

Received 7/19/2023

ORDINANCE NO. 2023-11

**AN ORDINANCE TO ADOPT COST PRINCIPLES FOR SPENDING
FEDERAL FUNDS FOR THE CITY OF AUBURN, INDIANA**

SUMMARY

This ordinance amends Chapter 35 FINANCE of the Auburn Municipal Code to add Section 35.31 COST PRINCIPLES FOR SPENDING FEDERAL FUNDS. This policy is to be implemented by the Clerk-Treasurer and followed by the City and its elected and appointed employees.

_____	Recorder's Office	_____	Publish Public Hearing
_____	Auditor's Office	_____	
_____	Clerk's Office	_____	Publish O/R after adoption
_____	X	_____	Municipal Code Site – Council Ordinance

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**AN ORDINANCE TO ADOPT COST PRINCIPLES FOR SPENDING
FEDERAL FUNDS FOR THE CITY OF AUBURN, INDIANA**

WHEREAS, the City of Auburn on occasions receives federal grant funds to undertake certain projects; and

WHEREAS, the federal regulations at 2 CFR 200.302 (b) 7 requires entities spending federal funds to have a specific policy for principles regarding costs for such projects; and

WHEREAS, the Common Council for the City of Auburn, Indiana desires to establish such a policy to be implemented by the Clerk-Treasurer for the City of Auburn, Indiana;

NOW THEREFORE BE IT ORDAINED THAT the Common Council for the City of Auburn, Indiana adopts the following Cost Principles for Spending Federal Funds to be implemented by the Auburn City Clerk-Treasurer and followed by the City and its elected and hired employees to wit:

Section 1. Implementation. The Clerk-Treasurer is responsible for the efficient and effective administration of grant funds through the application of sound management practices. Such funds shall be administered in a manner consistent with all applicable Federal, State, and local laws, the associated agreements/assurances, program objectives and the specific terms and conditions of the grant award.

Section 2. Cost Principles. Except where otherwise authorized by statute, costs shall meet the following general criteria to be allowable under Federal awards:

- A. Be necessary and reasonable for proper and efficient performance and administration of the Federal award and be allocable thereto under these principles.

To determine whether a cost is reasonable, consideration shall be given to:

1. whether a cost is a type generally recognized as ordinary and necessary for the operation of the City of Auburn 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, local, tribal, and other laws and regulations;

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 cost represents any significant deviation from the established practices or policy of the Auburn City Council or the Auburn City Board of Works which may increase the expense.

While Federal regulations do not provide specific descriptions of what satisfies the "necessary" element beyond its inclusion in the reasonableness analysis above, whether a cost is necessary is determined based on the needs of the program. Specifically, the expenditure must be necessary to achieve an important program objective. A key aspect in determining whether a cost is necessary is whether the City can demonstrate that the cost addresses an existing need and can prove it.

When determining whether a cost is necessary, consideration may be given to whether:

1. the cost is needed for the proper and efficient performance of the grant program;
2. the cost is identified in the approved budget or application;
3. there is a benefit to the City of Auburn, or its citizens associated with the cost;
4. the cost aligns with identified needs based on results and findings from a needs assessment; and
5. the cost addresses program goals and objectives and is based on program data.

A cost is allocable to the Federal award if the goods or services involved are chargeable or assignable to the Federal award in accordance with the relative benefit received.

- B. Conform to any limitations or exclusions set forth as cost principles in Part 200 or in the terms and conditions of the Federal award.
- C. Be consistent with policies and procedures that apply uniformly to both Federally financed and other activities of the City.
- D. Be afforded consistent treatment. A cost cannot be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been assigned as an indirect cost under another award.
- E. Be determined in accordance with generally accepted accounting principles.
- F. Be representative of actual cost, net of all applicable credits or offsets.

The term "applicable credits" refers to those receipts or reductions of expenditures that operate to offset or reduce expense items allocable to the Federal award. Typical examples of such transactions are purchase discounts; rebates or allowances; recoveries or indemnities on losses; and adjustments of overpayments or erroneous charges. To the extent that such credits accruing to or received by the State relate to the Federal award, they shall be credited to the Federal award, either as a cost reduction or a cash refund, as appropriate.

- G. Not be included as a match or cost-share unless the specific Federal program authorizes Federal costs to be treated as such.
- H. Be adequately documented:
 - 1. in the case of personal services, the Clerk-Treasurer shall implement a system for City personnel to account for time and efforts expended on grant funded programs to assure that only permissible personnel expenses are allocated;
 - 2. in the case of other costs, all receipts and other invoice materials shall be retained, along with any documentation identifying the need and purpose for such expenditure if not otherwise clear.

Section 3. Selected Items of Cost. The City shall follow the rules for selected items of cost at 2 C.F.R. Part 200, Subpart E when charging these specific expenditures to a Federal grant.

When applicable, City staff shall check costs against the selected items of cost requirements to ensure the cost is allowable. In addition, State, City, and program-specific rules, including the terms and conditions of the award, may deem a cost as unallowable, and City personnel shall follow those rules as well.

Section 4. Cost Compliance. The Clerk-Treasurer shall require that grant program funds are expended and are accounted for consistent with the requirements of the specific program and as identified in the grant application. Compliance monitoring includes accounting for direct or indirect costs and reporting them as permitted or required by each grant.

Section 5. Determining Whether a Cost is Direct or Indirect:

- A. Direct costs are those costs that can be identified specifically with a particular final cost objective, such as a Federal award, or other internally or externally funded activity, or that can be directly assigned to such activities relatively easily with a high degree of accuracy.

These costs may include salaries and fringe benefits of employees working directly on a grant-funded project; purchased services contracted for performance under the grant; travel of employees working directly on a grant-funded project; materials, supplies, and equipment purchased for use on a specific grant; and infrastructure costs directly attributable to the program (such as long-distance telephone calls specific to the program, etc.).

- B. Indirect costs are those that have been incurred for a common or joint purpose benefitting more than one cost objective and are not readily assignable to the cost objectives specifically benefitted without effort disproportionate to the results achieved. Costs incurred for the same purpose in like circumstances shall be treated consistently as either direct or indirect costs.

These costs may include general data processing, human resources, utility costs, maintenance, accounting, etc.

Federal education programs with supplement not supplant provisions must use a restricted indirect cost rate. In a restricted rate, indirect costs are limited to general management costs. General management costs do not include divisional administration that is limited to one component of the City, the City Council,

compensation of the Clerk-Treasurer, compensation of the Mayor, and operation of the immediate offices of these officers.

The salaries of administrative and clerical staff normally should be treated as indirect costs. Direct charging of these costs may be appropriate only if all the following conditions are met:

1. Administrative or clerical services are integral to a project or activity.
2. Individuals involved can be specifically identified with the project or activity.
3. Such costs are explicitly included in the budget or have the prior written approval of the Federal awarding agency.
4. The costs are not also recovered as indirect costs.

Where a Federal program has a specific cap on the percentage of administrative costs that may be charged to a grant, that cap shall include all direct administrative charges as well as any recovered indirect charges.

Effort should be given to identify costs as direct costs whenever practical, but allocation of indirect costs may be used where not prohibited and where indirect cost allocation is approved ahead of time by the Indiana State Board of Accounts or the pass-through entity (Federal funds subject to 2 C.F.R. Part 200 pertaining to determining indirect cost allocation).

Section 6. Timely Obligation of Funds

Obligations are orders placed for property and services, contracts and subawards 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 any federal agency regulations:

If the obligation is for:

- A. Acquisition of property - on the date which the City makes a binding written commitment to acquire the property.
- B. Personal services by an employee of the City - when the services are performed.

- C. Personal services by a contractor who is not an employee of the City - on the date which the City makes a binding written commitment to obtain the services.
- D. Public utility services - when the City receives the services.
- E. Travel - when the travel is taken.
- F. Rental of property - when the City uses the property.
- G. A pre-agreement cost that was properly approved by the Secretary under the cost principles in 2 C.F.R. Part 200, Subpart E - Cost Principles - on the first day of the project period.

Section 7. Period of Performance

All obligations must occur on or between the beginning and ending dates of the grant project. This period of time is known as the period of performance. The period of performance is dictated by statute and will be indicated in the grant award notification ("GAN"). As a general rule, State-administered Federal funds are available for obligation within the year that Congress appropriates the funds for. However, given the unique nature of educational institutions, for many Federal education grants, the period of performance is twenty-seven (27) months. This maximum period includes a fifteen (15) month period of initial availability, plus a twelve (12) month period for carryover. For direct grants, the period of performance is generally identified in the GAN.

In the case of a State-administered grant, obligations under a grant may not be made until the grant funding period begins or all necessary materials are submitted to the granting agency, whichever is later. In the case of a direct grant, obligations may begin when the grant is approved, unless an agreement exists with State Board of Accounts or the pass-through entity to reimburse for pre-approval expenses.

For both State-administered and direct grants, regardless of the period of availability, the City shall liquidate all obligations incurred under the award not later than ninety (90) days after the end of the funding period unless an extension is authorized. Any funds not obligated within the period of performance or liquidated within the appropriate timeframe are said to lapse and shall be returned to the awarding agency. Consequently, the City shall closely monitor grant spending throughout the grant cycle.

Section 8. Validity of this Policy. This Cost Principles for Spending Federal Funds Policy is and shall be valid upon adoption and publication as required by law and shall remain valid indefinitely.

1st Reading 8/1/2023
2nd Reading 8/15/2023

BE IT FURTHER ORDAINED that for purposes of codification on the City of Auburn website at www.ci.auburn.in.us shall add Section 35.31 to CHAPTER 35 FINANCE and it shall incorporate the Ordinance as codified.


PASSED AND ADOPTED by the Common Council of the City of Auburn, Indiana this 15 day of August, 2023.


James Finchum, Council Member

ATTEST:


Patricia M. Miller, Clerk-Treasurer

Presented by me to the Mayor of the City of Auburn on this 15 day of August, 2023.


Patricia M. Miller, Clerk-Treasurer

APPROVED AND SIGNED by me on this 15 day of August, 2023.


Michael D. Ley, Mayor

VOTING:

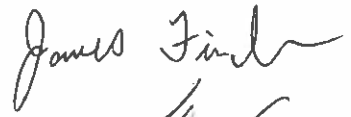
AYE

NAY

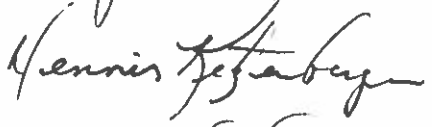
Natalie DeWitt
President



James Finchum



Dennis Ketzenberger



Dennis K Kruse II



Kevin Webb



David G Bundy

Emily Prosser

