



## **Community Support Grant**

### **Sub-Recipient Compliance Manual**

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# Community Support Grant Sub-Recipient Compliance Manual

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## **1. Introduction**

Since 2006, the City of McKinney makes funds available to non-profit community support organizations that provide activities, programs, and services to residents of McKinney. Organizations, which can be reasonably categorized under the heading of providing a public service that promotes the health, safety and welfare of McKinney residents, are eligible for funding.

### **1.1 Purpose**

The Community Support Grant (CSG) allows the flexibility to apply for funding under the following priority of needs based on service impacts to the community, duplication of services from other agencies, other sources of agency funding and presentation critique:

- Basic needs: food and clothing, housing and shelter: non-financial assistance
- Health and medical treatment, including mental health
- Housing: financial assistance
- Transportation: the sole service being provided

### **1.2 CSG Program**

Funds for this grant come from the City of McKinney's general fund. All funding of Community Support organizations will occur during the budget process. The grant is competitive and the minimum grant request shall be \$3,000. There shall be no maximum grant award amount. For consideration, an agency may submit maximum of TWO (2) separate funding requests.

If you have been awarded CDBG funds within the same grant year, applications for CSG Funds under the same program may not be considered for funding.

#### **1.2.2 Applicant Eligibility**

Organizations are required to meet the following criteria:

- Proposed use of funds must benefit residents of the City of McKinney.
- Must be a non-profit, tax exempt 501(c)(3) organization, in good standing with the State of Texas, and must have an active Board of Directors in compliance with IRS Section 501(c)(3).
- Organization must procure and maintain insurance, as required by the City of McKinney.
- Must have been programmatically operating for at least one (1) year prior to the application deadline.
- Any property taxes and liabilities due to the City of McKinney must be paid in full.
- Successful applicants will be required to enter into a contract with the City of McKinney.

### **1.2.3 Ineligible Activities**

Under the CSG Program, The City of McKinney will not fund the following:

- The duplication of services or programs offered by the City of McKinney and/or other non-profit agencies.
- Social functions, parties, receptions, fund-raising benefits, refreshments or beverages.
- Licensing fees of any kind.
- Underwriting, investments, bonds, or any financial obligation.
- Interest and/or depreciation on loans, fines, penalties, or costs of litigation.
- Award amounts less than \$3,000.
- Activities funded in whole or in part by City of McKinney CDBG funds within same program year.

### **1.3 Faith Based Organizations**

All organizations funded under the Community Support Grant will be treated fairly and without regard to religion. The following rules apply to these organizations:

1. Faith-based organizations retain their independence over their governance and expression of their beliefs. They may constitute their boards on a religious basis, display religious symbols and icons, and retain their civil right to hire only employees that share their beliefs, to the extent consistent with governing program statutes. However, faith-based organizations may not discriminate in hiring people who will be delivering services which are supported by CSG funding.
2. CSG funds may not be used to support inherently religious activities such as worship, religious instruction, or proselytization. A faith-based organization may still engage in such activities so long as they are voluntary for program participants and occur separately in time or location from the activities directly funded.
3. Faith-based organizations must serve all eligible beneficiaries without regard to religion.

### **1.4 ADA Compliance**

In accordance with the requirements of Title II of the Americans with Disabilities Act of 1990, the City of McKinney will not discriminate against qualified individuals with disabilities on the basis of disability in the City's services, programs, or activities. <http://www.mckinneytexas.org/index.aspx?NID=1120>

The Sub-Recipient agrees to comply fully with and all provisions of the Americans with Disabilities Act (hereinafter referred to as 'ADA') as applicable to the Sub-Recipient and the activities to be performed by the Sub-Recipient under the scope of the contract agreement. If employing more than fifteen (15) employees, the Sub-Recipient agrees to fully comply with Title I of the 'ADA' as set forth at 28 CFR Part 130. If providing 'public accommodations' as defined by the Act in Section 301(7)(A)-(L), the Sub-Recipient agrees to comply fully with Title III of the 'ADA' as set forth at 28 CFR Part 36. If providing public transportation, the Sub-Recipient agrees to comply fully with the Federal regulations set forth at 49 CFR Parts 37 and 38.

## **1.5 Limited English Proficiency**

The City of McKinney expects agencies to examine the services they provide, identify any need for services to those with limited English proficiency (LEP), and develop and implement a system to provide those services so LEP persons can have meaningful access to them. It is expected that agency plans will provide for such meaningful access consistent with, and without unduly burdening, the fundamental mission of the agency.

## **1.6 Conflict of Interest**

Each CSG Funded Agency or Contractor will be required in its grant contract with the City to warrant and represent, to the best of its knowledge at the time the contract is executed, that they are not aware of any improper conflict of interest circumstances as described. Also, the contract will obligate funded agencies or organizations to exercise due diligence to ensure that no improper conflict situations occur during the contract. Per the grant agreement, the Agency hereby severally warrants that it will establish and adopt safeguards to prohibit members, officers and employees from using positions for a purpose that is, or gives the appearance of being motivated by a desire for private gain for themselves or others, particularly those with whom they have a family, business or other ties. Any city council members or members of the Community Grants Advisory Community must and will recuse themselves from the process in entirety including grant public hearings, deliberations, and final public hearings for funding approval.

Carefully consider whether any activity may give rise to an improper conflict of interest situation. Conflict of interest situations that are not properly addressed can result in a loss of CSG funding to the program and/or to the City, and in some cases can result in civil or criminal liability. Organizations that are requesting or receiving CSG funding should ask themselves the following questions:

1) Are any of my employees or board members:

- A City employee or consultant who exercises CSG-related functions as part of their City position?
- A member of the Community Grants Advisory Commission that will participate in the City's CSG selection process:
- A City Council member?

2) Are any immediate family members or business associates of my employees or Board Members:

- A City employee or consultant who exercises CSG-related functions as part of their City position?

- A member of the Community Grants Advisory Commission that will participate in the City's CSG selection process?
- A City Council member?

3) Do I know if any of my employees or board members receive a financial interest or benefit from CSG funds (other than employee salaries or personnel benefits)?

4) Will any immediate family members or business associates of my employees or board members receive a financial interest or benefit from CSG funds (other than employee salaries or personnel benefits)?

5) To my knowledge, will my agency's program or project have a financial effect on a City official or employee who exercises CSG-related functions, or an immediate family member or business associate of such person? For example, will any of these persons be receiving rental payments, other business income, or program services from the agency's program? Or, for example, do any of these persons own real property near the program or project site, and is it likely that my program or project will have an effect on any neighboring real property values?

**If you can answer "yes" to any of these questions**, it is possible that there may be a conflict of interest, real or apparent. You should review the rules below to determine whether an actual conflict situation is raised, and, if so, what action needs to be taken to avoid a violation of the law. You should contact the CSG Grant Liaison or Administrator immediately if you suspect that there might be an issue or need additional information concerning compliance.

## 2. Audit Requirements

A charitable organization with annual contributions over \$10,000 must have current and accurate financial records in accordance with GAAP. Based on these records, the board should prepare or approve a financial report that conforms to AICPA standards. The financial report must be made available to the public (§ 22.353(b)). Exemptions (§ 22.355) (Tex. Bus. & Org. Code § 22.352). You must submit one (1) copy of your most recent audit to the City with your application, and provide applicable recent audits if submissions fall during the funded grant period. Organizations receiving more than \$750,000 in total federal funds are also required to maintain and supply an OMB A-133 Single Audit. The Census Clearinghouse will also be reviewed to ensure timely filing is current. The Single Audit Report must state that the audit was made in accordance with the provisions of OMB Circular A-133, and should include the following:

1. Any separate management letter.
2. The auditor's report on the financial statements of the agency, and a set of the financial statements themselves.
3. The auditor's report on Schedule of Federal Assistance. The federal expenditures must be shown for each federal assistance program.
4. The auditor's report on the study and evaluation of internal controls systems. The report should identify significant internal accounting controls and any controls designed to provide reasonable assurance that federal programs are being managed in accordance with laws and regulations. Likewise, the report should identify the controls not evaluated and the material weaknesses identified as a result of the evaluations.
5. The auditor's report on compliance with the laws and regulations that may have material effect on each major federal program.

6. The auditor's report on compliance with certain requirements of non-major programs (if required).
7. The auditor's report on fraud, mismanagement, abuse, or illegal acts (if any).

### 3. Insurance and Indemnification

**Agency shall procure and maintain insurance for the duration of the Grant Agreement.** Insurance against claims for injuries to persons or damages to property which may arise from or in connection with the services performed or to be performed hereunder by the Agency, its agents, representatives, employees, volunteers, officers, directors, or subcontractors.

The Agency shall maintain insurance with limits not less than \$500,000 per occurrence, \$1,000,000 aggregate and will be as broad as ISO Form Number GL 0002 (Ed 1/72) covering Comprehensive General Liability and ISO Form Number GL 0404 covering Broad Form Comprehensive General Liability, or ISO Commercial General Liability coverage ("occurrence") form CG 0001). Coverage will include:

- a. Premises - Operations;
- b. Broad Form Contractual Liability;
- c. Broad Form Property Damage; and d.  
Personal Injury

The policy will be endorsed to contain the following provisions: **"The City of McKinney, its officers, officials, employees, volunteers, boards and commissions are to be added as 'Additional Insured's' as respects to liability arising out of any activities performed by or on behalf of the Agency."** The policy shall contain no special limitations to the scope of coverage afforded to the City. The Agency's insurance coverage shall be primary and any insurance or self-insurance shall be in excess of the Agency's insurance and shall not contribute with it. Also, agency must provide for at least thirty (30) days prior written notice to the City for cancellation, non-renewal, or material change of insurance.

Insurance Company Qualification: All insurance companies providing the required insurance shall be authorized to transact business in the State of Texas. The City of McKinney prefers that insurance shall be placed with insurers with an A.M. Best rating of no less than A:VI or, a Standard & Poors rating of A or better.

Certificate of Insurance: The Agency shall furnish the City with a certificate of insurance which shows the coverage provided. The insurance policy will be endorsed to state the coverage shall not be suspending, voided, canceled, non-renewed, reduced in coverage or in limits except after thirty (30) days prior written notice by certified mail, return receipt requested, has been given to the City.

The Certificate Holder must read as follows:

City of McKinney  
c/o EBIX RCS  
PO BOX 257, REF. 72-8780  
PORTLAND, MI 48875

REQUIREMENT: Certificates MUST BE EMAILED TO THE CITY'S INSURANCE AGENT. One copy must be emailed to [certonly-portland@ebix.com](mailto:certonly-portland@ebix.com) and copy [sbest@mckinneytexas.org](mailto:sbest@mckinneytexas.org) for program files. The City of McKinney will check the insurance database system for current certificates.

#### 4. Record Keeping and Reporting

Successful applicants will be required to sign a grant agreement (contract) with the City which will state all the requirements to be placed on the agency, known as a subrecipient. In general, the following will apply to all subrecipients:

1. Written records to justify all expenditures and client eligibility must be maintained for a period not less than three years after the full amount of the grant is expended. Records may be reviewed by the City. Undocumented expenditures must be repaid to the City. Unspent funds must be repaid back to the city no later than October 1 of the following grant year.
2. The agency is required to maintain the City's minimum liability insurance standards for the length of the contract. A copy of your current insurance ACORD form must be provided to the City as evidence of insurance before any funds can be disbursed to you.
3. All awarded agencies must submit required reports for performance measurement requirements. Reports must provide the total number of unduplicated persons served. Each agency may receive annual monitoring upon the completion of the program year. Grant deadlines are located in the grant agreement under Section III, Disbursement of Funds.
6. The agency is required to have a written policy in place designed to ensure that the facilities are free from the illegal use, possession, or distribution of drugs or alcohol.

In the event that the City should determine that CSG funds were improperly spent, the money must be reimbursed to the City of McKinney.

##### 4.1 General File Management

The City of McKinney requires that all funded agencies keep records for expenditures and for all CSG beneficiaries. **If the expenditures incurred are not adequately documented, the funded agency will be required to refund the City of McKinney the amount of money equal to all undocumented expenditures.**

Subrecipient Grantee Files must contain the following:

1. Application for funding submitted to the City of McKinney
2. Grant Agreement;
3. Correspondence with the City of McKinney;
4. Documentation of expenditures; and
5. Current audit.

Beneficiary Files must contain the following:

1. File for each person or family receiving assistance;
2. Complete documentation of assistance provided

## **4.2 Reporting Requirements**

The City of McKinney requires reporting three times during the program year, summarizing the program(s) or service(s) provided, and the total number of McKinney unduplicated residents or McKinney households served. Therefore, all sub-recipients are required to submit information outlining the progress towards the use of CSG funds. Reporting deadlines are located within the Grant Agreement.

### **4.2.1 Reporting Submissions**

Funded agencies must use the current "City of McKinney CSG Activity Report" form as found in the 'Appendices' of this manual to report activities and requirements per the grant agreement. Reports must be submitted in accordance to dates listed under the grant agreement and must include the number of persons or households served. Both reports should include expenses, bills or invoices, and copies of eligible receipts for expenditures under the contract agreement.

Reports must be submitted by the deadlines, and include the following information:

1. A letter or invoice on your agency's letterhead reporting your activities for the report period, and how you expended your CSG award(s). Original signature of the Executive Director, Board President or other responsible assigned person should be included.
2. A completed City of McKinney, CSG Expenditure Report Form and a completed City of McKinney Activity Report Form.
3. Source documentation to support the expenditures. *(You should submit copies that may include timesheets, rosters, spreadsheets, materials, receipts, etc. as it pertains to your grant agreement.)*
4. If your grant is intended to pay for salaries, time sheets must be kept and copies must be turned in with your reports. These timesheets must be signed by the payee and supervisor, if applicable.

## **5. Allocations**

CSG funds are available to Grantees in the full amount awarded once signed and notarized contracts are received, and verification of valid Insurance is confirmed. The City of McKinney will disburse funds AFTER January 1<sup>st</sup> of the current grant year. Any expenditures occurring after the effective date of the contractual agreement between the City of McKinney and the Grantee are eligible for reimbursement. Expenditures must be consistent with the approved budget as stated in the contractual agreement between the City of McKinney and the Grantee. Agencies that complete expenditures early within the program year will still be required to submit a final Annual Report.

## **6. Contract Modifications**

Funded agencies may NOT edit the original executed grant agreement.

1. However, contract amendments under a request may occur at any time, provided that such amendments make specific reference to the original contractual agreement between the City of McKinney and the sub-recipient;  
and
2. Are executed in writing, signed by authorized representative of both organizations.

The City of McKinney may, in its discretion, amend contracts to conform with Federal, State, or local guidelines, policies, and available funding amounts, or for other reasons. If such amendments result in a change in the funding or the scope of services, such modifications will be incorporated only by written amendment and will not become effective until signed by both the City of McKinney and the Funded Agency.

Any request for transfer of funds among the contract budget categories submitted will require written approval from the City of McKinney, before the transfer can be effective.

## **7. Monitoring**

Monitoring is a system designed to determine if Grantees are administering their CSG program(s) in compliance with the contractual agreement terms, and with the conditions and policies of the City of McKinney's Housing & Community Development Department.

Although it is not mandated that Community Service Grants require Compliance Monitoring, it is at the discretion of the Housing & Community Development Department to do so.

## **8. Appendices**

### **8.1 Supporting Documentation**

All accounting records must be supported by source documentation. Supporting documentation is important to keep for all CSG expenditures. Documentation must prove that expenditures charged to the grant are

1. Incurred during the effective period of the contractual agreement between the City of McKinney and the Funded Agency,
2. Were actually paid out (or properly accrued),
3. Expenditures were allowable and reasonable, and
4. Expenditures were approved by a responsible official in your organization.

In general, source documentation must explain the basis of the costs incurred. For example: With respect to staff time charged to the grant: Time sheets explicitly stating the hours charged to the grant

and attendance sheet (were used) should be available at all times for the City of McKinney to verify time charged to CSG grants is accurate.

## **8.2 City of McKinney required forms**

Please refer to the following pages for required forms. Electronic versions of the forms can be obtained by calling the Housing and Community Development Department.

Form B1: Expenditure Report Form

Form B2: Activity Report Form



