Federal sources for specified activities to be maintained from period to period, and (c) Federal funds to supplement and not supplant non-Federal funding of services.

Earmarking includes requirements that specify the minimum and/or maximum amount or percentage of the program’s funding that must/may be used for specified activities, including funds provided to subrecipients. Earmarking may also be specified in relation to the types of participants covered.

In order to ensure compliance with these requirements, City of Sault Ste. Marie, Michigan has implemented the following procedures:

1. Compliance with matching, level of effort, and earmarking requirements will be the responsibility of the Project Manager/Grant Administrator with assistance by the Finance Department as requested.
2. Adequate documentation will be maintained in project files to support compliance with matching, level of effort, and earmarking requirements. Such information will be made available to entity administration, auditors, and pass-through or grantor agencies, as requested.

OMB Compliance Supplement

Period of Performance

Source of Governing Requirements – The requirements for the period of performance are contained in 2 CFR section 200.71 (definition of “obligations”), 2 CFR section 200.77 (definition of “period of performance”), 2 CFR section 200.309 (period of performance), 2 CFR section 200.343 (closeout), program legislation, Federal awarding agency regulations; and the terms and conditions of the award.

In order to ensure compliance with these requirements, City of Sault Ste. Marie, Michigan has implemented the following procedures:

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

OMB Compliance Supplement

Procurement, Suspension and Debarment

Source of Governing Requirements – The requirements that apply to procurement under grants and cooperative agreements are contained in 2 CFR sections 200.317 through 200.326, program legislation, Federal awarding agency regulations, and the terms and conditions of the award.

The requirements for non-procurement suspension and debarment are contained in OMB guidance in 2 CFR part 180, which implements Executive Orders 12549 and 12689, “Debarment and Suspension;” Federal awarding agency regulations in Title 2 of the CFR adopting/implementing the OMB guidance in 2 CFR part 180; program legislation; and the terms and conditions of the award.

Commission Policies. The following policies have been separately reviewed and approved by the Commission, and are incorporated here by reference:

- City Charter/Code of Ordinances, applicable Articles and Chapters:
 - Chapter 12 – Purchasing - Contracts – Leases
 - Article IV – Purchases
- Purchasing Policy and Procedure

Additional Procedures. The following procedures will also be applied to the extent that they do not conflict with or contradict the Commission policies listed above:

1. Purchasing and procurement related to Federal grants will be subject to the general procedures of the City (described in the section of this manual titled “Purchasing and Procurement”).
2. Contract files will document the significant history of the procurement, including the rationale for the method of procurement, selection of the contract type, contractor selection or rejection, and the basis of contract price.
3. Procurement will provide for full and open competition.
4. The City is prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred.

“Covered transactions” include those procurement contracts for goods and services awarded under a non-procurement transaction (i.e., grant or cooperative agreement) that are expected to equal or exceed \$25,000 or meet certain other specified criteria. All non-

procurement transactions (i.e., subawards to subrecipients), irrespective of award amount, are considered covered transactions.

5. The City will include a suspension/debarment clause in all written contracts in which the vendor/contractor will certify that it is not suspended or debarred. The contract will also contain language requiring the vendor/contractor to notify the City immediately upon becoming suspended or debarred. This will serve as adequate documentation as long as the contract remains in effect.
6. When a vendor/contractor is expected to be paid federal funds of \$25,000 or more in a given fiscal year and a written contract does not apply, the Project Manager/Grant Administrator will be responsible for conducting a search of the entity name on the federal excluded parties' databases at www.sam.gov and provide to the City Clerk's Office. A screenshot will be printed for the procurement file as evidence of this process.
7. As an alternative to the procedures above, the City may request that the vendor/contractor sign a certification regarding suspension and debarment. The certification will be deemed to remain in effect unless notified otherwise by the vendor/contractor. A sample suspension/debarment certification form is included in the appendix to this manual.
8. If a vendor is found to be suspended or debarred, the City will immediately cease to do business with this vendor.
9. Executed contracts, suspension/debarment certificates and procurement files will be retained and filed by the City Clerk's Office.

OMB Compliance Supplement

Program Income

Source of Governing Requirements – The requirements that apply to program income are contained in 2 CFR section 200.80 (definition of “program income”), 2 CFR section 200.307 (program income), program legislation, Federal awarding agency regulations, and the terms and conditions of the Federal award.

In order to ensure compliance with these requirements, City of Sault Ste. Marie, Michigan has implemented the following procedures:

1. Program income will include (but will not be limited to): income from fees for services performed, the use or rental of real or personal property acquired with grant funds, the sale of commodities or items fabricated under a grant agreement, and payments of principal and interest on loans made with grant funds. It will not include interest on grant funds unless otherwise provided in the Federal awarding agency regulations or terms and conditions of the award.
2. City of Sault Ste. Marie, Michigan will allow program income to be used in one of three methods:
 - a. Deducted from outlays
 - b. Added to the project budget
 - c. Used to meet matching requirements

Absent specific guidance in the Federal awarding agency regulations or the terms and conditions of the award, program income shall be deducted from program outlays.

3. Program income, when applicable, will be accounted for as a revenue source in the same program code as the Federal grant.

OMB Compliance Supplement

Reporting

Source of Governing Requirements – Reporting requirements are contained in the following documents: Financial reporting, 2 CFR section 200.327; Monitoring and reporting program performance, 2 CFR section 200.328; Program legislation; Federal awarding agency regulations; and the terms and conditions of the award.

In order to ensure compliance with these requirements, City of Sault Ste. Marie, Michigan has implemented the following procedures:

1. Reports will be submitted in the required frequency and within the required deadlines.
2. Reports will be completed using the standard forms (as applicable) and method of delivery (i.e., e-mail, grantor website, postal service, etc.).
3. Regardless of the method of report delivery, a copy of the submitted report will be retained along with any documentation necessary to support the data in the report. The report will evidence the date of submission in order to document compliance with timeliness requirements.
4. Financial reports will always be prepared based on the general ledger using the required basis of accounting (i.e., cash or accrual). In cases where financial data is tracked outside of the general accounting system (such as in spreadsheets or paper ledgers), this information will be reconciled to the general ledger prior to report submission.
5. Preparation of financial reports will be the responsibility of the Project Manager/Grant Administrator, with assistance to be provided by the Finance Department.
6. All reports (whether financial, performance, or special) must be reviewed and approved by a knowledgeable Project Manager/Grant Administrator or the City Manager prior to submission. Both the preparer and reviewer will sign and date the report and retain this documentation.
7. Copies of submitted reports will be filed with supporting documentation and any follow-up correspondence from the grantor or pass-through agency. Copies of all such reports will be made available to entity administration, auditors, and pass-through or grantor agencies, as requested.

OMB Compliance Supplement

Subrecipient Monitoring

Source of Governing Requirements – The requirements for subrecipient monitoring for the subaward are contained in 31 USC 7502(f) (2) (Single Audit Act Amendments of 1996 (Pub. L. No. 104-156)), 2 CFR sections 200.330, .331, and .501(h); Federal awarding agency regulations; and the terms and conditions of the award.

This requirement has not historically been applicable to any of the Federal grants of City of Sault Ste. Marie, Michigan. Grant administrators are aware of the existence of such compliance requirements and will monitor grant agreements for any change in applicability. Formal procedures will be developed, as needed, to meet changes in circumstances and incorporated in this policy at its next available revision.

OMB Compliance Supplement

Special Tests and Provisions

Source of Governing Requirements – The laws, regulations, and the provisions of contract or grant agreements pertaining to the program

Commission Policies. The following policies have been separately reviewed and approved by the Commission, and are incorporated here by reference:

- None

Additional Procedures. The following procedures will also be applied to the extent that they do not conflict with or contradict the Commission policies listed above:

1. The Project Manager/Grant Administrator will be assigned the responsibility for identifying compliance requirements for special tests and provisions, determining approved methods for compliance, and retaining any necessary documentation.
2. Davis-Bacon Act:
 - a. The Project Manager/Grant Administrator is responsible for identifying when Davis-Bacon Act requirements apply to a grant.
 - b. When requesting bids or proposals for such projects, the RFP/solicitation for bid will clearly state the applicability of the Davis-Bacon Act.
 - c. The Project Manager/Grant Administrator will be responsible for obtaining weekly certified payrolls from vendors and subcontractors.
 - d. The Project Manager/Grant Administrator, at his/her discretion, will be permitted to conduct surprise interviews of employees of contractors and subcontractors at job sites in order to verify the accuracy of data submitted in the certified payrolls.

The **Davis-Bacon Act** of 1931 is a United States federal law that establishes the requirement for paying the local prevailing wages on public works projects for laborers and mechanics. It applies to "contractors and subcontractors performing on federally funded or assisted contracts in excess of \$2,000 for the construction, alteration, or repair (including painting and decorating) of public buildings or public works"

Conflict of Interest

Transactions involving Federal awards are subject to all conflict-of-interest policies, as applicable:

Commission Policies. The following policies have been separately reviewed and approved by the Commission, and are incorporated here by reference:

- City Charter/Code of Ordinances, applicable Articles and Chapters:
 - Chapter 5 – General Provisions Regarding Officers and Personnel of the City
 - Article V – Code of Ethics and Conduct
- Personnel Policy Handbook, which provides guidelines for conduct and information regarding employer practices.

Records Retention

The majority of the City's financial records are maintained by the Finance Department, the City Clerk's and the City Manager's offices. Records are maintained in accordance with the City's "Retention and Disposal Schedule."

All Michigan Freedom of Information Act requests are acted upon as soon as possible and within the timelines as stipulated within the Act.

- Records Retention Schedule

Appendix

Certification Regarding Suspension/Debarment

Sole Source Vendor Justification Form

Receipt Exception Form

Bill Schedule

Receipt of Handbook

Certification Regarding Suspension and Debarment (SAMPLE)

By signing below, I agree that my organization or any of its principals, personnel, divisions or affiliates presently or in the past have not been debarred or suspended from entering into contracts with any federal, state or local governmental entity.

The organization has not been convicted or had a civil judgment rendered against them for commission of fraud or a criminal offense in connection with obtaining, attempting to obtain, or performing a public (Federal, State or local) transaction or contract under public transaction; violation of Federal or State anti-trust statutes, or commission of embezzlement, theft, forgery, bribery, falsification or destruction of records, making false statements, or receiving stolen property.

The organization is not presently indicted or otherwise criminally or civilly charged by a government entity (Federal, State or local).

The organization has not had one or more public transactions (Federal, State or local) terminated for cause or default.

The certifications made in this statement are deemed to be valid as long as the company/organization continues to conduct business transactions with City of Sault Ste. Marie, Michigan unless notification is made in writing to the City. The organization will notify the City immediately if any of the certifications made in this statement become invalid.

Company/Organization Name:

Certification Made by (Name and Title):

Date:

Sole Source Vendor Justification Form (SAMPLE)

It is the policy of City of Sault Ste. Marie, Michigan to provide for full and open competition in the procurement of goods and services. In certain situations, a purchase may only be available from a single source. In such instances, this Sole Source Vendor Justification Form is prepared in order to document the facts and circumstances and support the exception to the City's standard purchasing and procurement policies.

Date: _____

Vendor/Contractor: _____

Description of Purchase: _____

Reason for Sole Source Purchase (indicate which one): ☐

The product/service meeting the City's specifications is only available from one source

The purchase is for additional quantities of an item already used by the City

The product or service is specifically required under the provisions of a contract or grant agreement (described in detail):

Name of Individual
Completing Form: _____ Date: _____

Name of Individual
Approving Sole Source
and Authorizing Purchase: _____ Date: _____

Employee Expense Report Receipt Exception Form (SAMPLE)

It is the policy of City of Sault Ste. Marie, Michigan (the "City") to require employees to submit receipts for all expenses (excluding mileage and meals) being claimed for reimbursement. If an employee is unable to provide a receipt for a claimed reimbursement, the following form should be attached to the expense report in lieu of the receipt.

Employee Name: _____

Amount Claimed for Reimbursement
Without Receipt: _____

Reason for not Providing Receipt: _____

My signature certifies that I have incurred the expense reported above using personal funds as part of my job duties at the City.

Employee Signature: _____

Date: _____

Supervisory Approval: _____

Date: _____

CITY OF SAULT STE. MARIE, MICHIGAN

Requisition and PO Approval

May be subject to change by Finance Department

Updated 11/11/22

Requisitions entered into PO Module no later than 1:00 pm	Department Head Approval no later than 1:00pm	PO Approval (Clerk, City Manager, Purchasing) by 4:00pm	PO Emailed to Susan no later than 4:00 PM	Check Release Date	
Wednesday, November 16, 2022	Thursday, November 17, 2022	Friday, November 18, 2022	Friday, November 18, 2022	Wednesday, November 23, 2022	Adjusted for Holiday
Thursday, December 1, 2022	Friday, December 2, 2022	Monday, December 5, 2022	Tuesday, December 6, 2022	Friday, December 9, 2022	
Thursday, December 15, 2022	Friday, December 16, 2022	Monday, December 19, 2022	Tuesday, December 20, 2022	Thursday, December 22, 2022	Adjusted for Holiday
Thursday, December 29, 2022	Friday, December 30, 2022	Tuesday, January 3, 2023	Wednesday, January 4, 2023	Friday, January 6, 2023	Adjusted for Holiday
Thursday, January 12, 2023	Friday, January 13, 2023	Monday, January 16, 2023	Tuesday, January 17, 2023	Friday, January 20, 2023	
Thursday, January 26, 2023	Friday, January 27, 2023	Monday, January 30, 2023	Tuesday, January 31, 2023	Friday, February 3, 2023	
Thursday, February 9, 2023	Friday, February 10, 2023	Monday, February 13, 2023	Tuesday, February 14, 2023	Friday, February 17, 2023	
Thursday, February 23, 2023	Friday, February 24, 2023	Monday, February 27, 2023	Tuesday, February 28, 2023	Friday, March 3, 2023	
Thursday, March 9, 2023	Friday, March 10, 2023	Monday, March 13, 2023	Tuesday, March 14, 2023	Friday, March 17, 2023	
Thursday, March 23, 2023	Friday, March 24, 2023	Monday, March 27, 2023	Tuesday, March 28, 2023	Friday, March 31, 2023	
Thursday, April 6, 2023	Friday, April 7, 2023	Monday, April 10, 2023	Tuesday, April 11, 2023	Friday, April 14, 2023	

CITY OF SAULT STE. MARIE, MICHIGAN

AP Invoicing Approval

May be subject to change by Finance Department

Updated 11/11/22

All invoices submitted to Finance	Code Incomplete Invoices for your dept	Department Head Approval in AP Module	Finance Director Approval	Check Release Date	
Friday, November 18, 2022	Monday, November 21, 2022	Tuesday, November 22, 2022	Wednesday, November 23, 2022	Wednesday, November 23, 2022	Adjusted for Holiday
Tuesday, December 6, 2022	Wednesday, December 7, 2022	Thursday, December 8, 2022	Friday, December 9, 2022	Friday, December 9, 2022	
Monday, December 19, 2022	Tuesday, December 20, 2022	Wednesday, December 21, 2022	Thursday, December 22, 2022	Thursday, December 22, 2022	
Tuesday, January 3, 2023	Wednesday, January 4, 2023	Thursday, January 5, 2023	Friday, January 6, 2023	Friday, January 6, 2023	
Tuesday, January 17, 2023	Wednesday, January 18, 2023	Thursday, January 19, 2023	Friday, January 20, 2023	Friday, January 20, 2023	
Tuesday, January 31, 2023	Wednesday, February 1, 2023	Thursday, February 2, 2023	Friday, February 3, 2023	Friday, February 3, 2023	
Tuesday, February 14, 2023	Wednesday, February 15, 2023	Thursday, February 16, 2023	Friday, February 17, 2023	Friday, February 17, 2023	
Tuesday, February 28, 2023	Wednesday, March 1, 2023	Thursday, March 2, 2023	Friday, March 3, 2023	Friday, March 3, 2023	
Tuesday, March 14, 2023	Wednesday, March 15, 2023	Thursday, March 16, 2023	Friday, March 17, 2023	Friday, March 17, 2023	
Tuesday, March 28, 2023	Wednesday, March 29, 2023	Thursday, March 30, 2023	Friday, March 31, 2023	Friday, March 31, 2023	
Tuesday, April 11, 2023	Wednesday, April 12, 2023	Thursday, April 13, 2023	Friday, April 14, 2023	Friday, April 14, 2023	

TRAINING FOR FEDERAL FINANCIAL INTERNAL CONTROLS AND PROCEDURES

All new employees will be given proper training for the procedures itemized in this document by existing, experienced staff members. The length of training is commensurate with the amount of prior experience of the new employee and will be adequate so he or she fully understands the financial procedures of the district. Employees will receive refresher training as needed.

CONSEQUENCES OF COMPLIANCE FAILURES

All employees are instructed to follow the procedures contained herein. Any employee who does not follow these procedures as instructed will be disciplined in a progressive manner as itemized in the district's Personnel Policy Handbook and/or related Education Association contract agreements.

RECEIPT OF HANDBOOK

I have received a copy of the Uniform Guidance Policies and Procedures Federal Awards Administration and this handbook is the property of the City of Sault Ste. Marie. I understand this handbook is designed to acquaint me with the current procedures of the City of Sault Ste. Marie in regard to its' federal programs. I understand that City of Sault Ste. Marie reserves the right to interpret, modify, or eliminate any of these procedures at any time. As a recipient of this handbook, I understand that I am responsible for knowing its' contents and any updates.

Employee Name (Printed)

Employee Signature

Date

Superintendent or Designee

Date

The original signed document will be kept in the employee's personnel file until three years after leaving the City.