

TITLE I - FINANCES AND ACCOUNTING SECTION 900 – GRANT ACCOUNTING

A. PURPOSE

The purpose of this policy is to ensure that grant funding in the County of Santa Cruz is obtained in alignment with strategic priorities, where costs and benefits to the County are analyzed prior to grant acceptance or continuation, and grant funding received is administered, monitored, and closed out in compliance with the requirements of the grant and County policies. This policy aligns with best practices for grant policies and grants administration from the Government Finance Officers Association (GFOA).

B. POLICY SUMMARY

All departments must adhere to this policy and its accompanying procedures, and/or documented, department-specific policies and procedures for grants, regardless of whether they receive General Fund monies. This policy addresses grant identification and application, grant administration and grant renewal/continuation. Departments may use documented, department-specific policies and procedures for grants, but these shall not eliminate the requirement for County Administrative Office (CAO) review of grant applications and the Board of Supervisors (the Board) approval to submit grant applications and accept grant awards.

C. GRANT IDENTIFICATION AND APPLICATION

Grants are a significant and beneficial form of funding for the County of Santa Cruz. Even so, grants may come with special requirements the County must follow related to general operations of the grant, specific grant compliance rules, monitoring of other parties that may receive resources from the grants, specific time frames, and specialized reporting requirements. A thorough evaluation of these requirements is prudent prior to applying for grant funding. The evaluation process, prior to submission of a grant application should include a review by the departmental fiscal staff and must include a review from the CAO and a final approval to apply for the grant by the Board. Regardless of any department-specific policies and procedures for grants, the CAO review and the Board approval to submit grant applications and accept grant awards is required.

Departmental Grant Analysis and Application Preparation

Departments desiring to submit a grant application should compile the following information to assist in the evaluation of the grant application and Board of Supervisors approval process:

1. Grant Type
Generally, grant funding falls into three categories: Competitive grants, non-competitive grants (formula-based and continuing grants may include recurring funding allocations, such as federal or state block grants or categorical aid funding), and pass-through grants (typically this is federal funding passing through a state agency). Determine and document the type of grant for which you are applying.
2. Specific Grant Requirements
Determine and document any specific and unique requirements for the grant. For

instance, all federal grants require compliance with the Office of Management and Budget Guidance (OMB) – 2 CFR 200 – Uniform Administrative Requirements, Cost Principals and Audit Requirements for Federal Awards.

3. Strategic Alignment
Determine and document how the desired grant funding aligns with the mission and strategic priorities of the County and Department.
4. Outcome Measures
Determine and document what outcomes are required or desired from the grant funding and how outcomes will be measured, recorded and reported.
5. Funding Analysis
Prepare a multi-year budget and cost/benefit analysis for the grant. Some elements of the funding analysis may require collaboration with departmental fiscal staff. The analysis should include the following components:
 - a. Required matching funds and whether these must be set aside.
 - b. Direct costs to the County associated with the grant.
 - c. The extent to which overhead costs will be covered by the grant.
 - d. In-kind contributions associated with the grant.
 - e. Costs related to audits or project close-out.
 - f. Potential costs incurred by the County beyond the grant period.
 - g. A funding plan for the gap in time between cash expended on grant eligible activities and cash received in reimbursement for grant eligible activities.
6. Administration and Operational Support Plan
Determine and document, to the extent possible, the following information related to administering the grant:
 - a. Programs or activities funded by the grant and who would be responsible for implementing them.
 - b. How and by whom would training be provided to those responsible for the grant.
 - c. Terms and conditions for grant-funded personnel, such as severance and unemployment costs related to employees who are terminated upon expiration of the grant.
 - d. Operating and maintenance costs associated with assets acquired with grant funds.
 - e. The process for recording expenses against the grant and obtaining reimbursement.
 - f. The department or individual responsible for carrying out the grant activities and ensuring appropriate resources are available to support the grant.

Departmental Fiscal Review

The purpose of the departmental fiscal review is to establish an understanding of the grant by the department fiscal staff and allow for evaluation of the budget, cash flow, procurement requirements, financial reporting, and compliance requirements of the grant. All grant analyses and applications should be sent to departmental fiscal staff for review and comment prior to requesting approval from the Board to submit the grant application. When possible, departmental fiscal staff should be allowed a reasonable amount of time to review the entire grant application prior to sending it to the Department Head or Director for signature.

In addition to reviewing the grant analysis and application, the fiscal review should include the following:

1. Determination of accounting structure required for grant funding and expenditure tracking which may include General Ledger or Job Ledger Keys or Objects.
2. Evaluation of proposed grant funding compatibility with other, existing funding sources.
3. Evaluation of the accounting treatment for the grant funding.
4. Evaluation of the completed funding analysis, to include a multi-year budget and cost/benefit analysis for the grant.
5. Evaluation of the administrative and operational support plan for the grant.

Grant Information Worksheet

The department or agency applying for the grant shall enter sufficient information related to the grant into the County Financial System to create a system generated Grant Information Worksheet report, SCZGM1000. The system generated Grant Information Worksheet must be submitted with the Board memo summarizing the grant application and requesting approval to submit the application.

County Administrative Office Review

The purpose of the CAO review is to establish an understanding of the grant, ensure the requested funding aligns with the County and departmental strategy, and ensure outflows of County resources related to the grant are acceptable. Departments must coordinate this review with the CAO prior to initiating the Agenda Management System (AMS) workflow seeking approval from the Board to submit the grant application. Additionally, the CAO must be included in the Board meeting item routing process in AMS for Board approval of grant application submissions. If the deadline for submitting a grant application will expire before the department is able to submit the application for review by the CAO and obtain approval from the Board to apply for the grant, the department may submit the grant application. However, the department must retroactively submit the completed grant application for review by the CAO and as an attachment to the Board item seeking approval from the Board before proceeding further with pursuit of or acceptance of the grant.

Board of Supervisors Approval

The Board must approve the submission of grant applications prior to submission to the granting agency. If the deadline for submitting a grant application will expire before the department is able to submit the application for review by the CAO and obtain approval from the Board to apply for the grant, the department may submit the application for the grant. However, the department must retroactively submit the completed grant application for review by the CAO and as an attachment to the board item seeking approval from the Board before proceeding further with pursuit of or acceptance of the grant.

Grant Application Submission

After the Board has approved submission of the grant application, the application is eligible for submission.

D. GRANT ACCEPTANCE

Upon notification of a grant award, the department or agency accepting the grant must

return to the Board for approval of the agreement. The Board item should include (as applicable), but not limited to the following:

1. The notice of award (or equivalent) from the granting agency
2. Resolution authorizing the department accepting the grant to sign and execute grant agreements with the granting agency.
3. Resolution accepting unanticipated revenue (AUD60) related to the grant award.
4. County expenditures attributable to the grant, including:
 - a. Direct expenditures
 - b. In-kind expenditures
 - c. Indirect expenditures
5. Documentation requesting from the grant an amount to reimburse the County for indirect costs.
 - a. The Board may waive this requirement with a showing of good cause.
6. Any other applicable documentation related to the grant award or grant programs which would aid the Board in approving the grant acceptance.

Additionally, the department or agency receiving the grant shall update the grant Status to Awarded in the County Financial System.

E. GRANT ADMINISTRATION

Grants generally come with specialized requirements that can apply to the general operations of the grant, specific compliance rules, monitoring of other parties that may receive resources from the grants, and specialized reporting requirements. Improper administration of a grant can result in the failure to meet all of the grant requirements which increases the risk of major audit findings and the County being required to return funds to the grant provider.

Administration and Operation of Grant Programs

Departments receiving grant funding must have a detailed understanding of grant terms and conditions and document how the grant will be monitored in alignment with those terms and conditions. Departments receiving grant funding should:

1. Develop and document a project plan for the grant funding including the new programs or activities funded by the grant.
 - a. Document project/program timelines and the parties responsible for plan implementation.
2. Maintain a process to monitor for changes or clarifications in grant terms and conditions that occur after the acceptance of a grant.
 - a. Ensure and document timely written communication of any changes to County staff and subrecipients.
3. Identify and document the programmatic, fiscal, and administrative requirements for the grant and the Office of Management and Budget (OMB) Code of Federal Regulation (CFR) sections applicable to the grant.
4. Establish and document grant-specific procedures related to the programmatic, fiscal, and administrative requirements for the grant.
 - a. Document the provision of training for those responsible for the grant, so they can effectively carry out their roles, including subrecipients of grant funding.
5. Obtain from subrecipients of grant funding the grant-specific policies and procedures

they will use to ensure compliance with the programmatic, fiscal, and administrative requirements for the grant.

6. Provide initial and ongoing training for new and unfamiliar programs.
7. Maintain a process to address specific personnel issues related to grants (e.g., whether salaries and/or benefits are eligible expenditures and if so, what are the related time-keeping and documentation requirements).
8. Establish and document procedures related to the terms and conditions of grant-funded personnel.

Financial Management of Grants

Departments receiving grant funding should:

1. Establish a central grants management function for the department.
2. Establish unique grant project identifiers such as Job Ledger Keys and Job Ledger Objects to account for all financial transactions for each grant.
3. Develop, document, and provide training to both County staff and subrecipients on the system/process that will be used to charge expenses against the grant.
 - a. Eligible grant expenses
 - b. Time and materials reporting
 - c. Backup documentation requirement for grant expenses
 - i. Expenses are allowable, allocable, necessary, and reasonable to the grant.
 - d. Backup documentation requirement for personnel costs charged to the grant (for County employees and/or subrecipients)
 - i. Payroll expense reports
 - ii. Certified timecards/timesheets showing direct hours worked on grant-related activities and to support payroll expense reports
 - iii. Grant-specific hours tracked to Job Ledger Keys and/or description of grant-specific work to support payroll expense reports and certified timecards
 - e. Backup documentation requirement for non-personnel costs charged to the grant (for County and/or subrecipients)
 - i. Procurement records
 - ii. Invoice or receipt showing date of purchase and itemized list of goods or services purchased, including cost per unit, quantity, and total amount.
 - iii. Grant specific non-personnel costs tracked to Job Ledger Keys and/or description of grant-specific good/service purchased.
 - f. Departmental review process of grant expenses incurred by the County or paid to grant subrecipients.
 - g. Identifying and resolving instances of improper payments or incurred expenses ineligible for grant-specific funding.
4. Develop, document and provide training on the appropriate cash management procedures for drawdown and receipt of funds as well as disbursement of funds.
5. Develop procedures to reconcile internal records with federal and state reports.
6. Maintain a process to ensure that costs charged to grants are allowable, necessary and reasonable, and properly allocated, and that these determinations are made in a consistent manner.
 - a. Ensure and document timely written communication of any changes to County staff and subrecipients.
7. Determine and document for each grant whether indirect costs will be allocated to

- grant programs, and if so, maintain an appropriate process to make the allocation.
8. Document if a negotiated rate, grant-specified rate or the de minimis indirect cost rate will be used and what the rate is.
 - a. Maintain supporting documentation for how the rate was established either for the County or subrecipient.
 9. Maintain a process to track information about local matching funds, including identification of the source of such funds.
 10. Integrate grants into the annual budget process.
 11. Develop a contingency plan for funding services that will be continued even if the grant funding is reduced or terminated.

Internal Control of Grants

Departments receiving grant funding should:

1. Document grant procedures.
2. Utilize County Policy Title I Section 1050 – Internal Controls, to develop internal control procedures over accounting, financial reporting, and program administration.
3. Document Federal and State compliance requirements related to each grant, such as those relating to contracting.
4. Consider the level of program risk and risk related to grant subrecipients (e.g., high, medium, low) when establishing internal control procedures.
5. Design, document and utilize internal control procedures to ensure the reliability of information obtained from third parties (subrecipients, contractors, beneficiaries).

Subrecipient Monitoring

Departments receiving grant funding should:

1. Utilize County Policy Title I Section 1150 – Subrecipient Monitoring.
2. Establish requirements for subrecipients to submit progress reports.
3. Provide for administrative monitoring, including timely reporting and adherence to compliance requirements by subrecipients.
4. Provide for financial monitoring, including obtaining an understanding of, and adhering to, cost principles.
5. Provide for the receipt, review, and appropriate follow-up of Single Audit reports, when applicable.

Communication

Departments receiving grant funding should:

1. Establish and document the methods for communication with:
 - a. The grant sponsor/provider.
 - b. Those with oversight responsibility including, when applicable, the Federal Cognizant Agency.
 - c. Subrecipients.

Meeting Reporting Requirements

Departments receiving grant funding should:

1. Maintain a comprehensive list of reporting requirements and a reminder system for meeting the reporting deadlines.
2. Identify and document who is responsible for the various reporting requirements.
3. Establish and document methodologies for the preparation of specialized reports.
4. Establish and document the approval processes for certifying specialized reporting.
5. Establish and document processes for obtaining all of the information needed for the Schedule of Expenditures of Federal Awards (SEFA) when applicable.

Compliance with Audit Requirements

Departments receiving grant funding should:

1. Develop and document an understanding of audit requirements specific to grants including:
 - a. Generally Accepted Government Auditing Standards (GAGAS)
 - b. Generally Accepted Auditing Standards (GAAS)
 - c. Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)
2. Develop and document an understanding of audit requirements for grant close-out.

Post Implementation Review

Departments receiving grant funding should:

1. Determine and document whether the program achieved its goals.
2. Document any process or internal control issues identified by staff, the grantor or auditors.
 - a. Determine and document whether process or internal control issues were resolved.

F. GRANT RENEWAL/CONTINUATION

Before deciding whether to continue a grant, departments should evaluate the impacts of the grant-funded program or assets. The evaluation should include the following:

1. Determine and document the extent to which the grant program has produced the desired benefits.
 - a. This should be based on the outcome measures determined prior to applying for the grant.
2. Review the actual costs of the grant.
3. Determine and document whether the County's contribution associated with the grant programs would have a greater benefit for other purposes.

G. RELATED POLICIES, PROCEDURES AND FORMS

- Title I Section 1050 – Internal Controls
<http://sccintranet/Portals/0/PolandProc/ProceduresManual/PM11050.pdf>
- Title I Section 1100 – Annual Audit Requirements for Federal Awards Single Audit
<http://sccintranet/Portals/0/PolandProc/ProceduresManual/PM11100.pdf>
- Title I Section 1150 – Subrecipient Monitoring
<http://sccintranet/Portals/0/PolandProc/ProceduresManual/PM11150.pdf>
- Grant Management End User Manual Finance Enterprise
<https://sccintranet.co.santa-cruz.ca.us/Portals/0/AUD/FE%20Grants%20Management%20User%20Guide.docx>
- Grant Sponsor Code Request Form
<https://sccintranet.co.santa-cruz.ca.us/Departments/Auditor-Controller/-Grant-Sponsor-Code-Request-Form>

H. HISTORY

Date	Changes Made
12/5/2006	Policy Adopted
12/12/2017	Policy Amended
12/11/2018	Policy Amended
6/13/2023	Policy Amended
8/27/2024	Policy Amended