



NORTHEAST OHIO AREAWIDE COORDINATING AGENCY

MEMORANDUM

TO: NOACA Board of Directors
FROM: Grace Gallucci, Executive Director
DATE: June 2, 2017
RE: Financial Management Policies

ACTION REQUESTED

The Board is asked to approve the following policies:

- Cash Management Policy;
- Allowability of Costs Policy; and
- Time and Effort Policy

The Finance and Audit Committee recommends this action.

BACKGROUND/JUSTIFICATION FOR CURRENT ACTION

The Federal government published the Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards, also known as the Super Circular, on December 26, 2013. The new law was effective for fiscal years beginning on or after December 26, 2014, which in NOACA's case was Fiscal Year 2016. Auditors were permitted to accept informal policies during the first year of implementation. It has been the unwritten policy of NOACA to comply with all relevant regulations.

These regulations, which are located in Title 2 of the Code of Federal Regulations; supersede and streamline the requirements contained in various regulations, circulars, and guidelines. The modifications were part of an effort to improve performance and outcomes, ensure financial integrity of taxpayer dollars and reduce waste, fraud, and abuse.

Thus, to be compliant, three policies need to be formally adopted by the Board.

FINANCIAL IMPACT

There is no financial impact for this decision.

CONCLUSION/NEXT STEPS

With Board approval, the policies will continue to be used to guide NOACA financial management processes and actions.

GG/bg/2946b

RESOLUTION NO. 2017-018
(Financial Management Policies)

If the obligation is for:	The obligation is made:
Acquisition of property	On the date which NOACA makes a binding written commitment to acquire the property
Personal services by an employee of NOACA	When the services are performed
Personal services by a contractor who is not an employee of NOACA	On the date which NOACA makes a binding written commitment to obtain the services
Public utility services	When NOACA receives the services
Travel	When the travel is taken
Rental of property	When NOACA uses the property
A pre-agreement cost that was properly approved by the Secretary under the cost principles in 2 CFR part 200, Subpart E- Cost Principles.	On the first day of the project period.

Unless the Federal awarding agency or pass-through entity authorizes an extension or unless the Federal award states otherwise, a non-Federal entity must liquidate all obligations incurred under the Federal grant within 90 days of the ending date of the period of performance.

Carryover

The Federal awarding agency is authorized, at its option, to waive prior written approvals to initiate a one-time extension of the period of performance by up to 12 months unless certain conditions are present (change in scope, etc.). Further, for Federal awards that support research, that extension is automatically waived unless certain conditions exist or unless otherwise stated in the Federal award.

Program Income

Program income is gross income earned by a grant recipient that is directly generated by a supported activity or earned as a result of the federal award during the period of performance. Program income includes, but is not limited to, income from fees for services performed, the use or rental of real or personal property acquired under federal awards, the sale of commodities or items fabricated under a federal award, license fees and royalties on patents and copyrights, and principal and interest on loans made with federal award funds. Interest earned on advances of federal funds is not program income.

Except as otherwise provided in federal statutes, regulations, or the terms and conditions of the federal award, program income does not include rebates, credits, discounts, and interest earned on any of them. Additionally, taxes, special assessments, levies, fines, and other such revenues raised by a recipient are not program income unless the revenues are specifically identified in the federal award or federal awarding agency regulations as program income. Finally, proceeds from the sale of real property, equipment, or supplies are not program income.

The default method for the use of program income is the deduction method. Under the deduction method, program income is deducted from total allowable costs to determine the net allowable costs. Program income will only be used for current costs unless NOACA is otherwise directed by the federal awarding agency or pass-through entity.

An alternative method, the addition method, requires prior approval from the federal awarding agency. Under this method, program income may be added to the Federal award by the Federal agency and the non-Federal

entity. The program income must then be used for the purposes and under the conditions of the Federal award.

NOACA Policy / Compliance

NOACA generally receives payment from its grantor agencies on a reimbursement basis which complies with the requirement of minimizing the time between receiving Federal funds and disbursing those funds.

NOACA requests reimbursement for actual expenditures incurred under the federal grants on a regularly scheduled basis according to individual grant requirements. The invoices submitted for reimbursement should include the general ledger detail supporting the charges and other pertinent information. Consistent with state and federal requirements, NOACA maintains source documentation supporting the expenditures (invoices, time sheets, payroll stubs, etc.) and makes such documentation available to funding sources to review upon request.

Although NOACA does not currently receive advance payments; in the event that does occur, appropriate measures will be taken to ensure compliance with federal regulations.

NOACA uses the deduction method for Program Income.

Authority

- 2 CFR §200.302(b)(6)
- 2 CFR §200.305
- 31 CFR Part 205 (Cash Management Improvement Act)
- 2 CFR part 200, Subpart E – Cost Principles
- 34 CFR §75.707, 76.707, and 76.709
- 2 CFR §200.309
- 2 CFR §200.308
- 2 CFR §200.77
- 2 CFR §200.343
- 2 CFR §200.307
- 2 CFR §200.80



Allowability of Costs Policy

Purpose

The purpose of this policy is to ensure compliance with Federal regulations for determining the allowability of costs and the terms and conditions of the Federal award as well as Cost Accounting Standards, the associated agreements/assurances, and program objectives.

Federal Requirements

The total cost of a Federal award is the sum of the allowable direct and allocable indirect costs less any applicable credits.

Allowable Costs

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

1. Be necessary and reasonable for the performance of the Federal award and be allocable according to those standards;
2. Conform to any limitations or exclusions set forth in the Federal regulations or in the Federal award as to types or amount of cost items;
3. Be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the non-Federal entity;
4. Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost;
5. Be determined in accordance with generally accepted accounting principles (GAAP);
6. Not be included as a cost or used to meet cost sharing or matching requirements of any other federally-financed program unless specifically authorized; and
7. Be adequately documented:
 - a. Personal Services - See Time and Effort Policy regarding the proper charging of time to grant funded projects.
 - b. All other costs – receipts and invoices shall be retained along with any documentation identifying the need and purpose of such expenditure if not otherwise clear.

Reasonable Costs

A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost. The

question of reasonableness is particularly important when the non-Federal entity is predominantly federally-funded. In determining reasonableness of a given cost, consideration must be given to:

1. Whether the cost is of a type generally recognized as ordinary and necessary for the operation of the non-Federal entity or the proper and efficient performance of the Federal award;
2. The restraints or requirements imposed by such factors as: sound business practices; arm's-length bargaining; Federal, state and other laws and regulations; and terms and conditions of the Federal award;
3. Market prices for comparable goods or services for the geographic area;
4. Whether the individuals concerned acted with prudence in the circumstances considering their responsibilities; and
5. Whether the non-Federal entity significantly deviates from its established practices and policies regarding the incurrence of costs, which may unjustifiably increase the Federal award's cost.

Allocable Costs

A cost is allocable to a particular Federal award or other cost objective if the goods or services involved are chargeable or assignable to that Federal award or cost objective in accordance with relative benefits received. This standard is met if the cost:

1. Is incurred specifically for the Federal award;
2. Benefits both the Federal award and other work of the non-Federal entity and can be distributed in proportions that may be approximated using reasonable methods; and
3. Is necessary to the overall operation of the non-Federal entity and is assignable in part to the Federal award in accordance with the principles in this subpart.
4. All activities which benefit from the non-Federal entity's indirect (F&A) cost, including unallowable activities and donated services by the non-Federal entity or third parties, will receive an appropriate allocation of indirect costs.
5. Any cost allocable to a particular Federal award under the principles provided for in this part may not be charged to other Federal awards to overcome fund deficiencies, to avoid restrictions imposed by Federal statutes, regulations, or terms and conditions of the Federal awards, or for other reasons. However, this prohibition would not preclude the non-Federal entity from shifting costs that are allowable under two or more Federal awards in accordance with existing Federal statutes, regulations, or the terms and conditions of the Federal awards.
6. Direct cost allocation principles are as follows:
 - a. If a cost benefits two or more projects or activities in proportions that can be determined without undue effort or cost, the cost should be allocated to the projects based on the proportional benefit.
 - b. If a cost benefits two or more projects or activities in proportions that cannot be determined because of the interrelationship of the work involved, then the costs may be allocated or transferred to benefitted projects on any reasonable documented basis.
 - c. Where the purchase of equipment or other capital asset is specifically authorized under a Federal award, the costs are assignable to the Federal award regardless of the use that may be made of the equipment or other capital asset involved when no longer needed for the purpose for which it was originally required.
7. If the contract is subject to Cost Accounting Standards (CAS), costs must be allocated to the contract pursuant to the CAS. To the extent that CAS is applicable, the allocation of costs in accordance with CAS takes precedence over the allocation provisions in this part.

Applicable credits

Applicable credits refer to those receipts or reduction-of-expenditure-type transactions that offset or reduce expense items allocable to the Federal award as direct or indirect (F&A) costs. Examples of such transactions are: purchase discounts, rebates or allowances, recoveries or indemnities on losses, insurance refunds or rebates, and adjustments of overpayments or erroneous charges. To the extent that such credits relate to allowable costs, they must be credited to the Federal award either as a cost reduction or cash refund.

Selected Items of Cost

Federal regulations contain a number of provisions regarding various types of costs and to what extent they are allowable or unallowable. The expenditure may be unallowable for a number of reasons, including: the express language of the regulation states the item is unallowable; the terms and conditions of the grant deem the item unallowable; or State/local restrictions dictate that the item is unallowable. If an item is unallowable for any of reason, Federal funds cannot be used to purchase it.

Selected items of cost addressed in the Code of Federal Regulations include the following (in alphabetical order):

Item of Cost	Citation of Allowability Rule
Advertising and public relations costs	2 CFR § 200.421
Advisory councils	2 CFR § 200.422
Alcoholic beverages	2 CFR § 200.423
Audit services	2 CFR § 200.425
Bad debts	2 CFR § 200.426
Bonding costs	2 CFR § 200.427
Collection of improper payments	2 CFR § 200.428
Compensation – personal services	2 CFR § 200.430
Compensation – fringe benefits	2 CFR § 200.431
Conferences	2 CFR § 200.432
Contingency provisions	2 CFR § 200.433
Defense and prosecution of criminal and civil proceedings, claims, appeals and patent infringements	2 CFR § 200.435
Depreciation	2 CFR § 200.436
Employee health and welfare costs	2 CFR § 200.437
Entertainment costs	2 CFR § 200.438
Equipment and other capital expenditures	2 CFR § 200.439
Exchange rates	2 CFR § 200.440
Fines, penalties, damages and other settlements	2 CFR § 200.441
Fund raising and investment management costs	2 CFR § 200.442
Gains and losses on disposition of depreciable assets	2 CFR § 200.443
General costs of government	2 CFR § 200.444
Goods and services for personal use	2 CFR § 200.445
Idle facilities and idle capacity	2 CFR § 200.446
Insurance and indemnification	2 CFR § 200.447

RESOLUTION NO. 2017-018
(Financial Management Policies)

Intellectual property	2 CFR § 200.448
Interest	2 CFR § 200.449
Lobbying	2 CFR § 200.450
Losses on other awards or contracts	2 CFR § 200.451
Maintenance and repair costs	2 CFR § 200.452
Materials and supplies costs, including costs of computing devices	2 CFR § 200.453
Memberships, subscriptions, and professional activity costs	2 CFR § 200.454
Organization costs	2 CFR § 200.455
Participant support costs	2 CFR § 200.456
Plant and security costs	2 CFR § 200.457
Pre-award costs	2 CFR § 200.458
Professional services costs	2 CFR § 200.459
Proposal costs	2 CFR § 200.460
Publication and printing costs	2 CFR § 200.461
Rearrangement and reconversion costs	2 CFR § 200.462
Recruiting costs	2 CFR § 200.463
Rental costs of real property and equipment	2 CFR § 200.465
Selling and marketing costs	2 CFR § 200.467
Taxes (including Value Added Tax)	2 CFR § 200.470
Termination costs	2 CFR § 200.471
Training and education costs	2 CFR § 200.472
Transportation costs	2 CFR § 200.473
Travel costs	2 CFR § 200.474
Trustees	2 CFR § 200.475

NOACA Policy / Compliance

NOACA prepares cost reimbursement invoices that include only the allowable costs as determined by the federal regulations. The Agency develops a Cost Allocation Plan annually to support the costs that are submitted for reimbursement. NOACA only seeks reimbursement for items in the Board Approved Overall Work Program and Budget. In addition, State, Agency, and program-specific rules, including the terms and conditions of the award, may deem a cost as unallowable, in which case those rules would be followed instead.

NOACA maintains documentation related to costs charged to all projects, including those that are Federally-funded. Financial records include timesheets and payroll information for personal services and invoices, contracts, bills of lading, purchase requests, purchase orders, and checks for non-payroll expenditures.

Authority

- 2 CFR §200.302 (b)(7)
- 2 CFR §200.403
- 2 CFR §200.404
- 2 CFR §200.405
- 2 CFR §200.406
- 2 CFR §200.420-§200.475



Time and Effort Policy

Purpose

The purpose of this policy is to ensure that NOACA complies with the Federal of time and effort requirements to document salary expenses charged directly or indirectly to Federally-sponsored projects. This process is intended to verify that compensation for employment services, including salaries and wages, is allocable and properly expended.

Federal Requirements

Federal regulations state that compensation for personal services includes all remuneration, paid currently or accrued, for services of employees rendered during the period of performance under the Federal award, including but not necessarily limited to wages and salaries, and may include fringe benefits. Costs of compensation are allowable to the extent that total compensation for individual employees:

- Is reasonable for the services rendered and conforms to the established written policy of the agency consistently applied to both Federal and non-Federal activities;
- Follows an appointment made in accordance with the agency's written policy and meets the requirements of Federal statutes where applicable; and
- Is determined and supported by the required Standards for Documentation of Personnel expenses.

Charges to federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must:

- Be supported by a system of internal controls which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;
- Be incorporated into official records;
- Reasonably reflect total activity for which the employee is compensated, not exceeding 100% of compensated activities;
- Encompass both federally assisted and all other activities compensated by NOACA on an integrated basis;
- Comply with the established accounting policies and practices of NOACA; and
- Support the distribution of the employee's salary or wages among specific activities or costs objectives.

NOACA Policy / Compliance

NOACA staff are expected to charge their time commensurate with the committed effort expended on all activities they perform. This process ensures that salaries and wages are properly expended and that actual effort is consistent with the committed and budgeted effort.

All NOACA employees who are paid in full or in part with federal funds must keep specific documents to demonstrate the amount of time they spend on grant activities. This includes an employee whose salary is paid with state or local funds which are used to meet a required "match" in a federal program.

NOACA maintains a system to document time and effort and incorporates it into the payroll system, which facilitates the assignment of regular or leave time appropriately. The system includes multiple levels of approvals to ensure checks and balances; these include the employee, the supervisor, and financial staff.

NOACA's Human Resources (HR) handbook includes policies and procedures that cover:

- Time and attendance documentation;
- The extent to which employees may provide professional services outside NOACA;
- The provision of fringe benefits, including leave and insurance; and
- Reimbursement of travel, relocation, and other expenses.

Authority

2 CFR §200.430



Cash Management Policy

Purpose

The purpose of this policy is to comply with Federal regulations regarding Federal funds received by the agency for various grant activities and to ensure that NOACA complies with those regulations.

Federal Regulations

Payments

The Code of Federal Regulations stipulates that payment methods must minimize the time elapsing between the transfer of funds from the United States Treasury or the pass-through entity and the disbursement by the non-Federal entity whether the payment is made by electronic funds transfer or issuance or redemption of checks, warrants, or payment by other means.

Grantees shall use forms and procedures required by the grantor agency or pass-through entity to request payment. The agency shall request grant fund payments in accordance with the provisions of the grant. Additionally, the agency's financial management systems shall meet the standards for fund control and accountability as established by the awarding agency.

Advances

When grantees receive an advance of Federal funds, the funds would need to be held in an interest-bearing account with the interest remitted quarterly to the Federal agency, except that up to \$500 of interest per year may be retained for administrative expenses. Interest is calculated from the date that the Federal funds are drawn down from the Federal payment system until the date on which those funds are disbursed by NOACA.

Period of Performance of Federal Funds

All obligations must occur on or between the beginning and ending dates of the grant project (Period of Performance) unless the Notice of Award indicates otherwise.

Obligations are orders placed for property and services, contracts and sub-awards made, and similar transactions during a given period that require payment by the non-Federal entity during the same or a future period.

The following table illustrates when funds are determined to be obligated under federal regulations:

RESOLUTION OF THE BOARD OF DIRECTORS
OF THE
NORTHEAST OHIO AREAWIDE COORDINATING AGENCY

WHEREAS, the Northeast Ohio Areawide Coordinating Agency (NOACA) is the Metropolitan Planning Organization (MPO) for the counties of Cuyahoga, Geauga, Lake, Lorain, and Medina, and the City of Cleveland; and the areawide water quality management agency for the same region; and

WHEREAS, Federal regulations entitled Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards, also known as the Uniform Guidance and found in Title 2 Code of Federal Regulations Part 200, require grantees to develop written policies/procedures to implement the requirements of those regulations;

WHEREAS, as an agency administering funds from Federal programs, NOACA is required to comply with the afore-mentioned Federal regulations;

WHEREAS, NOACA's unwritten policy has been to comply with such Federal regulations;

WHEREAS, a Cash Management Policy was written which addresses minimizing the time between when Federal funds are drawn down and when they are disbursed by the agency;

WHEREAS, an Allowability of Costs Policy was written to cover the general principles involved in determining which costs are allowable for Federal awards and how shared and indirect costs can be allocated among different grants and between grant and non-grant activities;

WHEREAS, a Time and Effort Policy was written to focus on how personal service costs are processed, authorized, and documented for the purposes of charging expenditures to Federal grants;

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Northeast Ohio Areawide Coordinating Agency, consisting of forty-five principal officials serving general purpose local governments throughout and within the counties of Cuyahoga, Geauga, Lake, Lorain, and Medina that:

Section 1. A Cash Management Policy that adheres to the requirements of 2 CFR 200.305 as described in the attached policy document, is hereby approved.


Section 2. An Allowability of Costs Policy that adheres to the requirements of 2 CFR part 400 as described in the attached policy document, is hereby approved.

Section 3. A Time and Effort Policy that adheres to 2 CFR 200.430, .431, .464 and .474, as described in the attached policy document, is hereby approved.

Certified to be a true copy of a Resolution of the
Northeast Ohio Areawide Coordinating Agency Board
of Directors adopted this 9th day of June 2017.

Secretary: _____

Date Signed: _____


Timothy C. Lennon
6/9/17