

RESOLUTION NO. 1890

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF COLUMBIA FALLS, MONTANA, ADOPTING AN UPDATED PURCHASING POLICY AND PROCEDURES FOR COMPLIANCE WITH FEDERAL, STATE AND LOCAL PROCUREMENT REQUIREMENTS

WHEREAS, the City of Columbia Falls' current Purchasing Policy and Procedures are outdated and incomplete; and

WHEREAS, the City must periodically review the City's procurement policies and procedures to comply with federal, state and local requirements; and

WHEREAS, the City has been awarded significant federal funds and must have a formal adopted policy demonstrating compliance with federal purchasing and procurement provisions.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF COLUMBIA FALLS, MONTANA AS FOLLOWS:

Section One. That the City Purchasing Policy and Procedures attached as Exhibit A is hereby adopted by the City Council.

Section Two. Effective Date. That this Resolution shall become effective immediately upon its passage and approval by the City Council.

PASSED AND ADOPTED BY THE CITY COUNCIL OF COLUMBIA FALLS, MONTANA THIS 17TH DAY OF JANUARY, 2023, THE COUNCIL VOTING AS FOLLOWS:

AYES: Robinson, Shepard, Fisher, Hamilton, Lovering, Piper and Barnhart

NOES: None

ABSENT: None

City Clerk

APPROVED BY THE MAYOR OF COLUMBIA FALLS, MONTANA THIS 17TH DAY OF JANUARY, 2023.

Mayor

ATTEST:

City Clerk

Procurement Procedures with Federal, State and Local Funds

Purpose:

The purpose of this policy is to define the process and procedures used to consistently and equitably apply the procurement laws applicable to municipalities within the State of Montana and to establish guidelines that meet or exceed the procurement requirements for the purchase of goods (apparatus, supplies, materials and equipment), services and construction or repair projects when Federal funds are being used in whole or in part to pay for the cost of the contract.

These procurement policies are designed to maximize the purchasing value of public funds with a fair, open and competitive process serving the community. This policy strives to comply with; MCA Title 7, Chapter 5, Part 43, applicable parts of MCA Title 18, "Public Contracts," and Rule 2.5 of the Administrative Rules of the State of Montana, "State Procurement," as advantageous and applicable to the City of Columbia Falls.

The City of Columbia Falls takes care to ensure compliance with Federal and State laws and City ordinances and policies for all procured expenditures. Vendors and contactors interested in, and capable of, providing supplies, materials, services, vehicles, machinery, equipment appliances, apparatus, construction, repair, and maintenance to the City for its purchase and/or use are to be given a fair opportunity within the parameters of this policy.

Application of Policy:

This policy is applicable to all City departments and entities under the authority of City Council, for all acquisitions of goods and/or services. Departments may impose additional requirements provided they are equal to or more restrictive than the procedures and standards established in this policy and consistent with the purposes of this policy.

Contract Authority:

The authority to enter into contracts for the benefit of City of Columbia Falls, its departments, and its entities is exercised by the City Manager unless otherwise specifically authorized. When authorization is granted, employees must be knowledgeable and follow these policies when agreeing to contracts, provisions and terms and conditions. The City Manager must sign all contracts on behalf of the City.

Administration:

1. The City Manager and Department Directors are responsible for the implementation of this policy within the City and in departments and for establishing procedures that demonstrate and document compliance.
2. The Finance Department shall provide general oversight and assistance to other City departments in the administration of this policy and should be considered a resource for questions and information regarding purchasing and contracting. Legal questions should be referred to the City Attorney's Office.

Federally Funded Projects:

All Federally funded projects, loans, grants, and sub-grants, whether funded in part or wholly, are subject to the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal awards (Uniform Guidance) codified at 2 C.F.R. Part 200 unless otherwise directed in writing by the Federal agency or state pass-through agency that awarded the funds.

This policy applies to contracts for purchases, services, and construction or repair work funded with Federal financial assistance (direct or reimbursed) which includes, but is not limited to, direct grants, USDA grants and loans, CDBG funds, FEMA disaster assistance grants, and the Highway Planning, Research, and Construction Program. The requirements of this Policy also

apply to any sub-recipient of the funds.

Compliance with Federal Law:

All procurement activities involving the expenditure of Federal funds must be conducted in compliance with the Procurement Standards codified in 2 C.F.R. §200.317 through §200-326 unless otherwise directed in writing by the Federal agency or state pass-through agency that awarded the funds. The City of Columbia Falls will follow all applicable local, state, and Federal procurement requirements when expending Federal funds. Should the City of Columbia Falls have more stringent requirements, the most restrictive requirement shall apply so long as it is consistent with state and Federal law.

Sherman Anti-Trust Act:

The City of Columbia Falls and its elected City Council shall be governed by the Sherman Anti-Trust Act in their purchasing practices, except in that the Sherman Anti-Trust Act shall not be applicable if the project is under the direction of the State of Montana.

Contract Award:

When bids are required by law, or otherwise solicited by the City of Columbia Falls, all contracts shall be awarded only to the lowest responsive responsible bidder possessing the ability to perform successfully under the terms and conditions of the contract. Consideration shall be given to contractor integrity, compliance with public policy, record of past performance, and financial and technical resources.

No Evasion:

No contract may be divided to bring the cost under bid thresholds or to evade any requirements under this policy or state and Federal law.

Contract Requirements:

All contracts paid for in whole or in part with Federal funds shall be in writing. The written contract must include or incorporate by reference the provisions required under 2 C.F.R Section § 200.326 and as provided for under 2 C.F.R. Part 200, Appendix II.

Contractor's Conflict of Interest:

Designers, suppliers, and contractors that assist in the development or drafting of specifications, requirements, statements of work, invitation for bids or requests for proposals shall be excluded from competing for such requirements.

Approval and Modification:

The Administrative Procedures contained in the Policy are administrative and may be changed as necessary at the staff level to comply with state and Federal law.

General Procedures:

The Administrative Procedures contained within this policy are administrative and may be changed as necessary at staff level to comply with the Federal Procurement Standards within this Policy. However, any policy changes must be approved by the City Council prior to becoming effective.

Either the Finance Department or the requesting department shall procure all contracts in accordance with the requirements of this Section of the Policy.

General Policy Guidelines:

1. Purchases or contracts shall not be divided into separate projects or expenditures to circumvent the dollar threshold requirements of a more formal purchasing process. The purchase price of an item includes all ancillary charges such as shipping/handling & taxes and may include other items such as installation.

2. Long-term service contracts (lasting 12 months or more) and meeting the dollar threshold requirements shall be subject to a competitive procurement process at least every 5 years unless they qualify for sole sourcing.
3. Maintenance and service contracts related to underlying assets (e.g. software, road maintenance equipment) shall be subject to a competitive procurement process prior to the expiration of the expected useful life of the asset so as to be in place at that time.
4. Awards shall be made to responsive and responsible vendors possessing the ability to perform and/or successfully deliver goods and services under the contract or the terms and conditions of a proposed procurement. Consideration for items that are not determined solely on price shall be given to such characteristics as quality, integrity, compliance with public policy, record of past performance, sustainability financial and technical resources. No awards shall be given to any vendor currently in litigation with the City or debarred by the Federal Government when providing service for a project or service funded by Federal grants or sources. Procurements from vendors using Federal Funds shall be subject to a review of System for Award Management (SAM) to ensure the vendor is not debarred, a record of which shall be documented.
5. No employee shall participate in the award and/or administration of a contract if conflict of interest exists, whether real or perceived. Such a conflict arises when the employee has a special relationship as a related party to a vendor or potential vendor.
6. No employee may solicit or accept gifts in excess of \$25 for each calendar year, or of a substantial economic benefit tantamount to a gift, from a vendor or potential vendors.
7. Detailed receipts and invoices are required for all purchases. Such details ensure that the City and the public can determine EXACTLY what is being paid for, including quantities purchased and/or hours of work provided including any associated rates.
8. Transactions between the City, elected officials, employees and related parties:
 - a. The City of Columbia Falls shall not contract with, or purchase goods or services from employees or employee-owned businesses.
 - b. The City of Columbia Falls shall not contract with, or purchase goods or services from elected officials or elected official-owned businesses.
 - c. The City shall not contract with, or purchase goods or services from an employee's spouse, mother, father, sister, brother, child, step-child, grandparent, adopted child, mother-in-law, father-in-law or one of their owned businesses.
 - d. Exceptions to provisions 8. (a), (b), and (c) as written above, may be approved for special circumstances as deemed appropriate by the City Council **BEFORE** making such a purchase or entering into a contract. Such waivers require a publicly advertised hearing for that specific purpose, along with consideration of the circumstances and factors outlined in MCA § 7-5-4109 (2).
 - e. Provisions for annual review and disclosure of employee-vendor relationships shall be developed by the Finance Department, with disclosures to be documented in a City Clerk's Office file.
9. Use of vendor charge accounts, procurement cards, purchasing cards or credit cards for transactions and accounts may occur when advantageous to the City, especially for small dollar purchases. The City seeks to take advantage of the convenience of using these tools to lower the cost of administering purchases while minimizing finance and transaction costs. Such accounts and cards are issued to minimize employee reimbursements previously made for their out-of-pocket purchases.
 - a. Items charged are subject to all existing purchasing and approval requirements.

- b. Cash advances, purchases of liquor, gambling, adult entertainment and other certain questionable transactions are prohibited. Gift card and/or certain gift purchases for employees are taxable income and are prohibited, except for employee recognition programs coordinated with the City Manager. However, gift cards may be purchased for external (non-employee) individuals or entities as a provision of an established program approved by the City Manager but must be inventoried and their distribution documented noting who received them, when, why and how much.
 - c. Departments making card purchases shall submit properly approved receipts to the Finance Department timely to document the purchases and to avoid finance charges on the card.
 - d. Failure to submit approved receipts timely may result in the revocation of card privileges.
 - e. The City's cards shall be carefully stored until checked out from the Finance Director. Lost or stolen credit cards must be reported to a manager, supervisor and the Finance Department immediately.
 - f. The City's cards shall not be used for an employee's personal purchases. Abuse of card privileges may result in appropriate disciplinary action up to and including termination. When discovered, personal or undocumented transactions failing to justify the business purpose of a transaction will result in a request to provide such documentation from the person responsible for the transaction. If the proper documentation is not provided when requested, a request for reimbursement from the card user to the City will be made. If a reimbursement is not received by the City, the Finance Department will follow Federal Internal Revenue Service guidelines requiring the transaction to become taxable compensation to the card user making the purchase and the value of that purchase will be includable as wages on their W-2.
 - g. The Finance Director is responsible to authorize, to increase or decrease credit limits, block certain purchases and merchants by transaction codes, and issue cards for use by City employees.
10. All technology-related purchases; including, but not limited to, the purchase of computers, servers, telephones, cell phones, personal data devices, printers, both hardware and software, must be approved by the Finance Director PRIOR to purchase. This includes the purchase of technology-related services, such as application hosting or web-site editing.
11. Departments are encouraged to work with all local City of Columbia Falls and Flathead County businesses when competitive.

APPROVAL AUTHORIZATION LEVELS FOR PURCHASING TRANSACTIONS:

<\$10,000

For purchases of goods and services up to \$10,000 any purchasing technique may be used that best meets the needs of a department. It is recommended that departments use prudent purchasing practices and obtain competitive prices when practical. Authority for approval of claims is defined in the "authority to contract" section on page one of this policy.

\$10,001-\$25,000

The department must obtain and document an oral or written quote from a minimum of two vendors if possible to offer a price comparison on the desired item or service according to the specifications established for the purchase (i.e. catalog price lists, online price listings, etc.).

For Federally funded purchases: Up to Micro-purchase threshold as defined in 2 C.F.R. 200.67 (\$10,000 as of 6/21/2018): Shall be procured using the Uniform Guidance “micro-purchase” procedure (2 C.F.R. §200.320(a))

\$25,001-\$80,000

The department must obtain and document a written quote from a minimum of three vendors if possible to offer a price comparison on the desired item or service according to the specifications established for the purchase. See special requirements for thresholds for Public Works Contacts and contracts for engineering, architectural, and land surveying services.

Service Contracts (except for A/E Professional Services) – Federally Funded:

\$10,000 up to \$80,000 (note City of Columbia Falls using more restrictive \$80,000 than the \$90,000 provided for in the Uniform Guidance):

Shall be procured using the Uniform Guidance “small-purchase” procedure (2 C.F.R. §200.320(b))

Procedures are as follows:

- Cost or price analysis is NOT required prior to soliciting bids.
- Obtain **written** price quotes from an adequate number of suppliers or sources (which shall not be less than two (2) quotes).
- Check specific grant as some agencies may require more than two (2) quotes.
- Take affirmative steps to solicit price quotes from M/WBE vendors and suppliers as required under 2 C.F.R. §200.321 by posting on the State’s IPS site and the HUB Site
- Award contract as a Fixed Price. A Not to Exceed basis is permissible for service contracts only where obtaining a fixed price is not feasible.
- Award to lowest responsive, responsible bidder.
- Contract must be in writing (purchase contracts may be in the form of a purchase order; service contracts and construction repair require use of contract template).

Cannot use a cooperative purchasing program as an exception to the bidding

\$80,001+

A contract for the purchase of any automobile, truck, other vehicle, road machinery, other machinery, apparatus, appliances, equipment, or materials or supplies or for construction, repair or maintenance must be awarded to the lowest responsible bidder as determined through the invitation for bid (IFB) process. An IFB is also used for multiple purchases of the same item when it is reasonably expected that the annual amount of such purchases will be greater than \$80,000. A contract for services must be awarded through a request for proposal (RFP) process.

Service Contracts (\$80,000 up to \$250,000) Purchase Contracts (Note: City of Columbia Falls using more restrictive \$80,000 and above) – Federally Funded:

Shall be procured using a combination of the most restrictive requirements of the Uniform Guidance “Sealed Bid” procedure (2 C.F.R. §200.320(c)) and state formal bidding procedures (G.S. 143- 129).

Procedures are as follows:

- Cost or price analysis is required prior to soliciting bids.
 - Complete specifications or purchase description must be available to all bidders.
 - Public Advertisement: (Electronic Advertising is authorized).
 - Legal notice must reserve to the governing board the right to reject any or all bids only for “sound documented reasons.”
 - Take affirmative steps to solicit price quotes from M/WBE vendors and suppliers as required under 2 C.F.R. § 200.321 by posting on the State’s IPS site and the HUB site.
 - Solicit from adequate number of known suppliers.
 - Bids must be submitted sealed.
 - Public Bid Opening.
 - Must have two (2) sealed bids submitted.
 - Bids may only be rejected for “sound *documented* reasons”.
- Award contract as a fixed price. A Not to Exceed basis is permissible for *service contracts only* where obtaining a fixed price is not feasible.
- Award to lowest, responsive, responsible bidder.
 - Contract must be in writing (purchase contracts may be in the form of a purchase order; service contracts and construction repair require use of contract template).

Cannot use a cooperative purchasing program as an exception to the bidding requirements.

Quote Requirements: For Purchases up to \$80,000 in addition to the description of the goods or services desired, vendors should be provided with other relevant information, including but not limited to: compatibility with other City equipment; date the supplies, services, materials and/or, equipment must be delivered or be available for City use; anticipated duration of the need for the services requested; and any selection criteria, including relative importance, to be used in addition to price. The vendor is selected using the criteria stated in these limited solicitations.

The dollar range for use of a limited solicitation applies to the initial contract term and any possible renewal periods. It also includes all ancillary charges such as shipping/handling & taxes.

Procurements shall not be artificially divided or sequenced to avoid using the other methods.

A City department should document the solicitation process by maintaining a file which should include: the oral or written solicitation, a summary listing of the vendor responses, and a complete copy of the vendor response selected. Responses shall be available for public inspection or telephone inquiry. If the required numbers of vendors are not available, an explanation must be provided. Any solicitation received from a related party must be documented and disclosed.

Except for new or used vehicles, departments may participate in electronic online auctions for limited solicitations under the following conditions: (Per ARM 2.5.603)

1. Two quotes must first be obtained from viable sources and the lowest of the two quotes must be the amount that the auction price may not exceed; and
2. Terms of the participation in the auction must comply with state law; and
3. The auction price must include all fees associated with participating in the auction including shipping and handling; and
4. The terms of the purchase must include a right to return.

Requirements for a Sealed Bid:

The requesting department develops a “sealed” invitation to bid package.

1. An invitation for bid shall include the following:
2. Instructions and information to bidders concerning the bid submission requirements, including the time and date established for bid opening, the address of the office to which bids are to be delivered, and any other special information; and
3. The purchase description including required specifications, delivery or performance schedule, and any inspection and acceptance requirements not included in the purchase description; and
4. The contract terms and conditions, including warranty and bonding or other security requirements, as applicable.
5. The invitation for bid may incorporate documents by reference if the invitation for bid specifies where such documents can be obtained.
6. The City Clerk must cause the advertisement to bid to be published as provided in § 7-1-4127, MCA. The second publication must be made not less than 5 days or more than 12 days before consideration of the bids. The advertisement to bid must include, at a minimum, a description of the procurement sought, the date/time/place of the opening of bids, and contact information for the City employee or professional consultant who can provide further information. If bid security is required, the advertisement must include the information set forth in § 18-1-202, MCA.
7. Where a brand name specification is used in a solicitation, the solicitation shall contain explanatory language that the use of a brand name is for the purpose of describing the standard of quality, performance, and characteristics desired, and are not intended to limit or restrict competition. (When bidding an “or equal” product, the burden of persuasion is on the bidder.) The department head is given the responsibility and judgment for making a final determination on whether a proposed substitution is equal to the brand name specified. All specifications shall promote overall economy for the purposes intended and encourage competition in satisfying the City’s needs and may not be unduly restrictive.
8. All bids will be time-stamped and stored in a secure place until the time and date set for bid opening. In order to be considered timely, a complete bid response must be delivered according to the specified submittal method, to the specified destination and by the specified time.
9. Bids must be opened publicly by the official appointed by the City, usually the City Clerk, at the date and time designated in the invitation for bid. The amount of each bid together with the name of each bidder must be recorded and entered into the record. Each bidder and any member of the public has the right to be present, either in person, or remotely if appropriate, or by an agent, when the bids are opened and has the right to examine and inspect all bids after they are opened and reviewed by the designated person for release, subject to the same limitations specified in Montana Code Annotated in §18-4-304 (4) for competitive sealed proposals.
10. The bid is awarded to the lowest responsive and responsible bidder in accordance with the specifications set forth in the invitation to bid.
11. Nothing in this policy shall be deemed to permit contract award to a bidder submitting a higher quality item than that designated in the invitation for bid if such bidder is not also the lowest bidder.
12. Multiple award contracts are allowable if determined to be in the best interest of the City.

Bid awards will be made by the City Council pursuant to a recommendation by City personnel and, as applicable, the professional project consultant. After the bid has been opened, all bids and bid documents must be open to public inspection. The amount of each bid, name of each bidder and any other relevant information will be included in the City’s minutes of the bid opening which is also open to public inspection.

Request For Proposal (RFP)

An RFP is used for procurement of goods (other than those for which an IFB is required) and services greater than \$80,000. It may be required that a selection committee be used to consider

complex or high dollar RFPs. When not required, a selection committee is recommended. The award is made to the responsive and responsible responder or responders whose proposal obtains the highest score according to the stated evaluation criteria. No other criteria may be used.

Request for Qualifications (RFQ):

A request for qualifications process is used to acquire certain **professional services** greater than \$80,000. A lower threshold of \$50,000 applies to architectural, engineering, or land surveying services (MCA 18-8-Part 212). A provider of professional services is selected based on demonstrated competence and qualifications for the type of services desired at a fair and reasonable price.

Bid and contract performance security:

For City contracts for the procurement of services, goods, property or supplies, the City may at its discretion require a bid security, performance security or both. Requirements should be discussed with the City Attorney's Office prior to the invitation for bid.

Bid Security: If bid security is required in response to an invitation for bid, it must be advertised and provided in accordance with MCA 18-1-201 through 206. Specifically:

1. Each bidder must provide a bid bond or other security in the amount of 10% of the bid price to protect and indemnify the City against the failure or refusal of the bidder to enter into the contract, if awarded.
2. The bond or other security is subject to forfeit if the bidder fails to enter into a contract within 30 days of bid acceptance by the City Council.
3. The bid bond or other security must be in the form specified in MCA 18-1-203 and payable to the City. Although other forms of security are allowed, the most common forms are cashier's check or bond executed by a surety corporation.
4. Bid security is returned to bidders whose bids are not accepted.

Performance Security:

In accordance with MCA 18-2-201 all construction contractors shall execute a bond to secure performance of the contract and payment of workers, subcontractors, and suppliers. MCA 18-2-201(4) allows the bond requirement to be waived for contracts less than \$50,000. Requirements for contract performance security are determined on a case-by-case basis in conjunction with the City Attorney's Office where allowable.

Public Works Contracts: In addition to the requirements listed above, all public works bid specifications and contracts for construction and non-construction services greater than \$25,000 are subject to prevailing wage requirements set forth in Title 18, Part 4. MCA.

RFP Evaluations and Best and Final Offers: RFP evaluation committee members will be selected by the City Council, Department Director and City Manager.

1. Committee members shall score each proposal individually and independently. However, non-biased group discussions are encouraged to discuss technical views to arrive at a better understanding of technical proposals during the evaluation process. The results of the scoring by the Evaluation Committee shall be totaled to determine the overall highest rated proposal. Any and all proposal owners determined to be within the competitive range may be given an opportunity to interview.
2. The Evaluation Committee shall determine which proposals' scores are in the competitive range for the purpose of conducting written or oral discussions/interviews. The competitive range shall be determined on the basis of criteria stated in the RFP.

3. The determination shall include all proposals that have a reasonable chance of being selected for award. When there is doubt as to whether a proposal is in fact within the competitive range, the proposal shall be included.
4. If a contract award cannot be made on initial offers as submitted, the evaluation committee may request written clarifications or interviews with all responsible proposal owners within the competitive range. The following guidelines may be used:
 - a. Attempt to resolve or clarify any uncertainties concerning their proposal.
 - b. Resolve any suspected mistakes
 - c. Provide the offeror a reasonable opportunity to discuss past performance information obtained from references. Names of individuals providing references shall not be disclosed.
 - d. The purpose of discussions is not to help an offeror owner to bring a proposal up to the level of others.
5. Auction techniques shall not be used. It is permissible to inform an offeror that the proposed prices exceed the budget for the project.
6. Upon completion of discussions, the Evaluation Committee may issue to all offerors still within the competitive range a request for Best and Final Offers. Best and Final offers shall be requested in writing. The request shall include:
 - a. Notice that discussions are concluded.
 - b. Notice that this is an opportunity to submit a best and final offer.
 - c. A due date for submission of the Best and Final Offer.
7. After receipt and analysis of Best and Final Offers, the Evaluation Committee shall recommend to the City Manager which offeror is most advantageous to the City, considering price and the other factors included in the RFP.

Note: Proposal owners should be reminded that Best and Final Offers are not mandatory. They are only an opportunity to clarify, if necessary. The City will assume that Offerors who do not submit a Best and Final Offer have proposed their Best and Final Offer in their original submittal.
8. If the decision by the City Manager is in agreement with the Evaluation Committee then the City will proceed within the purchasing threshold requirements.
9. When the decision of the City Manager deviates from that of the evaluation committee's recommendation the reasoning for such deviation shall be formally documented by the City Manager and included in the purchasing file. When the deviation involves contracts greater than \$80,000 the documentation shall be forwarded to City the City Council for final review and approval.

Purchase of Used Equipment:

Purchase of used equipment is allowable if in the best interest of the City. The contract will be made by identifying the requirements and proceeding with the competitive bidding or proposal process as may be applicable. (ARM 2.5.601) Criteria to consider in making this determination include:

1. Consideration of the type, use, and life expectancy of new versus used equipment;
2. Comparing the purchase price of new and used equipment;
3. Comparing the price and general condition of used equipment among several vendors;
4. Consideration of the freight charges and FOB point;
5. Investigation of manufacturer or brand and availability of warranty, maintenance, and parts; and
6. Clarification of payment terms.

Criteria Specific to Federally Funded Projects:

Service Contracts (except for A/E Professional Services)

\$250,000 and above

Shall be procured using the Uniform Guidance “competitive proposal” procedure (2 C.F.R. § 200.320(d)) when the “sealed bid” procedure is not appropriate for the particular type of service being sought.

Note: RFP's (Competitive Proposals) can only be used when conditions are not appropriate for the use of sealed bids such as service contracts. This can be used for all types of contracts \$150,000 and over.

Procedures are as follows for *competitive proposal* method:

- Publicly advertised.
- Formal advertisement in a newspaper is not required so long as the method of advertisement will solicit proposals from an “adequate number” of qualified firms.
- Solicit from adequate number of qualified firms.
- Take affirmative steps to solicit price quotes from M/WBE vendors and suppliers as provided under 2 C.F.R. § 200.321 by posting on the State’s IPS site and the HUB site.
- Identify evaluation criteria and relative importance of each criterion (criteria weight) in the RFP.
- All responses must be considered to the maximum extent practical.
- Must have a written method for conducting technical evaluations of proposals and selecting the winning firm.
- Award the contract to the responsible firm with most advantageous proposal considering price and other factors identified in the RFP.
- Governing board approval is required per local policy.
- Award the contract on a fixed-price or cost-reimbursement basis
- Must have written contract with Federal contract provisions included.

Cannot use a cooperative purchasing program as an exception to the bidding
Do NOT have to re-advertise if only one response is received.

Construction/Repair/Facility Improvement/Renovation

\$10,000 up to \$250,000:

Shall be procured using the Uniform Guidance “small purchase” procedure (2 C.F.R. § 200.320(b))

Procedures are as follows:

- Cost or price analysis is not required prior to soliciting bids, although price estimates may be provided by the project designer.
- Take affirmative steps to solicit price quotes from M/WBE vendors and suppliers as required under 2 C.F.R. § 200.321 by posting on the State’s IPS site and HUB.
- Obtain written price quotes from an adequate number of suppliers or sources (typically means two (2) however, verify with granting agency).
- Award Contract on a fixed-price or not to exceed basis.
- Award to lowest responsive, responsible bidder.
- Governing Board approval is required.
- Must have written contract with Federal contract provisions included.

Construction/Repair/Facility Improvement/Renovation

\$250,000 up to \$500,000:

Shall be procured using the Uniform Guidance “sealed bid” procedure (2 C.F.R. § 200.320(c))

Procedures are as follows:

- Cost or price analysis is required prior to soliciting bids (this cost estimate may be provided by the project designer).
- Complete specifications must be made available to all bidders.
- Public Advertisement: Advertise the bid solicitation for a period of time sufficient to give bidders notice of opportunity to submit bids (formal advertisement in a newspaper is not required so long as other means of advertising will provide sufficient notice of the opportunity to bid). The advertisement must state the date, time, and location of the public bid opening, and indicate where specifications may be obtained.
- Solicit from adequate number of known suppliers.
- Take affirmative steps to solicit price quotes from M/WBE vendors and suppliers as required under 2 C.F.R. § 200.321 by posting on the State's IPS site and the HUB site.
- Bids must be submitted sealed.

Public Bid Opening

- Must have two (2) sealed bids submitted prior to opening.
- 5% Bid Bond (a bid that does not contain a bid bond cannot be counted toward the two (2) bid requirement).
- Performance and Payment Bonds for 100% of contract price.
- Bids may only be rejected for "sound *documented* reasons".
- Contract awarded on firm-fixed price basis.
- Award to lowest responsive, responsible bidder.
- Must have written contract with Federal contract provisions included.
- Governing Board approval is required.
- If less than two bids are received, re-advertisement is necessary. If upon re-advertisement only one bid is received, the bid can be accepted and opened.

*** Building Projects over \$300,000**

Note: Construction or repair contracts involving a building \$300,000 and above must also include:

Formal HUB (historically underutilized business) participation required under G.S. 143-128.2, including local government outreach efforts and bidder good faith efforts shall apply.

Separate specifications shall be drawn for the HVAC, electrical, plumbing, and general construction work as required under G.S. 143-128(a).

The project shall be bid using a statutorily authorized bidding method (separate-prime, single-prime, or dual bidding) as required under G.S. 143-129(a1).

Specific Procurement Procedures - Continued Construction/Repair/Facility Improvement/Renovation

\$500,000 and above:

Shall be procured using a combination of the most restrictive requirements of the Uniform Guidance

"Sealed bid" procedure (2 C.F.R. § 200.320(c)) and state formal bidding procedures (G.S. 143-129)

Procedures are as follows:

- Cost or price analysis is required prior to soliciting bids (this cost estimate may be provided by the project designer).
- Complete specifications must be made available to all bidders.
- Separate specifications shall be drawn for the HVAC, electrical, plumbing, and general construction work as required under G.S. 143-128(a).
- The project shall be bid using a statutorily authorized bidding method (separate-prime, single-prime, or dual bidding) as required under G.S. 143-129(a1).

- Public Advertisement: (Electronic Advertising is authorized).
- Legal notice must reserve to the governing board the right to reject any or all bids only for “sound documented reasons.”
- Solicit from adequate number of known suppliers.
- Take affirmative steps to solicit price quotes from M/WBE vendors and suppliers as required under 2 C.F.R. § 200.321 by posting on the State’s IPS site and HUB.
- Good Faith MBE Requirements/Affidavits must be submitted.
- Bids must be submitted sealed and in paper form.

Public Bid Opening

- Must have three (3) sealed bids submitted before opening.
- 5% Bid Bond (a bid that does not contain a bid bond cannot be counted toward the three (3) bid requirement).
- Performance and Payment Bonds for 100% of contract price.
- Bids can only be rejected for “sound *documented* reasons”.
- Contract awarded on firm-fixed Price basis.
- Award to lowest, responsive, responsible bidder.
- Must have written contract with Federal contract provisions included.
- Governing Board approval is required (cannot be delegated).
- Governing board may reject and all bids only for “sound documented reasons.”

If less than three bids are received, re-advertisement is necessary. If upon re- advertisement less than three bids are received, bid(s) can be accepted and opened.

Only Professional Services with fees under \$10,000 may be exempt using the exemption process as authorized under 143-64.32.

Under \$250,000

Shall be procured using the state “Mini-Brooks Act” requirements (G.S. 143-64.31)

Procedures are as follows:

- Issue a Request for Qualifications (RFQ) to solicit qualifications from qualified firms.
- Advertisement: Solicit only - Newspaper is not required.
- Price (other than unit cost) shall not be solicited in the RFQ.
- Take affirmative steps to solicit price quotes from M/WBE vendors and suppliers as provided for under 2 C.F.R. § 200.321 by posting on the State’s IPS site and HUB.
- Evaluate the qualifications of respondents based on the evaluation criteria developed by the Finance Department and/or requesting department. State licensure requirements apply
- Rank respondents based on qualifications and select the best qualified firm.
- Price cannot be a factor in the evaluation.
- Preference may be given to in-state (but not local) firms.
- Negotiate fair and reasonable compensation with the best qualified firm. If negotiations are not successfully, repeat negotiations with the second-best qualified firm.
- Award the contract to best qualified firm with whom fair and reasonable compensation has been successfully negotiated.
- Must be a fixed price or not to exceed contract type for services
- Governing board approval is required.
- Must have written contract with Federal contract provisions included

Do NOT have to re-advertise if only one response is received.

\$250,000 and over

Shall be procured using the Uniform Guidance “**competitive proposal**” procedure (2 C.F.R. § 200.320(d)(5))

Procedures are as follows:

- Issue a Request for Qualifications (RFQ) to solicit qualifications from qualified firms
- Advertisement: Solicit only - Newspaper is not required).
- Price (other than unit cost) shall not be solicited in the RFQ.
- Take affirmative steps to solicit price quotes from M/WBE vendors and suppliers as provided for under 2 C.F.R. § 200.321 by posting on the State's IPS site and HUB site.
- Identify the evaluation criteria and relative importance of each criteria (the criteria weight) in the RFQ.
- Proposals must be solicited from an "adequate number of qualified sources" (an individual Federal grantor agency may issue guidance interpreting "adequate number").
- Must have a written method for conducting technical evaluations of proposals and selecting the best qualified firm.
- Consider all responses to the publicized RFQ to the maximum extent practical.
- Evaluate qualifications of respondents based on the evaluation criteria developed by the Finance Department and/or requesting department.
- Rank respondents based on qualifications and select the most qualified firm.
- Preference may be given to in-state (but not local) firms provided that granting the preference leaves an appropriate number of qualified firms to compete for the contract given the nature and size of the project.
- Price cannot be a factor in the initial selection of the most qualified firm.
- Negotiate fair and reasonable compensation with the best qualified firm. If negotiations are not successful, repeat negotiations with the second-best qualified firm.
- Award the contract to best qualified firm with whom fair and reasonable compensation has been successfully negotiated.
- State licensure requirements apply
- Must be a fixed price or not to exceed contract type for services
- Governing board approval is required.
- Must have written contract with Federal contract provisions included

Note 1: Geographic preference can be given (in-state) as long as there is an appropriate number of qualified firms given the size of the project.

Note 2: RFQ process cannot be used for general consulting services or other services not defined by state law or PDAT Supplement, Section V-15 even if those services can be performed by an architectural or engineering firm.

Exceptions

Non-competitive contracts are allowed **only** under the following conditions and with the written approval of the Federal agency or state pass-through agency that awarded the Federal funds:

Sole Source. A contract may be awarded without competitive bidding when the item is available from only one source. The Finance Department and/or requesting department shall document the justification for and lack of available competition for the item. A sole source contract must be approved by the governing board.

Public Exigency. A contract may be awarded without competitive bidding when there is a public exigency. A public exigency exists when there is an imminent or actual threat to public health, safety, and welfare, and the need for the item will not permit the delay resulting from a competitive bidding. **A cost analysis is still required.**

Inadequate Competition. A contract may be awarded without competitive bidding when competition is determined to be inadequate after attempts to solicit bids from a number of

sources as required under this Policy does not result in a qualified winning bidder.

Federal Contract. A contract may be awarded without competitive bidding when the purchase is made from a federal contract available on the U.S. General Services Administration schedules of contracts.

Awarding Agency Approval. A contract may be awarded without competitive bidding with the express written authorization of the Federal agency or state pass-through agency that awarded the Federal funds so long as awarding the contract without competition is consistent with state law.

Conflict of Interest: Use of Federal Funds

Purpose

The purpose of this policy is to establish conflicts of interest guidelines that meet or exceed the requirements under state law and local policy when procuring goods (apparatus, supplies, materials, and equipment), services, and construction or repair projects paid for in part or whole by Federal funds and required under 2 C.F.R. § 200.318(c)(1).

Policy

This policy applies when procuring goods (apparatus, supplies, materials, and equipment), services, and construction or repair projects funded in part or whole with Federal financial assistance (direct or reimbursed). This policy also applies to any sub-recipient of the funds.

The employee responsible for managing the Federal financial assistance award shall review the notice of award to identify any additional conflicts of interest prohibitions or requirements associated with the award, and shall notify all employees, officers, and agents, including sub-recipients, of the requirements of this policy and any additional prohibitions or requirements.

Conflicts of Interest. In addition to the prohibition against self-benefiting from a public contract under G.S. 14-234, no officer, employee, or agent of the City of Columbia Falls may participate in the selection, award, or administration of a contract supported by a federal award if he or she has a real or apparent conflict of interest. A real or apparent conflict exists when any of the following parties has a financial or other interest in or receives a tangible personal benefit from a firm considered for award of a contract:

- The employee, officer, or agent,
- Any member of his or her immediate family,
- His or her partner, or
- An organization which employs or is about to employ any of these parties.

Any officer, employee, or agent with an actual, apparent, or potential conflict of interest as defined in this policy shall report the conflict to his or her immediate supervisor. Any such conflict shall be disclosed in writing to the Federal award agency or pass-through entity in accordance with applicable Federal awarding agency policy.

Gifts. In addition to the prohibition against accepting gifts and favors from vendors and contractors under G.S. 133-32, officers, employees, and agents of the City of Columbia Falls are prohibited from accepting or soliciting gifts, gratuities, favors, or anything of monetary value from contractors, suppliers, or parties to subcontracts. Items of nominal value such as promotional items, honorariums for participation in meetings, and meals furnished at banquets may be accepted. Any officer, employee or agent who knowingly accepts an item of nominal

value shall report the item to his or her immediate supervisor.

Provisions Included in all Contracts for Federally Funded Projects:

It is the policy of the City of Columbia Falls to include all of the following provisions, as applicable, in all contracts with vendors and sub-grants to grantees.

1. **Equal Employment Opportunity:** All contracts shall contain a provision requiring compliance with E.O. 11246, "Equal Employment Opportunity," as amended by E.O. 11375, "Amending Executive Order 11246 Relating to Equal Employment Opportunity," and as supplemented by regulations at 41 CFR part 60, "Office of Federal Contract Compliance Programs, Equal Employment Opportunity, Department of Labor."
2. **Copeland "Anti-Kickback" Act (18 U.S.C. 874 and 40 U.S.C. 276c):** All contracts and sub-grants in excess of \$2,000 for construction or repair awarded by the City of Columbia Falls and its sub recipients shall contain a provision for compliance with the Copeland "Anti-Kickback" Act (18 U.S.C. 874), as supplemented by Department of Labor regulations 29 CFR part 3, "Contractors and Subcontractors on Public Building or Public Work Financed in Whole or in Part by Loans or Grants from the United States." This Act provides that each contractor or sub- recipient shall be prohibited from inducing, by any means, any person employed in the construction, completion, or repair of public work, to give up any part of the compensation to which he or she is otherwise entitled. It is the policy of the City of Columbia Falls to report all suspected or reported violations to the Federal -awarding agency.
3. **Davis-Bacon Act, as amended (40 U.S.C. 276a to a-7):** If included in the Federal agency's grant program legislation, all construction contracts of more than \$2,000 awarded by the City of Columbia Falls and its sub-recipients shall include a provision for compliance with the Davis- Bacon Act (40 U.S.C. 276a to a-7) and as supplemented by Department of Labor regulations (29 CFR part 5, "Labor Standards Provisions Applicable to Contracts Governing Federal Financed and Assisted Construction"). Under this Act, contractors are required to pay wages to laborers and mechanics at a rate not less than the minimum wages specified in a wage determination made by the Secretary of Labor. In addition, contractors shall be required to pay wages not less than once a week. It is the policy of the City of Columbia Falls to place a copy of the current prevailing wage determination issued by the Department of Labor in each solicitation and the award of a contract shall be conditioned upon the acceptance of the wage determination. The City of Columbia Falls shall also obtain reports from contractors on a weekly basis in order to monitor compliance with the Davis-Bacon Act. The City of Columbia Falls shall report all suspected or reported violations to the Federal -awarding agency.
4. **Contract Work Hours and Safety Standards Act (40 U.S.C. 327-333):** [Where applicable] All contracts awarded by the City of Columbia Falls in excess of \$2,000 for construction contracts and in excess of \$2,500 for other contracts that involve the employment of mechanics or laborers shall include a provision for compliance with Sections 102 and 107 of the Contract Works Hours and Safety Standards Act (40 U.S.C. 327-333), as supplemented by Department of Labor regulations (29 CFR part 5). Under Section 102 of the Act, each contractor is required to compute wages of every mechanic and laborer on the basis of a standard workweek of 40 hours. Work in excess of the standard workweek is permissible provided that the worker is compensated at a rate of not less than 1-1/2 times the basic rate of pay for all hours worked in excess of 40 hours in the workweek. Section 107 of the Act is applicable to construction work and provides that no laborer or mechanic shall be required to work in surroundings or under working conditions that are unsanitary, hazardous, or dangerous. These requirements do not apply to the purchases of supplies or materials or articles ordinarily available on the open market, or contracts for transportation or transmission of intelligence.
5. **Rights to Inventions Made Under a Contract or Agreement:** Contracts or agreements for the performance of experimental, developmental, or research work shall provide for the rights of the Federal Government and the City of Columbia Falls in any resulting invention in accordance with 37 CFR part 401, "Rights to Inventions Made by Nonprofit Organizations and Small Business Firms Under Government Grants, Contracts and Cooperative Agreements," and any implementing regulations issued by the awarding agency.

6. **Clean Air Act (42 U.S.C. 7401 et seq.) and the Federal Water Pollution Control Act (33 U.S.C. 1251 et seq.), as amended:** Contracts and sub grants of amounts in excess of \$100,000 shall contain a provision that requires the recipient to agree to comply with all applicable standards, orders or regulations issued pursuant to the Clean Air Act (42 U.S.C. 7401 et seq.) and the Federal Water Pollution Control Act, as amended (33 U.S.C. 1251 et seq.). Violations shall be reported to the Federal awarding agency and the Regional Office of the Environmental Protection Agency (EPA).

7. **Byrd Anti-Lobbying Amendment (31 U.S.C. 1352):** For all contracts or sub- grants of \$100,000 or more, the City of Columbia Falls shall obtain from the contractor or sub-grantee a certification that it will not and has not used Federal appropriated funds to pay any person or organization for influencing or attempting to influence an officer or employee of any agency, a member of Congress, officer or employee of Congress, or an employee of a member of Congress in connection with obtaining any Federal contract, grant or any other award covered by 31 U.S.C. 1352. Likewise, since each tier provides such certifications to the tier above it, the City of Columbia Falls shall provide such certifications in all situations in which it acts as a sub-recipient of a sub-grant of \$100,000 or more.

8. **Debarment and Suspension (E.O.s 12549 and 12689):** For all contracts in excess of the small purchase threshold fixed at 41 U.S.C. 403(11) (currently \$100,000), the City of Columbia Falls shall obtain from the contractor a certification that neither the contractor nor any of its principal employees are listed on the General Services Administration's List of Parties Excluded from Federal Procurement or Non-procurement Programs.

9. **Remedies:** All contracts in excess of the small purchase threshold fixed at 41 U.S.C. 403(11) (currently \$100,000) shall contain contractual provisions or conditions that allow for administrative, contractual, or legal remedies in instances where a contractor violates/ breaches the contract terms.

10. **Termination:** All contracts in excess of the small purchase threshold fixed at 41 U.S.C. 403(11) (currently \$100,000) shall contain suitable provisions for termination by the City of Columbia Falls, including the manner by which termination shall be affected and the basis for settlement. In addition, such contracts shall describe the conditions under which the contract may be terminated for default as well as conditions where the contract may be terminated due to circumstances beyond the control of the contractor.

Close Out of Federal Awards

The City of Columbia Falls shall follow the close out procedures described in OMB Circular A-110 and in the grant agreements as specified by the granting agency. The City of Columbia Falls and all sub-recipients shall liquidate all obligations incurred under the grant or contract within 90 days of the end of the grant or contract agreement.

Making of Sub awards

From time to time, the City of Columbia Falls may find it practical to make sub-awards of Federal funds to other organizations. All sub-awards in excess of \$5,000 shall be subject to the same procurement policies described in the preceding section. In addition, all sub-recipients must be approved in writing by the Federal awarding agency and agree to the sub-recipient monitoring provisions described in the next section.

Prior to entering into such sub-award agreement, the City Manager, or designee, shall perform the due-diligence necessary to gain assurance that the potential sub-recipient has adequate policies and procedures in place to provide reasonable assurance that it is capable complying with all applicable laws, regulations, and award provisions. In addition, the City of Columbia Falls shall obtain the following documents from all its sub-recipients, as applicable and available:

1. Articles of incorporation
2. By-laws or other governing documents
3. Determination letter from the IRS (recognizing the sub-recipient as exempt from income taxes under IRC section 501(c)(3))
4. Last 3 years' Forms 990 or 990-EZ, including all supporting schedules and attachments (also Form 990-T, if applicable)

5. Copies of the last 3 years' audit reports and management letters received from sub-recipient's independent auditor (including all reports associated with audits performed in accordance with OMB Circular A-133, if applicable)
6. Copy of the most recent internally prepared financial statement and current budget
7. Copies of any reports of government agencies (Inspector General, state, or local government auditors, etc.) resulting from audits, examinations or monitoring procedures.

Monitoring of Sub recipients

When the City of Columbia Falls utilizes Federal funds to make sub-awards to sub-recipients, the City of Columbia Falls is subject to a requirement to monitor each sub-recipient in order to provide reasonable assurance that sub-recipients are complying, in all material respects, with laws, regulations, and award provisions applicable to the program. In fulfillment of its obligation to monitor sub-recipients, the following policies apply to all sub-awards of Federal funds made by the City of Columbia Falls to sub-recipients:

1. Sub-award agreements shall include all information necessary to identify the funds as Federal funding. This information shall include:
 - a. The applicable Catalog of Federal Domestic Assistance (CFDA) title and number
 - b. Award name
 - c. Name of Federal agency
 - d. Amount of award
2. Sub-award agreements shall identify scope of work to be completed and budget
3. Sub-awards shall include a listing of all applicable Federal requirements that each sub-recipient must follow, including all applicable audit requirements (including the requirement to obtain an audit in accordance with OMB Circular A-133) if the sub-recipient meets the criteria for having to undergo such an audit.
4. Sub-awards shall require that sub-recipient employees responsible for program compliance obtain appropriate training in current grant administrative and program compliance requirements.
5. Sub-awards shall require that sub-recipients submit financial and program reports to the City of Columbia Falls on a basis no less frequently than quarterly or as otherwise required by the grant stipulations.
6. The City of Columbia Falls will follow up with all sub-recipients to determine whether all required audits have been completed. The City of Columbia Falls will cease all funding of sub-recipients failing to meet the appropriate audit requirements. The City of Columbia Falls shall obtain and review the resulting audit reports for possible effects on the City of Columbia Falls accounting records or audit.
7. The City Manager, or designee, shall be responsible for monitoring each sub-recipient on an ongoing basis, during the period of performance. The City Manager will establish and document, based on her/his understanding of the requirements that have been delegated to the sub-recipient, a system for the ongoing monitoring of the sub-recipient.
8. Ongoing monitoring of sub-recipients by the City of Columbia Falls will inherently vary from sub-recipient to sub-recipient, based on the nature of work assigned to each sub-recipient. However, ongoing monitoring activities may involve any or all of the following:
 - a. Regular contacts with sub-recipients and appropriate inquiries regarding the program.
 - b. Reviewing programmatic and financial reports prepared and submitted by the sub-recipient and following up on areas of concern.
 - c. Monitoring sub-recipient budgets.
 - d. Performing site visits to the sub-recipient to review financial and programmatic records and assess compliance with applicable laws, regulations, and provisions of the sub-award.
 - e. Offering sub-recipients technical assistance where needed.
 - f. Maintaining a system to track and follow up on deficiencies noted at the sub-recipient in order to assure that appropriate corrective action is taken.
 - g. Establishing and maintaining a tracking system to assure timely submission of all reports required of the sub-recipient.

9. Documentation shall be maintained in support of all efforts associated with the City of Columbia Falls' monitoring of sub-recipients.

Equipment and Furniture Purchased with Federal Funds

The City of Columbia Falls may occasionally purchase equipment and furniture that will be used exclusively on a program funded by a federal agency. In addition to those policies on Asset Management described earlier, equipment and furniture charged to Federal awards will be subject to certain additional policies as described below.

For purposes of Federal award accounting and administration, "equipment" shall include all assets with a unit cost equal to \$5,000 or more. Purchases of "equipment" with Federal funds shall be approved in advance in writing by the Federal awarding agency, if so, required under the terms of the award. In addition, the following policies shall apply regarding equipment purchased and charged to Federal awards:

1. Any equipment that is owned by the Federal government and given to the City of Columbia Falls for use in a program shall be marked as such.
2. Adequate insurance coverage will be maintained with respect to equipment and furniture charged to Federal awards.
3. For equipment (or residual inventories of supplies) with a remaining per unit fair market value of \$5,000 or less at the conclusion of the award, the City of Columbia Falls shall retain the equipment or supplies without any requirement for notifying the Federal agency. If the remaining per unit fair market value is \$5,000 or more, the City of Columbia Falls shall gain a written understanding with the Federal agency regarding disposition of the equipment. This understanding may involve returning the equipment to the Federal agency, keeping the equipment, and compensating the Federal agency, or selling the equipment and remitting the proceeds, less allowable selling costs, to the Federal agency.
4. The City Manager shall determine whether a specific award with a Federal agency includes additional equipment requirements or thresholds and requirements that differ from those described above.
5. A physical inventory of all equipment purchased with Federal funds shall be performed at least once every two years. The results of the physical inventory shall be reconciled to the accounting records of, and Federal reports filed as required by the grant agreement by the City of Columbia Falls.

Standards for Financial Management Systems

In accordance with OMB Circular A-110, it is the policy of the City of Columbia Falls to maintain a financial management system that provides for the following:

1. Accurate, current, and complete disclosure of the financial results of each Federally-sponsored project or program in accordance with the reporting requirements of Circular A-110 and/or the award.
2. Records that identify adequately the source and application of funds for Federally sponsored activities. These records shall contain information pertaining to Federal awards, authorizations, obligations, un-obligated balances, assets, outlays, income, and interest.
3. Effective control over and accountability for all funds, property, and other assets. The City of Columbia Falls shall adequately safeguard all such assets and assure they are used solely for authorized purposes.
4. Comparison of outlays with budget amounts for each award. Whenever possible, financial information shall be related to performance and unit cost data.
5. Written procedures to minimize the time elapsing between the transfer of funds to the City of Columbia Falls from the U.S. Treasury and the issuance or redemption of checks, warrants or payments by other means for program purposes by the recipient.
6. Written procedures for determining the reasonableness, allocability and allowability of costs in accordance with the provisions of the applicable Federal cost principles and the terms and conditions of the award.
7. Accounting records including cost accounting records that are supported by source documentation.

Budget and Program Revisions

It is the policy of the City of Columbia Falls to request prior approval from Federal awarding agencies for any program or budget revisions as may be outlined in the agreement with the awarding agency.

Such revisions requiring such prior approval include:

1. Change in the scope or objective of the project or program, even if there is no associated budget revision requiring prior written approval.
2. Change in a key person (project director, etc.) specified in the application or award document.
3. The need for additional Federal funding.
4. The inclusion, unless waived by the Federal awarding agency, of costs that require prior approval in accordance with OMB Circular A-122.
5. The transfer of funds allotted for training allowances (direct payment to trainees) to other categories of expense.
6. Unless described in the application and funded in the approved awards, the sub-award, transfer or contracting out of any work under an award (However, this provision does not apply to purchases of supplies, materials, equipment, or general support services).

CHARGING OF COSTS TO FEDERAL AWARDS:

Overview: It is the policy of the City of Columbia Falls that only costs that are reasonable, allowable, and allocable to a Federal award shall be charged to that award directly or indirectly. All unallowable costs shall be appropriately segregated from allowable costs in the general ledger in order to assure that unallowable costs are not charged to Federal awards.

Segregating Unallowable from Allowable Costs

The following steps shall be taken to identify and segregate costs that are allowable and unallowable with respect to each Federal award:

1. The budget and grant or contract for each award shall be reviewed for costs specifically allowable or unallowable.
2. The City Manager and accounting personnel shall be familiar with the allowability of costs provisions of OMB Circular A-122, "Cost Principles for Non-Profit Organizations", particularly:
 - a. The list of specifically unallowable costs found in Attachment B of the Circular (Selected Items of Cost), such as alcoholic beverages, bad debts, contributions, fines, and penalties, lobbying, etc.
 - b. Those costs requiring advance approval from Federal agencies in order to be allowable in accordance with Attachment B, such as foreign travel, equipment purchases, etc.
3. No costs shall be charged directly to any Federal award until the cost has been determined to be allowable under the terms of the award and/or OMB Circular A-122.
4. For each Federal award, an appropriate set of general ledger accounts shall be established in the chart of accounts of the City of Columbia Falls to reflect the categories of allowable costs identified in the award or the award budget.
5. All items of miscellaneous income or credits, including the subsequent write-offs of uncashed checks, rebates, refunds, and similar items, shall be reflected for grant accounting purposes as reductions in allowable expenditures if the credit relates to charges that were originally charged to a Federal award or to activity associated with a Federal award. The reduction in expenditures shall be reflected in the year in which the credit is received (i.e. if the purchase that results in the credit took place in a prior period, the prior period shall not be amended for the credit.)

Criteria for Allowability

It is the policy of the City of Columbia Falls that all costs must meet the following criteria in order to be treated as allowable direct or indirect costs under a federal award:

1. The cost must be "reasonable" for the performance of the award, considering the following

factors:

- a. Whether the cost is of a type that is generally considered as being necessary for the operation of the organization or the performance of the award.
 - b. Restraints imposed by such factors as generally accepted sound business practices, arm's length bargaining, Federal and state laws and regulations, and the terms and conditions of the award.
 - c. Whether the individuals concerned acted with prudence in the circumstances.
 - d. Consistency with established policies and procedures of the City, deviations from which could unjustifiably increase the costs of the award.
2. The cost must be "allocable" to an award by meeting one of the following criteria:
 - a. The cost is incurred specifically for a federal award.
 - b. The cost benefits both the Federal award and other work, and can be distributed in reasonable proportion to the benefits received; or
 - c. The cost is necessary to the overall operation of the City of Columbia Falls, but, where a direct relationship to any particular program or group of programs cannot be demonstrated.
 3. The cost must conform to any limitations or exclusions of OMB Circular A-122 or the Federal award itself.
 4. Treatment of costs must be consistent with policies and procedures that apply to both federally financed activities and other activities of the City of Columbia Falls.
 5. Costs must be consistently treated over time.
 6. The cost must be determined in accordance with generally accepted accounting principles.
 7. Costs may not be included as a cost of any other federally financed program in the current or prior periods.
 8. The cost must be adequately documented.

Direct Costs

Direct costs include those costs that are incurred specifically for one award or non-Federal function. The City of Columbia Falls identifies and charges these costs exclusively to each award or program.

Each invoice shall be coded with the appropriate account number reflecting which program received direct benefit from the expenditure. Invoices are approved by the appropriate project director and reviewed by the Finance Director. Time sheets or personnel activity reports are also submitted on a regular basis reflecting employees' work and which programs directly benefited from their effort. Time sheets or personnel activity reports shall serve as the basis for charging salaries directly to Federal awards and non-Federal functions. Equipment purchased for exclusive use on a Federal award and reimbursed by a Federal agency shall be accounted for as a direct cost of that award (i.e. such equipment shall not be capitalized and depreciated except as stated in policies pertaining to asset capitalization).

Indirect Costs

Indirect costs are those costs that either benefit more than one award (overhead costs) or non-Federal function or that are necessary for the overall operation of the City of Columbia Falls (management and general costs). The City of Columbia Falls has elected to forego charging any local, state or federal program for Indirect Costs and as such, does not charge any program for Indirect Costs. Accordingly, the City does not calculate an Indirect Cost rate.