



AGENDA

**MOLALLA CITY COUNCIL MEETING
October 12, 2022
7:00 PM
Molalla Civic Center
315 Kennel Ave, Molalla, OR 97038**

Mayor Scott Keyser

*Council President Jody Newland
Councilor Elizabeth Klein
Councilor Terry Shankle*

*Councilor Leota Childress
Councilor Crystal Robles
Councilor Eric Vermillion*

WORK SESSION begins at 6:30pm: Open to the Public, but not open to Public Comment or Testimony

REGULAR COUNCIL MEETING begins at 7:00pm: Open to the Public and open to Public Comment or Testimony. Please fill out a comment card and submit it to the City Recorder, prior to the beginning of the meeting.

EXECUTIVE SESSION begins immediately following Recess of the Regular Meeting: Not open to Public, according to ORS 192.660(2): e

*In accordance with House Bill 2560, the City of Molalla adheres to the following practices:
Live-streaming of the Molalla City Council Meetings are available on Facebook at “Molalla City Council Meetings – LIVE” and “Molalla City Council Meetings” on YouTube.
Citizens can submit Public Comment in the following ways: attend the meeting, email the City Recorder @ recorder@cityofmolalla.com by 4:00pm on the day of the meeting, or drop it off at City Hall, 117 N. Molalla Avenue.*

- 1. CALL TO ORDER AND FLAG SALUTE**
- 2. ROLL CALL**
- 3. CONSENT AGENDA**
 - A. Meeting Minutes – September 14, 2022.....**Pg. 3**
- 4. PRESENTATIONS, PROCLAMATIONS, CEREMONIES**
- 5. PUBLIC COMMENT & WRITTEN COMMUNICATIONS**
(Citizens are allowed up to 3 minutes to present information relevant to the City but not listed as an item on the agenda. Prior to speaking, citizens shall complete a comment form and deliver it to the City Recorder. The City Council does not generally engage in dialog with those making comments but may refer the issue to the City Manager. Complaints shall first be addressed at the department level prior to addressing the City Council.)
- 6. PUBLIC HEARINGS**
- 7. ORDINANCES AND RESOLUTIONS**
 - A. Resolution No. 2022-16: Adopting an Addendum to Grant Management Policy (Chauran).....**Pg. 6**
 - B. Resolution No. 2022-17: Adopting an Internal Control Policy for Finance (Chauran).....**Pg. 33**
 - C. Resolution No. 2022-19: Adopting a Supplemental Budget for Fiscal Year 2022-2023 and Appropriating Funds (Chauran).....**Pg. 38**
- 8. GENERAL BUSINESS**
- 9. STAFF COMMUNICATION**
 - A. Community Development Director Report.....**Pg. 41**
 - B. Application for Planning Commission.....**Pg. 49**

10. COUNCIL COMMUNICATION

11. RECESS INTO EXECUTIVE SESSION

Held pursuant to Oregon Public Record Law, ORS 192.660(2):

(d) To conduct deliberations with persons designated by the governing body to carry on labor negotiations.

(e) To conduct deliberations with persons designated by the governing body to negotiate real property transactions.

12. RECONVENE REGULAR SESSION

13. ADJOURN



Minutes of the Molalla City Council Meeting

Molalla Civic Center
315 Kennel Ave., Molalla, OR 97038
September 14, 2022

CALL TO ORDER

The Molalla City Council Meeting of September 14, 2022 was called to order by Mayor Scott Keyser at 7:00pm.

COUNCIL ATTENDANCE

Present: Mayor Scott Keyser, Councilor Elizabeth Klein, Councilor Leota Childress, Councilor Terry Shankle, Councilor Crystal Robles, and Councilor Eric Vermillion.

Absent: Council President Jody Newland.

STAFF IN ATTENDANCE

Dan Huff, City Manager; Christie Teets, City Recorder; Mac Corthell, Community Development Director.

Mayor Keyser announced that due to the large number of people attending the meeting, Public Comment would be moved to Item 10 in the order of Agenda.

A motion was made by Councilor Childress to change the order of the Agenda, seconded by Councilor Vermillion. Vote passed 6-0, with all Councilors voting Aye.

CONSENT AGENDA

- A. Meeting Minutes – August 24, 2022

A motion was made by Councilor Robles to approve the Consent Agenda, seconded by Councilor Vermillion. Vote passed 6-0, with all Councilors voting Aye.

PRESENTATIONS, PROCLAMATIONS, CEREMONIES

None.

PUBLIC HEARINGS

None.

ORDINANCES AND RESOLUTIONS

- A. Resolution No. 2022-18: Recycled Water Irrigation Gun - Sole Source Determination

Community Development Director Corthell explained that the Resolution is part of a holistic approach being taken by the City to ensure the maximum potential from its existing Wastewater Facilities during this interim period, before the new Plant can come online. The City currently owns four largely identical Irrigation Guns built to a special specification. During certain phases of plant operation, the bottleneck on capacity can be the speed at which the City can irrigate the water.

The addition of a fifth gun will directly increase this capacity. In addition, if this fifth Irrigation Gun is built to the same specification as the other four, the City will benefit from part interchangeability and other redundancy considerations, that will help ensure this capacity is available even during certain kinds of breakdowns.

A motion was made by Councilor Vermillion to adopt Resolution No. 2022-18, seconded by Councilor Klein. Vote passed 6-0, with all Councilors voting Aye.

GENERAL BUSINESS

A. 2022 Progress Report

In January, Council and city staff held a Goal Setting Conference. City Manager Huff gave Council an update status of work items that have been completed in 2022. Mr. Huff also shared topics to be discussed, as well as staff and Council involvement with other agencies.

STAFF COMMUNICATION

- City Recorder Teets
 - A. Certification of Candidates

City Recorder Teets shared the official Certification of Candidates for the November General Elections. Candidates are Rae Botsford, Leota Childress, Tom Luttrell, and Terry Shankle. A Measure prohibiting psilocybin use is also being presented to voters in November.

Ms. Teets announced which candidates had consented to a criminal background check, explaining that it is a requirement to check the box either consenting or refusing, not to fill out the form. Councilor Childress asked if not filling out a background check would keep a candidate from running for election, Ms. Teets replied that it would not.

B. Astound Broadband Rate Increase

Ms. Teets presented the Astound Broadband Rate increase to Council. Mayor Keyser asked when the franchise agreement with them expired, Ms. Teets responded in 2024.

- Community Development Director Corthell shared that he would submit his Director's Report at the end of the month.
- City Manager Huff shared a Police Department update to Council. Tours of the existing facility will begin soon, demonstrating the need for a new facility. People are encouraged to sign up with the Police Department. He explained that staff are preparing to present a Bond to citizens in November 2023.

COUNCIL COMMUNICATION

- Councilor Vermillion gave meeting updates for the MRSD Board and Chamber of Commerce. SK8 Molalla is also holding an upcoming meeting. He also congratulated the Celebrate Molalla team for a successful event.
- Councilor Shankle had nothing to report.
- Councilor Childress expressed her thanks to the Celebrate Molalla Team of Terry Shankle, Roxie Smith, and Pamela Lucht for a great event. She also thanked City staff for all of their help. Councilor Childress also commended the Apple Festival for their great event.
- Councilor Robles shared that the Parks CPC had a great response at Celebrate Molalla. Over \$1100 was raised for Parks, with a large donation coming from Price Autobody.
- Councilor Klein explained the Beatification & Culture CPC is in the final stages of presenting a Mural Code to Council.
- Mayor Keyser congratulated Celebrate Molalla on a great event, and asked for more help from Council next year.

PUBLIC COMMENT

Jennifer Satter, Molalla resident, explained that Tom Luttrell did not fill out the background check form for candidacy because he did not want his social security number listed on the form. She also feels that Tom tells the truth and is respectful, making him a quality candidate for council.

Thomas Luttrell, Molalla resident, requested that Council excuse the Mayor of his duties while he is under investigation, or that the Mayor excuse himself until the investigation is complete. (Note: this comment is in reference to the investigation that Clackamas County Sheriff's Office is conducting, regarding the Mayor pointing a firearm at a resident while on Buckeroo property. This was not a City sanctioned event.) The Mayor asked the Council if they would like to make a motion. There was no response.

Jackie Sue McCoy, Molalla resident, spoke on behalf of a group of citizens in support of Mayor Keyser. She commented on his integrity and passion for the citizens of Molalla, stating that they were all present to show support for him.

For the complete video account of the City Council Meeting, please go to YouTube
“Molalla City Council Meetings – September 14, 2022”

ADJOURN

Mayor Keyser adjourned the meeting at 7:37pm.

Scott Keyser, Mayor

Date

ATTEST:

Christie Teets, City Recorder

DRAFT



CITY OF MOLALLA

117 N. Molalla Avenue
PO Box 248
Molalla, OR 97038

Staff Report

Agenda Category: Addendum to Grant Management Policy and Adding A New Internal Control Policy

Agenda Date: October 12, 2022

From: Cindy R. Chauran, Sr. Accountant
Approved by: Dan Huff, City Manager

SUBJECT: Addendum to Grant Management Policy Resolution 2022-16 & Adding a new Internal Control Policy Resolution 2022-17

FISCAL IMPACT: None

RECOMMENDATION/RECOMMEND MOTION: To Approve Resolution No. 2022-16 & 2022-17

BACKGROUND:

It is a common practice to add to current policy as rules and laws change. Resolution 2022-16 is an Addendum to current Grant Policy. Resolution 2022-17 is a new policy for internal controls.

City of Molalla



Grants Management Policy

Adopted _____
Resolution No. 2022-16

This document supersedes any and all previous grants management policies.



I. Purpose

To assist City of Molalla (City) personnel involved in pursuing, acquiring, and administering federal grant funding by providing clear guidelines for alignment with the overall purpose of the City and with specific project goals. While specifically addressing requirements of federal funding, this policy shall also be applied to non-federal grants and programs as appropriate.

II. Authority

The City Council shall ensure federal funds received by the City are administered in accordance with federal requirements including, but not limited to, the federal Uniform Grant Guidance¹.

The City Council designates the City Manager or the Finance Director as the City's primary contact for all federal programs and funding. Administration and management of individual funding programs shall be accomplished by the respective departments working in conjunction with the Finance Director or designee.

III. Policy Statement

The City encourages the consideration of grants as a funding source for established or planned projects as appropriate. Grant funding should only be pursued as it relates to current or planned projects, and not funding for projects yet to be identified.

The Finance Director shall establish and maintain a sound financial management system. The system shall ensure internal controls and federal grant management standards address the receipt of both direct and pass-through federal grants, track costs and expenditures of funds associated with grant awards, maintain a high level of transparency and accountability, and document all applicable procedures².

A. Guidelines

Financial management standards and procedures shall ensure that the following responsibilities are fulfilled:

1. Identification

The City must identify in its accounts, all federal awards received and expended and the federal programs under which they were received.

2. Financial Reporting

Accurate, current, and complete disclosure of the financial results of each federal award or program must be made in accordance with the financial reporting requirements of the Governmental Accounting Standards Board (GASB) and generally accepted accounting principles for government.

3. Accounting Records

The City must maintain records which adequately identify the source and application of funds provided for federally assisted activities.

4. Internal Controls

¹ Ref. 2 CFR Part 200

² Ref. 2 CFR Part 200



5. Single Audit to be completed by a licensed municipal auditor when required.
6. Reference an allowable costs policy, details listed in this policy. (Page 8)

Effective control and accountability must be maintained for all funds, real and personal property, and other assets. The City must adequately safeguard all such property and must ensure that it is used solely for authorized purposes.

7. Budget Control

Actual expenditures or outlays must be compared with budgeted amounts for each federal award. Procedures shall be developed to establish determination for allowability of costs with respect to federal programs.

8. Cash Management

The City recognizes Uniform Grant guidance with respect to cash management requirements and incorporate by reference.

9. Allowability of Costs

The City shall ensure that allowability of all costs charged to each federal award is accurately determined and documented.

B. Training

The City shall provide annual training to those employees with direct responsibility over various aspects of federal award management and administration. Training will include, but not be limited to, identification and differentiation of federal grants from other funding sources, identification of direct and material compliance requirements of federal awards, establishing and documenting effective internal controls over compliance, and proper use of the City's centralized grants management system.

C. Standards of Conduct

The City shall maintain standards of conduct covering conflicts of interest and the actions of the City Council and City employees engaged in the selection, award, and administration of federal grants and of all contracts.

All employees shall be informed of conduct that is required for federal fiscal compliance and the disciplinary actions that may be applied for violation of Council policies, administrative regulations, rules, and procedures.

The City shall communicate to all employees the importance of ethical and legal actions in dealing with grant-related programs and funds. The City shall reinforce its zero-tolerance position as appropriate to ensure proper awareness and attention to policies and procedures guiding appropriate employee activities related to federal award programs.

D. Grant Project Management

The City shall establish clear roles and responsibilities for post-award, close-out, and audit activities related to federal grant awards. Key personnel in consideration of those roles and



responsibilities include, but are not limited to departmental Project Manager, Finance Director, City Manager, and the City Council.

The City shall establish a grants project team for each federal award consisting at a minimum of the departmental Project Manager and the Finance Director or his/her designee. This team shall have primary responsibility for managing all aspects of the award program including, but not limited to, implementation and documentation of effective internal controls, compliance with stated program requirements, effective accounting, and reporting to support both financial and compliance needs of the City and the federal program, and monitoring activities.

Roles and responsibilities will be identified with appropriate parties to provide efficient and effective administration of federal grant monies, effective internal control over financial reporting and related compliance, and effective project management.

E. Annual Risk Assessment

The Finance Director shall have responsibility to perform an annual risk assessment with respect to potential noncompliance related to the City's federal award programs. Such risk assessment will be documented and serve as the basis for further efforts to provide reasonable assurance of compliance with all applicable compliance requirements.

The City's departmental Project Manager identified to each respective federal grant program shall have primary responsibility for compliance with applicable requirements of the federal award. The Project Manager shall also have primary responsibility for establishing and documenting internal controls over compliance with respect to each identified compliance requirement to provide reasonable assurance that compliance is achieved.

F. Expenditure Review and Approval

Consistent with a strong system of internal controls, all grant-related expenditures shall follow established City policies and procedures with respect to procurement, approvals, and documentation. All grant expenditures shall require review and approval by the applicable departmental Project Manager to ensure compliance with all applicable requirements. Such review and approval shall be evidenced by an appropriate method (initials and date on expenditure documentation (purchase order, invoice, pay request, etc.), email, electronic approval, etc.). All grant-related expenditures shall be coded with the appropriate general ledger and project account numbers to accommodate proper accounting and reporting of grant amounts in the City's financial records and reporting to federal granting agencies.

G. Employee Time and Effort Reporting

All City employees paid with federal funds shall, in accordance with law, document the time they expend in work performed in support of each federal program. Time and effort reporting requirements do not apply to contracted individuals.



City employees shall be reimbursed for travel costs incurred while performing services related to official business as a federal grant recipient. Such reimbursements shall be made based on documentation as required under City policy.

The City shall establish and maintain employee policies on hiring, benefits and leave, and outside activities as approved by the City Council.

H. Procurement

The City shall establish and maintain a written procurement policy. The City shall follow that policy for all grant-related procurements.

I. Record Keeping

The City shall develop, document, and maintain a written Records Management Plan and related policy and administrative rules for the retention, retrieval, and disposition of manual and electronic records including email³.

The City shall ensure the proper maintenance of federal fiscal records documenting⁴:

1. Amount of federal funds.
2. How federal funds are used.
3. Total cost of each federally funded project.
4. Share of total cost of each project provided from other, non-federal sources.
5. Evidence of the design and maintenance of effective internal controls over compliance.
6. Evidence of compliance with federal program requirements.
7. Significant project experiences and results (programmatic).

All records must be retrievable and available for federal monitoring, programmatic or financial audit purposes.

The City shall provide the federal awarding agency, Inspectors General, the Comptroller General of the United States, pass-through entities, or any of their authorized representatives, the right of access to any documents, papers, or other City records which are pertinent to federal funding awards. The City shall also permit timely and reasonable access to the City's personnel for the purpose of interview and discussion related to such documents⁵.

The Plan shall include identification of staff authorized to access records, appropriate training, and preservation measures to protect the integrity of records and data.

The City shall ensure that all personally identifiable information (PII) protected by law or regulations is handled in accordance with the requirements of applicable law, regulations, policy, and administrative regulations.

³ Ref 2 CFR Part 200.333-337

⁴ Ref. 34 CFR Sec. 75.730-732

⁵ Ref. 2 CFR Sec. 200.336



J. Subrecipient Monitoring

In the event the City awards subgrants of federal funds, the City shall establish written procedures⁶ to:

1. Assess the risk of noncompliance on the part of the subrecipient.
2. Monitor grant subrecipients to ensure compliance with federal compliance requirements, state and local laws and policy and procedures.
3. Ensure the City 's record retention schedule addresses document retention on assessment and monitoring.

K. Compliance Violations

Employees and contractors involved in federally funded programs and subrecipients shall be made aware of all identifying information and federal compliance requirements associated with the award. They shall also be made aware that failure to comply with federal requirements, law, regulation or terms and conditions of a federal award may result in the federal awarding agency or pass-through entity imposing additional conditions or terminating the award in whole or in part.

ANNUAL AUDIT REQUIREMENTS FOR FEDERAL AWARDS SINGLE AUDIT

A. Policy Purpose

The purpose of this policy is to establish Citywide guidelines and procedures for adhering to the federal Single Audit Act and its implementing regulations at Part 200 of Title 2 of the Code of Federal Regulations, often referred to by the shorthand term "Uniform Guidance."

B. Policy Summary

To comply with the Uniform Guidance, the City must have a Single Audit conducted if it expends \$750,000 or more in federal awards during the City's fiscal year. Each fiscal year, the Auditor-Controller-Treasurer-Tax Collector (Auditor-Controller) must hire an independent auditor to conduct a Single Audit of all spending of federal funds. As part of the Single Audit requirements, the City must submit the following information to the auditor:

1. Total federal award amounts expended for each federally funded program.
2. The dates of when each award was granted; and
3. All new federal grants and any renewals of existing grants, with or without additional funding or any amendments, awarded after December 26, 2014.

In accordance with the Uniform Guidance, the independent auditor must use a risk-based approach to determine which federal programs are major programs for Single Audit purposes. The Uniform Guidance requires this risk-based approach to include consideration of:

⁶ Ref. 2 CFR Sec. 200.330-331



1. Current and prior year audit experience.
2. Oversight by federal agencies and pass-through entities; and,
3. Inherent risk of the federal program.

Based on the entity-wide risk level, the auditor must test a certain percentage of the City-wide total federal expenditures. All Single Audit reports must be submitted annually to the federal Office of Management and Budget (OMB) via the Federal Audit Clearinghouse where they are available electronically to government agencies and members of the public.

To ensure the City is in compliance with these requirements, the Auditor-Controller collects data on an annual basis from City Agencies and Departments on all federal assistance disbursed for the current fiscal year, including all estimated expenditures of federal assistance received directly from the federal government or passed through from other nonfederal agencies. City Agencies and Departments subsequently report the actual expenditures on the Schedule of Expenditures of Federal Awards (SEFA).

It is the responsibility of the Auditor-Controller to:

1. Compile and reconcile the SEFAs submitted by City Agencies and Departments. The compiled SEFA includes all actual expenditures for all federal financial assistance programs that the City participated in during the fiscal year.
2. Coordinate the audit process and submit the signed audit report to the Oregon State Controller's Office and federal Office of Management and Budget (OMB) by March 31st of each year.
3. Approve the submission of the required Data Collection Form to the Federal Audit Clearinghouse designated by OMB, to provide information about the auditee, its federal programs, and the results of the audit. It is the responsibility of City Agencies and Departments to abide by federal requirements and accurately account for, record, and report costs.
4. Submit the Single Audit to the Board of Supervisors for acceptance.
5. Follow up with City Agencies and Departments on audit findings to ensure that appropriate and timely corrective actions have been implemented.

It is the responsibility of the City Agencies and Departments to:



1. Keep accurate and complete records of the federal awards and report the information annually to the Auditor-Controller.
2. Monitor subrecipients to ensure compliance with Single Audit requirements as outlined in the Office of Management and Budget's (OMB) guideline 2 CFR Part 200 (referred to as the "Uniform Guidance").
3. Take corrective action on audit findings immediately after the issuance of the audit reports.
4. Provide the Auditor-Controller with an update on the corrective actions implemented to address the audit findings.

C. Definitions

1. **"Audit finding"** means a significant issue or deficiency identified during the audit.
2. **"City's accounting system"** means the One Solution system or other similar system used by the City as its primary accounting and finance system.
3. **"Single Audit"** means one audit of all of an entity's federal programs versus separate audits of each federal program. Entities which expend \$750,000 or more in federal award funds in one fiscal year are subject to this audit. A Single Audit is generally conducted by an independent certified public accountant and is intended to assess whether the recipient is following the federal programs' requirements.
4. **"Subrecipient"** means an entity that: (a) receives a subaward from a federal grant awarded to the City, and (b) is accountable to the City for the use of the federal funds provided by the subaward.

D. Related Forms and Information

- Code of Federal Regulations: The Executive Office of the President, Office of Management and Budget's (OMB) guideline 2 CFR Part 200 (referred to as the "Uniform Guidance") Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards –

<https://www.ecfr.gov/cgi-bin/textidx?SID=f52b7b4c9e714d73dca442e41f47a9d1&mc=true&node=pt2.1.200&rgn=div5>



Allowable Costs Policy

Acronyms

CFR – Code of Federal Regulations

FAR – Federal Acquisition Regulation

GAAS – Generally Accepted Auditing Standards

GAGAS – Generally Accepted Government Auditing Standards

HHS – U.S. Department of Health and Human Services

OMB – U.S. Office of Management and Budget

PAAG – Provider Agency Audit Guide

SSAG – State Single Audit Guidelines



Introduction

Scope

This policy outlines the allowability and importance the proper treatment of costs on federally funded projects.

Reason for Policy

To provide guidance for determining allowable costs on federally sponsored awards and ensure compliance with the Uniform Guidance.

Policy Statement

The Office of Management and Budget developed the Uniform Guidance (2 CFR, Part 200 Subpart E) to describe the treatment of costs on sponsored project activities (direct and indirect) that can be billed to the federal government. The Uniform Guidance applies to all federally funded projects including federal funding through a non-federal agency. The cost principles also identify those charges that typically cannot be charged to sponsored awards and are considered Unallowable expenses.

The OMB Uniform Guidance (§200.420 through §200.475) lists costs that are Allowable and not Allowable as an expense on a federal award. Many sponsors have policies that address costs that are Allowable.

City of Molalla incorporates the costs principles promulgated in 45 CFR Part 75, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for HHS Awards*. HHS made this rule effective on December 26, 2014. The complete federal regulation is at: <https://federalregister.gov/a/2014-28697>. Although the regulations in 45 CFR Part 75 parallels OMB's regulations in 2 CFR Part 200, part 75 is specific to HHS awards administered by the Department of Children and Families.

The federal regulations in 45 CFR Part 75 are divided into five subparts:

Subpart A: Acronyms and Definitions

Subpart B: General Provisions

Subpart C: Pre-Federal Award Requirements and Contents of Federal Awards

Subpart D: Post-Federal Award Requirements



Subpart E: Cost Principles

Subpart F: Audit Requirements

The Department's Allowable Cost Policy Manual follows the HHS costs principles as well as applicable state statutes and regulations in determining allowable costs allocable to the Department programs. This manual describes principles that apply generally to all City programs, even if funded solely by state funds, in the absence of program-specific statutes or guidance to the contrary. Agencies should consult the terms of their contracts, Administrator's Memos, Operations Memos, Numbered Memos, and SPARC-line reporting instructions to determine the allowability of specific cost items for a specific contract or program.

For OMB training COFAR has developed resources to assist stakeholders in learning about the guidance at <https://cfo.gov/COFAR>.

Applicability

The City of Molalla is committed to ensuring that all costs for funds are reasonable, necessary, and in accordance with federal and state regulations, as well as contract and program requirements. The Allowable Cost Policy Manual sets forth the principles and guidelines for determining the allowability of costs charged to Department programs. The purpose of the cost principles and guidelines is to determine the allocability and allowability of costs; however, they do not dictate the extent to which the Department will reimburse these costs.

The City of Molalla has adopted the federal cost principles to provide guidance on allowable costs and the programs subject to the cost principles. For each kind of organization, i.e., local government or tribe, for-profit, non-profit agency, educational institution, and commercial organization, there is a set of Federal principles for determining allowable costs. Allowable costs are determined in accordance with the cost principles applicable to the organization incurring the costs.

The allowable costs principles in this manual apply to all state, local and tribe, for-profit, and non-profit entities and for the types of awards shown below:



The allowable costs principles in this manual apply to all state, local and tribe, for-profit, and non-profit entities and for the types of awards shown below:

Applicable (to the following types of awards)

- › Grant agreements
- › Cost-reimbursement contracts awarded under the Federal Acquisition Regulations and cost-reimbursement and subcontracts under these contracts in accordance with the FAR
- › Fixed-price contracts and subcontracts awarded under the Federal Acquisition Regulation whenever cost analysis is performed or the contract requires the determination or negotiation of costs

Not Applicable (to the following types of awards)

- › Grant agreements and cooperative agreements providing food commodities
- › Fixed amount awards
- › Agreements for: loans, loan guarantees, interest subsidies and insurance
- › Federal awards to hospitals

Chapter I — General Guideline for Allowability

General Criteria:

There are many factors that affect the allowability of costs. To be allowable for allocation to programs funded by the Department, all costs must meet the following general criteria:

- **Be necessary and reasonable** for proper and efficient program administration and allocable under these guidelines. A cost is reasonable if, in its nature and amount, it does not exceed that



which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost. In determining the reasonableness of a given cost, consideration must be given to (§75.403 (a)):

- Whether the cost is of a type generally recognized as ordinary and necessary to the operation of the agency or to the performance of the contract.
 - The restraints or requirements imposed by such factors as sound business practices, arms-length bargaining, federal, state, and other laws and regulations, and terms and conditions of the award.
 - The market prices for comparable goods and services for the geographic area.
 - Whether the individuals concerned acted with prudence considering their responsibilities to the agency, its employees, the public at large, and the federal government.
 - Whether the non-federal entity significantly deviates from its established practices and policies regarding the incurrence of costs, which may unjustifiably increase the cost.
- **Be allocable.** A cost is allocable if it is assignable or chargeable to one or more cost objectives on the basis of relative benefits received or other equitable relationship. A cost is allocable to a government contract if it is incurred specifically for the contract; benefits both the contract and other work, and can be distributed between the contract and other work in reasonable proportion to the benefits each received; or is necessary to the overall operation of the business (§75.405).
- **Cost must be incurred during the approved budget period.**
- **Be in conformance** with any limitations or exclusions set forth in this Manual, federal or state laws, specific contract language, or other governing limitations as to types or amount of cost items (§75.403 (b)).
- ☒ **Be consistent** with policies, regulations, and procedures that apply uniformly to both contracted activities and to other activities of the agency (§75.403 (c)).



- **Be accorded consistent treatment.** A cost may not be assigned to a program as a direct cost if any other cost under the same circumstances has been charged to a program as an indirect cost (§75.403 (d)).
- **Be determined in accordance** with generally accepted accounting principles (GAAP) (§75.403 (e)).
- **Not be included as a cost or used to meet cost sharing or matching requirements of any other federally financed, state, or other agency financed program** in either the current or prior period.
- **Be net of all applicable credits.** Applicable credits are receipts or reduction of expenditure-type transactions that offset or reduce expense items allocable to programs as direct or indirect costs, including discounts or rebates subsequently received for prior purchases. Agencies are expected to take advantage of available discounts on purchases of goods and services. If a subrecipient's costs are inflated due to failure to take advantage of available discounts or to report those discounts that were received, the excess costs will be disallowed. When applicable credits relate to allowable program costs, they must be credited to the program either as a cost reduction or a cash refund (§75.406).
- **Be supported by the agency's accounting records** and be adequately documented. Documentation requirements are discussed in depth in Chapter III of this Manual. (§75.400 (d), see also Wis. Stat. §49.34(4)(a))

Direct Costs, Allocated Costs, and Indirect Costs

Direct costs are comprised of the allowable direct costs' incident to its performance, plus its allocable portion of indirect costs, less applicable credits, plus any allowable profit, management service fees, or reserves if allowed under contract. The term "applicable credits" is defined above.



Direct Costs (§75.413)

Direct costs are those costs that can be identified specifically with a particular final cost objective, such as a program or contracted activity, or other internally or externally funded activity, or that can be directly assigned to such activities relatively easily with a high degree of accuracy. For example, the entire salary of an individual who spends all of his or her time working on a single program can be charged as a direct cost to that program. Direct costs shall be claimed whenever possible based on the nature of the costs and the accounting system in place. Also, program evaluation costs can be charged as direct cost.

Costs incurred for the same purpose in like circumstances must be treated consistently as either direct or indirect costs.

Allocated Costs (§75.405)

Allocated costs are costs that are clearly associated with and can be readily assigned to a function or activity. A cost can directly benefit more than one program or function and can, therefore, be allocated (or charged) to the benefiting programs or functions on some reasonable and equitable basis. For example, an individual spends his or her time working on a number of different programs that the agency operates. Salary and related fringe benefits can be charged to the respective programs based on the number of hours reported to each program on employee time sheets.

Indirect Costs (§75.414/2 CFR 200.414)

The Office of Management and Budget (OMB) expanded the use of the de minimis rate of 10 percent of modified total direct costs (MTDC) to all non-federal entities effective November 12, 2020. The de minimis expansion does not include State and Local Government and Indian Tribe indirect cost proposals. Prior to OMB expansion, the de minimis rate can only be used for non-federal entities that have never received a negotiated indirect cost rate.



Indirect costs are those costs that are incurred by an agency for a common or joint purpose that are not readily chargeable to a particular program or function without effort disproportionate to the results achieved but benefit more than one program or function operated by the agency. Indirect costs are necessary to the overall operation of the agency, but a direct relationship to a specific program cannot be shown. An example of an indirect cost might be rent, or utility costs incurred by an agency. Generally, these kinds of costs are identified, pooled, and charged against individual programs or funding sources using a rate designed to recover the costs.

When indirect costs are charged, all activities which benefit from the agency's indirect costs, including unallowable activities and donated services, will receive an appropriate allocation of indirect costs. The basis used shall be an equitable measure of the extent to which the cost incurred actually benefits the program to which it is charged. For example, square footage used by the various programs operated by the agency would be an equitable basis to allocate the total rent or utility costs incurred by the agency. Costs that are part of the agency indirect cost pool shall not duplicate any costs that are charged directly and shall not include any unallowable costs, and total costs charged *may not* exceed the actual costs incurred.

Indirect Cost for State Public Assistance Agency - Public Assistance Cost Allocation Plans

Federal guidelines require state public assistance agencies to develop, document and implement cost allocation plans subject to the review and approval of the federal agency. State public assistance agency means a state agency administering or supervising the administration of one or more public assistance programs operated by the state. The major programs are:

Indirect Cost for Local Government

Because of the diverse characteristics and accounting practices of governmental units, the types of costs which may be classified as indirect costs cannot be specified in all situations.

Time and Effort Reporting (§75.430(i)-Standards for Documentation)

Local Government workers participating in the RMS or RMTS cost pools:

Government entities should continue their current methods to document and report staff effort in support of federal, state and local programs.



Procurement and Sub-Contracting

All care and services under Ch. 48 and s. 49.34 of the Wisconsin Statutes purchased by the Department, or a county department under s. 46.215, 46.22, or s. 46.23 Wisconsin Statutes shall be authorized by a written contract with the provider, with two exceptions:

- ☑ For purchases of \$10,000 or less, the requirements for a written contract may be waived by the Department.
- ☑ No contract is required for care provided by foster homes or treatment foster homes that are required to be licensed under s. 48.62 of the Wisconsin Statutes.

The Department may require the county departments to submit the contracts to the Department for review and approval.

Minimum Standards

When procuring or sub-contracting services with funding from the Department, an agency must use its own written policies and procedures, provided they adhere to the following minimum standards:

- **Written Standard of Conduct** - The agency shall maintain a written standard of conduct that includes a prohibition against any employee, officer, or agent of the recipient participating in the selection, award, or administration of a contract in which funds provided under contract with THE CITY are used, where, to his knowledge, he or his immediate family, partners, or organization in which he or his immediate family or partner has a financial interest or with whom he is negotiating or has any arrangement concerning prospective employment.

Public officials and employees should also be aware of state and federal law which prohibit a public official or employee, acting in his private capacity, from negotiating, bidding, or entering a contract in which he has private pecuniary interest at the same time he is authorized in his official capacity to exercise discretion in making or administering the contract.

Agencies should consult their legal advisor if they have concerns regarding conflict of interest.



- **Open and Free Competition** - Procurement and sub-contracting shall be conducted in a manner to provide, to the maximum extent possible, open and free competition.
- The agency shall be alert to organizational conflicts of interest or non-competitive practices among contractors that may restrict or eliminate competition or otherwise restrain trade.
- Those who develop or draft specifications, requirements, bid invitations, requests for proposals, etc. should be excluded from competing.
- Awards should be made to the bidder/offeror whose bid/offer is responsive to the solicitation and is most advantageous to the agency.
- Solicitations should clearly set forth all requirements that the bidder/offeror must fulfill for his bid/offer to be evaluated by the agency.
- All bids/offers may be rejected when it is in the agency's interest to do so.

Minimum Procedural Requirements - Recipients should establish written procedures that provide for, at minimum, the following requirements:

- Procurement and sub-contracting actions shall follow a procedure to avoid purchasing unnecessary or duplicative items.
- Solicitations for goods and services shall clearly and accurately describe the goods and services to be procured or sub-contracted.
- The non-Federal entity must award contracts only to responsible contractors possessing the ability to perform successfully under the terms and conditions of a proposed procurement.

Related-Party Transactions

A related-party transaction occurs when one party to a transaction can influence the management or financial operating policies of the other party. Examples of related-party transactions include, but are not limited to, transactions between:

- Divisions of an organization.
- Organizations under common control through common officers, directors, or members.



- An organization and a director, trustee, officer, or key employee of the organization or his immediate family either directly or through corporations, trusts, or similar arrangements in which they hold controlling interest.

The fact that two parties in a transaction are related does not automatically mean the costs incurred are inappropriate and unallowable. In addition to the general procurement requirements applicable to all non-Federal entities, non-Federal entities engaging in related-party transactions must also maintain written standards of conduct covering organizational conflicts of interest.

City of Molalla closely examines related-party transactions during fiscal reviews. Agencies must disclose related parties to City of Molalla upon request.

Third-Party Revenue

Some contracts provide a specified level of funding and require additional revenues to be collected from various types of third parties. Typically, an agency's accounting records need to show all revenues received by an agency regardless of source. Also, the agency must identify all revenues collected by a subcontractor that would reduce the amount of state or federal funds paid to the subcontractor and claimed by the agency from the Department.

The Department expects that all agencies (counties, tribes and private vendors) record gross revenues and expenditures in the appropriate accounts. Revenues should be clearly identified in the appropriate revenue ledgers. The same principle applies to the recording of expenditures.

Unless otherwise specified by the terms of the contract, all contracts must be written to require that the program-related revenue from sources other than THE CITY'S is to be used to offset the expenditures that would otherwise be charged to the program. An agency's accounting system should include sufficient detail to identify the total cost of services and total revenue received by service and source.

Fiscal Reviews, Audits and Unallowable Costs

The purpose of these reviews is to ensure that agencies receiving department funding are in compliance with state and federal laws, cost guidelines, policies and procedures, as well as contractual and licensing



requirements.

Chapter II - Selected Items of Costs

This chapter provides principles to be applied in establishing the allowability of certain items involved in determining cost. These principles apply whether a particular item of cost is properly treated as direct or indirect cost. A transaction or item of cost not specifically mentioned in the Manual is not intended to imply that it is either allowable or unallowable; rather, determination as to allowability in each case should be based on the treatment provided for similar or related items of cost and the cost principles in this Manual.

In addition to general cost guidelines, the Department is prohibited by law, regulation, and/or contract from paying for certain expenditures. These costs are designated as unallowable costs and should not be charged to Department programs, either directly or indirectly. Agencies are not prohibited from incurring unallowable costs, but they cannot be recovered under Department contracts.

To manage unallowable costs, separate accounts should be established for these types of expenses. Unallowable costs cannot be made part of expense pools that are applied to contracts through administrative charges, cost allocation plans, or indirect charges. Agencies should include a direct cost pool or category in their chart of accounts for unallowable costs.

For costs to be allowable, they must be reasonable, necessary, and provide a benefit to the program. Costs not directly related to program needs are unallowable.

In general, unallowable agency-related costs include, but are not limited to:

- Advertising and public relations (§75.421)

Advertising and public relations costs are generally not allowable except under the instances allowed by federal regulations or contract.

- Alcoholic beverages (§75.423)

Costs of alcoholic beverages are unallowable.

- Automobile allowances (§75.403)



The use of vehicle allowances does not reflect actual cost. As they are estimates, they are not allowable.

- Automobile costs for personal use (§75.431 (f))

The use of agency owned cars or payment of mileage for personal use, including commuting, is not allowed.

- Bad debts (§75.426)

Accounts receivables determined to be uncollectable, including losses from uncollectable accounts are unallowable whether actual or estimate.

- Cash disbursements and cash ATM withdrawals

Checks written to “cash” or ATM cash withdrawals that are merely supported by a withdrawal receipt are not allowable expenses.

- Contributions, donations, and gifts (§75.434)

See the federal allowable cost guidance for discussion on the allowability of contributions and donations.

- Entertainment (§75.438)

Costs of entertainment, including amusement, diversion, and social activities and any associated costs are unallowable, except where specific costs that might otherwise be considered entertainment have a programmatic purpose, reasonable, necessary and are authorized by contract. Questions about specific entertainment costs should be directed to your Contract administrator.

- Fines, penalties, damages, and other settlements (§75.441)

Costs resulting from violations of, alleged violations of, or failure to comply with, Federal, state, tribal, local, or foreign laws and regulations are unallowable, except when incurred as a result of compliance with specific provisions of the award, or with prior written approval of the Department.

- Fraud (FAR 31.603)

Losses incurred by a provider related to fraud or embezzlement committed by internal or external perpetrators are unallowable costs and may not be charged to city programs.

- Fund raising costs (§75.442)

Cost of organized fundraising, including financial campaigns, endowment drives, solicitation of gifts and bequests, and similar expenses incurred to raise capital or obtain contributions are unallowable.

However, fundraising costs for the purposes of meeting federal program objectives which are reasonable and necessary may be allowable if permitted by contract. Questions about specific



fundraising costs should be directed to your Contract administrator.

- Goodwill (FAR 31.205-49)

The write-up of assets, resultant depreciation, and goodwill from business combinations is unallowable.

- Goods and services for personal use (§75.445)

Costs of goods or services for personal use of employees are unallowable regardless of whether the cost is reported as taxable income to the employees.

- Interest on credit card accounts and installment loans (§75.449)

Interest expense on credit card accounts and installment loans are not allowable.

- Investment management costs (§75.442)

Investment management costs are unallowable, except for costs related to the physical custody and control of monies and securities.

- Legal expenses for administrative appeals, prosecution of claims, or civil or criminal actions (§75.435; FAR 31.205-47)

The cost of legal representation related to claims against the Department, as part of an administrative appeal, or as the result of civil or criminal actions against the agency is generally not an allowable cost.

- Lobbying/political activities (§75.450)

The costs of certain influencing activities (i.e., attempts to influence the enactment or modification of any pending legislation through communication with any member or employee of the state legislature, or with any government official or employee concerning a decision to sign or veto enrolled legislation) associated with obtaining grants, contracts, cooperative agreements, or loans is unallowable.

- Losses (§75.451)

The excess of cost over revenue on any contract or program is unallowable.

- Memberships, dues, and subscriptions (§75.454)

Costs of membership in any country club or social or dining club or organization are unallowable. See below for a discussion of other types of memberships.

- NSF fees (§75.441)

Fees assessed for non-sufficient-fund checks or drafts, whether returned or not, are unallowable.

Agencies should maintain their accounts in a manner that precludes overdrafts from occurring.

- Over limit fees (§75.441)

Over limit fees assessed on credit cards are unallowable. Agencies should maintain their accounts in a



manner that does not incur these types of fees.

➤ Parking tickets (§75.441)

Fines and penalties include all costs resulting from violations of, or failure to comply with federal, state or local laws and regulations, and contract requirements. Parking tickets are considered a fine and are unallowable.

➤ Personal housing and living expenses (§75.445)

The costs related to the personal living expenses of agency employees are generally unallowable. This includes but is not limited to: rent, utilities, auto expenses, food, dining, clothing, entertainment, insurance, furniture, and the payment of personal debt.

➤ Reconnection charges (§75.441)

Reconnection charges for utilities, telephone, and Internet or cable service due to failure to pay bills on time is unallowable. Agencies should maintain their accounts in a manner that does not incur these types of fees.

➤ Start-up Costs (§75.455; s. 49.34(3)(d))

Start-up costs apply to new or expanded services only. Start-up costs are unallowable without prior approval. Reimbursement to an agency may be based on total allowable costs agreed to by the parties regardless of the actual number of service units to be furnished when the agency is entering into a contract for a new or expanded service that the purchaser recognizes will require a start-up period not to exceed 180 days. Such reimbursement applies only if identified client needs require the establishment of a new service or expansion of an existing service. A written agreement shall state the new or expanded services, the relevant time period, and the type of costs to be reimbursed. When the Department contracts with an agency with an existing program(s), costs of operations prior to the contract effective date may not be claimed unless specifically authorized. Providers may not be reimbursed based on planned or budgeted costs for services when the planned or budgeted services could not be provided during the contract period because of delays in starting up the program

➤ Tobacco products (§75.403)

The cost of tobacco is expressly unallowable under all circumstances.

➤ Undocumented expenses (§75.403 (g))

For expenses to be allowable, they must be adequately documented. Expenses that are lacking adequate supporting documentation are unallowable.



While the costs cited above are generally not allowable costs, some common costs incurred by agencies may be allowable, such as:

➤ Audit services (§75.425)

Audit expenses are allowable if the audit is required by federal or state law or regulation or is authorized by the Department and performed in accordance with the applicable federal and state guidelines. The guidance that will be applicable to a particular agency depends on the type of agency and the amount and type of financial assistance received by the agency. In general:

- All audits shall be in accordance with generally accepted auditing standards and the U.S. General Accounting Office *Government Auditing Standards*.
- Audits of local governments and Tribes shall also be in accordance with the Single Audit Act Amendment of 1996, and the Wisconsin Department of Administration's *State Single Audit Guidelines*, if the amount of federal financial assistance is above the threshold for requiring an audit in accordance with the Single Audit Act Amendment of 1996.
- Audits of institutions of higher education and other non-profit agencies shall also be in accordance with the Uniform Guidance and the Department's *Provider Agency Audit Guide*, if the amount of federal financial assistance is above the threshold for requiring an audit in accordance with Subpart F of the Uniform Guidance.
- Audits of other agencies shall also be in accordance with the Department's *Provider Agency Audit Guide*.

➤ Client-Related Costs (§75.456)

Direct expenditures made on behalf of a client, such as food, entertainment, transportation, and personal goods may be allowable if related to a program objective.

➤ Fees for Employee health and welfare costs (§75.437)

Costs incurred in accordance with the non-Federal entity's documented policies for the improvement of working conditions, employer-employee relations, employee health, and employee performance are generally allowable. See the federal regulations for more specific guidance.

➤ Memberships, dues, and subscriptions (§75.454)



- Costs of membership in business, technical, and professional organizations are allowable.
- Costs of subscriptions to business, professional, and technical periodicals are allowable.
- Cost of memberships in any civic or community organizations are allowable with prior approval.
- Costs of membership in any country club or social or dining club or organization are unallowable

Chapter III - Documentation of Costs

Proper documentation of costs is a critical aspect of sound fiscal management. Supporting documentation provides evidence that costs were actually incurred and paid for by the agency.

Generally, documentation will be in the form of an original invoice, receipt or contract that is supported by a copy of a canceled check/electronic payment copy or other document showing that the transaction was completed. If cancelled checks are not available, bank statements may provide evidence that the costs were paid by the agency.

In general, documentation must contain the following elements:

- Date
- Payee
- Amount of cost
- Expense account and program being charged
- Explanation describing nature of cost and how it reflects a benefit to the program and business purpose
- Receipts and invoices with detailed information on costs

Disbursements without proper supporting documentation will be disallowed. ATM withdrawal slips or checks made payable to cash without additional receipts showing the exact use of the entire cash amount will also be disallowed. Credit card statements alone do not constitute acceptable supporting documentation; detailed receipts are required.



Definitions

Allocable - a cost incurred specifically for the program, or several activities but can be distributed between them in Reasonable proportion to benefits received and is clearly necessary to the program.

Allowable - costs directly related to the performance of a sponsored award and permitted under its terms and OMB guidance that must be Reasonable, necessary, Allocable, and treated consistently with generally accepted accounting principles.

Computing Devices - means machines used to acquire, store, analyze, process, and publish data and other information electronically, including accessories (or “peripherals”) for printing, transmitting, and receiving, or storing electronic information and acquisition.

Department Head (DH) - is the holder of an independent grant administered by the City and the primary individual responsible for the preparation, conduct, and administration of a research grant, cooperative agreement, training or public service project, contract, or other sponsored project in compliance with applicable laws and regulations and institutional policy governing the conduct of sponsored research.

Direct Cost - cost where a specific grant or contract gains explicit benefit from that cost for a specific programmatic purpose. (e.g., salaries, wages, fringe benefits, consultants, materials and supplies, equipment, travel, participant costs, tuition, and subcontracts).

Indirect Costs/Facilities and Administrative (F&A) - costs incurred for common or joint objectives and therefore cannot be identified readily and specifically with a particular sponsored award (e.g., depreciation of buildings and equipment, computing infrastructure, administrative services, utilities, and custodial services). Generally, these kinds of costs are identified, pooled, and charged against individual programs or funding sources using a rate designed to recover the costs.

Integral - the nature and purpose of the sponsored program lends itself to these types of personnel being essential in the completion and fulfillment of the stated aims and objectives.

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

Unallowable - those charges to an award that the sponsor determines to be Unallowable, in accordance with the applicable Federal statutes, regulations, or the terms and conditions of the grant or contract.

City of Molalla



Internal Controls Guidelines
Adopted _____
Resolution No. 2022-17

This document supersedes all previous internal control guidelines.

INTERNAL CONTROL GUIDELINES

Policy Purpose

The purpose of this policy is to assist Departments and Supervisors in establishing systems of internal control.

Policy Summary

City of Molalla Finance Department is responsible for establishing a system of internal controls designed to prevent losses of public funds arising from fraud, employee error, misrepresentation by third parties, unanticipated changes in financial markets, or imprudent actions by employees and City staff.

These systems should provide reasonable assurance about the achievement of City objectives about the reliability of financial reporting, effectiveness and efficiency of operations, compliance with applicable laws and regulations, safeguard assets against unauthorized purchases, and prevent/detect financial errors and fraud.

Implementation of City Internal Controls

The actual methods implemented to address the components of internal control need to be scaled to each department and expanded or contracted based on the operation's organizational structure, staffing levels, programs, and resources.

Five Components of Internal Control

Internal control is composed of five components that work together in an integrated framework:

Control Environment, Risk Assessment, Control Activities, Information and Communication, and Monitoring Activities.

I. Control Environment

Each departments control environment should include a set of standards, processes, and structures that provide the basis for carrying out internal control across the entity. The governing body and management should establish the "tone at the top" regarding the importance of internal control, including expected standards of conduct, which then cascade down throughout the various levels of the organization and have a pervasive effect on the overall system of internal control. The control environment extends beyond the idea of culture and is composed of the following:

- The City entity's integrity and ethical values.
- The Governing Body's oversight responsibilities.
- The assignment of authority and responsibility.

- The process for attracting, developing, and retaining employees; and
- The measures, incentives, and rewards to drive accountability for performance.

The control environment is influenced by a variety of factors including the City's history and/or values, economic conditions, and the competitive and regulatory landscape.

II. Risk Assessment

A City risk assessment process should include how the City's management identifies risks (including fraud risk) relevant to the preparation and fair presentation of financial statements in accordance with the entity's applicable financial reporting framework, estimates the significance of each risk, assesses the likelihood of the occurrence, and decides upon actions to respond to and manage them and the results thereof.

Risks relevant to reliable financial reporting include external and internal events, as well as transactions or circumstances that may occur and adversely affect a City ability to initiate, authorize, record, process, and report financial data consistent with the assertions of management.

III. Control Activities

City should establish policies and procedures to implement control activities that achieve management directives and respond to identified risks in the internal control system. When designing policies and procedures to address control activities, the City should keep in mind that the cost of implementing certain control activities should not exceed the benefit derived from the control activities.

Control activities can be categorized as policies and procedures that pertain to the following:

- Authorization – activities should be authorized in accordance with the City policies and procedures.
- Segregation of Duties – shared responsibilities of a key process that disperses the critical functions of that process to more than one person or operating department. Without the separation in key processes, fraud and error risks are far less manageable. The functions of authorization, recording or reconciling, and maintaining custody of assets should be segregated. For some small City's, segregation of duties may be a challenge. Review and approval by an appropriate second person may be the most important control activity.
- Performance Reviews – City entities should perform analyses of financial data to ensure variances are in accordance with expectations, considering internal and external factors. This includes comparing current year actuals to budget, historical trends, and any forecasts of future performance available.

● Information Processing – two aspects, Application Controls and General IT Controls, which relate to the overall effectiveness of IT controls to ensure the proper operation of a City information systems

Application Controls are those related to procedures to check the accuracy of the output data, including follow-up on exceptions. Application controls are designed to help ensure completeness, accuracy, authorization, and validity of all transactions during application processing. It includes both the routines contained within the computer program code as well as the policies and procedures associated with user activities, such as entering data and producing or reporting results.

General IT Controls involve maintaining control procedures to restrict the access to the program data and the ability to make modifications to the data, including software updates and back-up or disaster recovery procedures, to ensure the continued operation of the information systems.

● Physical Controls – include ensuring the safeguarding of both tangible and intangible assets. Cities should have policies that ensure the physical security over all assets, whether they be capital assets, cash and investments, or other assets, and procedures to periodically count or reconcile the assets to the records. In addition, access to computer programs or data files should be restricted to appropriate personnel.

IV. Information and Communication

Information is necessary for each City entity to carry out internal control responsibilities to support the achievement of its objectives. City management at all levels should obtain, or generate, and use relevant and quality information from both internal and external sources to support the functioning of other components of internal control. Communication is the continual, iterative process of providing, sharing, and obtaining necessary information. Internal communication is how information is disseminated throughout the organization, flowing up, down, and across the entity. It enables personnel to receive a clear message from management that control responsibilities must be taken seriously. External communication is twofold as it enables inbound communication of relevant external information and provides information to external parties in response to requirements and expectations.

V. Monitoring

Monitoring involves evaluating the effectiveness of City controls on an on-going basis and taking remedial actions when necessary. On-going monitoring activities should be built into the normal recurring activities of City staff. Management’s monitoring of controls should include consideration of whether they are operating as intended and that they are modified as appropriate for changes in conditions.

Definitions

- 1) “Communication” – according to the AICPA’s Auditing Standard AU-C §315.A97, communication by the entity of the financial reporting roles and responsibilities and significant matters relating to financial reporting involves providing an understanding of individual roles and responsibilities pertaining to internal control over financial reporting.
- 2) “Control Activities” – according to the AICPA’s Auditing Standard AU-C §315.A99, an entity’s control activities are the policies and procedures that help ensure that management directives are carried out.
- 3) “Control Environment” – according to the AICPA’s Auditing Standard AU-C §315.A78, the control environment includes the governance and management functions and the attitudes, awareness, and actions of those charged with governance and management concerning the entity’s internal control and its importance in the entity
- 4) “Information System” – according to the AICPA’s Auditing Standard AU-C §315.A92, the information system relevant to financial reporting objectives, which includes the accounting system, consists of the procedures and records designed and established to:
 - initiate, authorize, record, process, and report entity transactions (as well as events and conditions) and maintain accountability for the related assets, liabilities, and equity.
 - resolve incorrect processing of transactions.
 - process and account for system overrides or bypasses to controls.
 - transfer information from transaction processing systems to the general ledger.
 - capture information relevant to financial reporting for events and conditions other than transactions, and
 - ensure information required to be disclosed by the applicable financial reporting framework is accumulated, recorded, processed, summarized, and appropriately reported in the financial statements.
- 6) “Internal Control” – according to the AICPA’s Auditing Standard AU-C §315.04, internal control is a process effected by those charged with management, and other personnel providing reasonable assurance about City objectives and the reliability of financial reporting.
- 7) “Monitoring” – according to the AICPA’s Auditing Standard AU-C §315.A.110, monitoring of controls is a process that is used by management to assess the effective operation of internal controls over time.
- 8) “Risk Assessment” – according to the AICPA’s Auditing Standard AU-C §315.A89, an entity’s risk assessment process for financial reporting purposes is its identification, analysis, and management of risks relevant to the preparation and fair presentation of financial statements.



CITY OF MOLALLA

117 N. Molalla Avenue
PO Box 248
Molalla, OR 97038

Staff Report

Agenda Category: Ordinances and Resolutions

Agenda Date: October 12, 2022

From: Cindy Chauran, Sr. Accountant

Approved by: Dan Huff, City Manager

SUBJECT: Resolution No. 2022-19: Adopting a Supplemental Budget and Appropriating Funds

FISCAL IMPACT: \$960,697

RECOMMENDATION/RECOMMEND MOTION: To Adopt Resolution No. 2022-19

BACKGROUND:

This resolution adjusts the 2022-2023 Budget and keeps the City in compliance with Oregon Budget Law. The resolution adjusts the Budget for unforeseen events including unanticipated costs or additional unanticipated revenue. This is common practice and is done by all cities 2-3 times annually. The Budget process starts 18 months before the end of the Fiscal Year. The Budget is based on estimates with the information at that time.

Reason for Supplemental:

- 1) Funding of VEBA/HRA accounts to Non-Represented Staff & Police, due to a sudden loss of Health Insurance. Total Impact: **\$350,000**
- 2) Police Department had unexpected expenses for mobile data units with an unanticipated expense from the County from a prior year bond. An additional amount allocated for FICA taxes was miss-calculated during the budget process. Total Impact: **\$276,000 of that amount \$198,000 will come from Cash Carry Over, with \$78,000 coming from Contingency**
- 3) Prior year Grant received to General Fund that needs transferred to Capitol Projects Fund.
Total Impact **\$412,697**



RESOLUTION NO. 2022-19

**A RESOLUTION OF THE CITY OF MOLALLA, OREGON
ADOPTING A SUPPLEMENTAL BUDGET FOR FISCAL YEAR 2022-2023
AND APPROPRIATING FUNDS**

WHEREAS, THE City adopted a budget and appropriated funds for Fiscal Year 2022-2023 with Resolution No. 2022-11; and

WHEREAS, unanticipated resources are available in the fund balances of all funds; and

WHEREAS, unanticipated expenditures for Police Department mobile data units and prior year County Bond, and employee benefits required increase appropriations; and

WHEREAS, grant revenue received by the General Fund in the previous fiscal year needs to be transferred to the Capital Projects Fund; and

WHEREAS, ORS 294.480 provides that a city may amend the current year adopted Budget through the supplemental budget process; and,

Now, Therefore, the City of Molalla Resolves as follows:

Section 1. The City amends the Budget for the Fiscal Year beginning July 1, 2022 and ending June 30, 2023, to include unanticipated expenses, revenues, and appropriations within the funds listed in Exhibit A.

Section 2. Effective Date. This Resolution becomes effective immediately upon passage of Council.

Signed this 12th day of October 2022.

Scott Keyser, Mayor

ATTEST:

Christie Teets, City Recorder

DRAFT

EXHIBIT A

	Res 2022-11 Current Appropriations	Res 2022-19 Change Appropriations	Amended Appropriations
General Fund			
Administration	\$ 1,688,880.00	\$ 60,000.00	\$ 1,748,880.00
Police Service	\$ 3,407,300.00	\$ 456,000.00	\$ 3,863,300.00
Municipal Court	\$ 236,900.00	\$ 10,000.00	\$ 246,900.00
Parks Department	\$ 285,925.00	\$ 2,500.00	\$ 288,425.00
Planning Department	\$ 444,950.00	\$ 5,000.00	\$ 449,950.00
Transfers	\$ 1,488,900.00	\$ 412,697.00	\$ 1,901,597.00
Contingency	\$ 1,500,000.00	\$ (78,000.00)	\$ 1,422,000.00
Total Appropriations to General Fund	\$ 9,413,205.00	\$ 868,197.00	\$ 10,281,402.00
Capital Projects Fund			
Transfer	0	\$ (412,697.00)	\$ (412,697.00)
Capital Projects Fund	\$ 13,692,057.00	\$ 412,697.00	\$ 14,104,754.00
Total Appropriations to Capital Funds	\$ 13,692,057.00	0	\$ 13,692,057.00
Library Fund			
Library	\$ 3,589,702.00	\$ 50,000.00	\$ 3,639,702.00
Total Appropriations to Library Fund	\$ 3,838,851.00	\$ 50,000.00	\$ 3,888,851.00
Sewer Fund			
Sewer	\$ 887,269.00	\$ 15,050.00	\$ 902,319.00
Total Appropriations to Sewer Fund	\$ 7,068,625.00	\$ 15,050.00	\$ 7,083,675.00
Street Fund			
Streets	\$ 1,087,015.00	\$ 9,000.00	\$ 1,096,015.00
Total Appropriations to Street Fund	\$ 4,636,677.00	\$ 9,000.00	\$ 4,645,677.00
Water Fund			
Water	\$ 802,367.00	\$ 13,950.00	\$ 816,317.00
Total Appropriations to Water Fund	\$ 4,434,841.00	\$ 13,950.00	\$ 4,448,791.00
Storm Water Fund			
Storm Water	\$ 276,407.00	\$ 4,500.00	\$ 280,907.00
Total Appropriations to Storm Fund	\$ 580,925.00	\$ 4,500.00	\$ 585,425.00
Total Budgeted Appropriations	\$ 49,865,047.00	\$ 960,697.00	\$ 50,825,744.00



Community Development Department
 315 Kennel Avenue, PO Box 248, Molalla, Oregon 97038
 Phone: (503) 759-0205

To: Honorable Mayor & City Council

From: Community Development Director, Mac Corthell

Date: September 28, 2022

Re: Monthly Community Development Report

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LAND USE & PERMITTING

Planning and Land Use Application Statistics:

<u>New Applications 7/01/22 – 9/20/22</u>	<u>Approvals 7/01/22 – 9/20/22</u>	<u>Open Apps 9/20/22</u>
<ul style="list-style-type: none"> • Type I BP Apps – 5 • Type I Other Apps – 33 • Type II Apps – 2 • Type III Apps New– 0 • Type IV Apps – 0 • Final Plat – 0 • Pre-App Requests - 4 	<ul style="list-style-type: none"> • Type I BP Apps – 8 <ul style="list-style-type: none"> ○ Residential Units – 151 ○ Com/Ind Sq Ft – 0 • Type I Other Apps – 33 • Type II Apps – 0 • Type III Apps – 6 • Type IV Apps – 0 • Final Plat – 0 • Pre-Apps Held - 4 	<ul style="list-style-type: none"> • Type I BP Apps – 2 • Type I Other Apps – 2 • Type II Apps – 2 • Type III Apps – 4 • Type IV Apps – 3 • Final Plat – 4 • Pre-Apps Pending - 0

Significant Land Use Approvals September 2022:

There were no Type III applications ready for review, so the September Planning Commission Meeting was cancelled. This brief respite allows Planning Staff to catch up on Type I & II applications, and Long-Term Planning. Unfortunately, legislative amendments could not be substituted due to preparation and notice requirements.

Significant Land Use Applications In-Process:

- Fast Food Drive thru – 1522 W Main St.
- Mobile Food Cart Pod – 1400 Fountain Way.

Legislative Amendments In-Process:

- Mural Code

LONG-TERM PLANNING

Housing Needs Analysis and Production Strategy:

- Funding: DLCD Grant Received to Fund Project, \$5k City Match.
- Purpose: HB 2003 Compliance, Background Study for Sufficiency of Urban Growth Boundary.
- Deliverables: Amendments to Comprehensive Plan and Development Code.
 - Updated Buildable Lands Inventory, Housing Inventory & Needs Analysis, Housing Production Strategy.
- Status:
 - Housing Needs Analysis
 - Draft HNA Edits Due 9/28/22
 - Housing Production Strategy
 - Public Outreach – Surveys on Molalla Current
 - Public Outreach – Townhall Scheduling

Upcoming Initiatives:

- Parks Master Plan and CIP Update: Funded for FY22-23
- Stormwater Master Plan and CIP Update: Funded for FY22-23
- Employment Land Needs Analysis: Reviewing Funding Options
- Emergency Management Plan Update: Reviewing Funding Options

CODE ENFORCEMENT

Code Case Statistics:

<u>7/1/22 – 9/20/22</u>	<u>7/1/22 – 9/20/22</u>
<ul style="list-style-type: none">• New Complaints - 28• Open Cases – 15<ul style="list-style-type: none">○ Open Cases Initial Letter - 11	<ul style="list-style-type: none">• Cases Closed – 12<ul style="list-style-type: none">○ No Violation – 0○ Compliance – 4○ Referred - Other Agency – 9

Neighborhood Livability Program:

This group meets once per month to discuss shared issues between law enforcement and code enforcement in order to take a wholistic approach to keeping neighborhoods livable. The current focus is on staffing for the Code Enforcement role.

ECONOMIC DEVELOPMENT

Beautification & Culture CPC:

- 2022 Molalla Kiosk Art Contest – Complete, Art Installed on Kiosks!
- Mural Code Project
 - B & C Committee Preparing to bring draft Mural Code to Staff for Review and Processing
- 2023 Clackamas County Cultural Coalition Grant Application
 - Members of the CPC working on a grant application to purchase Winter themed banners for Downtown!
 - See Example banners to the right →



Travel Oregon Destination Assessment:

- Action Team Members working with consultants funded by Travel Oregon to create a recreation resource map for Molalla and surrounding areas. Development of the map and first run printing will be paid for by Travel Oregon.
- This project made possible by our partners at Mt. Hood Territory (Clack Co Tourism) who applied for and administered this Destination Ready process on behalf of the city.



Molalla Enterprise Zone Expansion:

Molalla Proposed Enterprise Zone Expansion



Community Development Staff have been working to expand the Molalla Enterprise Zone for several months. All required notices, public engagement, and cooperation with local taxing districts is complete.

Staff will proceed with finalization upon receipt of all necessary documents from our Community Partners – Clackamas County & Port of Portland – which must then be forwarded (along with other documentation) to Business Oregon for final approval.

PUBLIC & PRIVATE INFRASTRUCTURE PROJECTS

New Public Facing Project Map:

After a ton of hard work and dedication, the new project map product will go live this week! City staff will send out blasts to the community when it's ready to go. PW Div Mgr, Andy Peters, developed this map product and worked closely with the City's various digital hosting and platform partners to get this thing out to the public. Please help spread the word when it comes out!

Open Projects:

- [22-27](#) Summer Irrigation Capacity Expansion Plan – In project planning phase
- [22-26](#) Establishing a Temperature Allocation for Molalla in the Willamette TMDL – Part of WWTP Project
- [22-24](#) Water Distribution System Pressure Zoning and PRV Installation – Identifying funding options
- [22-23](#) Fifth Street Duplex with Storm and Alley Improvements – Private development with public improvements
- [22-22](#) On Call Paving Services (Road Maintenance Resurfacing Program) – Working on procurement
- [22-21](#) Section St Rehabilitation – Design funded, awaiting engineering capacity
- [22-20](#) Toliver at Trinity Estates, Mainline Replacement – Complete by end of November, 2022
- [22-19](#) Molalla Forest Road Resurfacing and Reopening – Fully funded, awaiting engineering capacity
- [22-18](#) Wooden Streetlight Pole Replacements (with PGE Option A) – PGE to perform, project for tracking purposes
- [22-17](#) Sewer Pipe Lining 2022 (Toliver, S. Molalla) – Work to begin in October/November 2022
- [22-16](#) Coffee Shop (31330 OR 213) – Private development with public improvements
- [22-14](#) Odot ADA Ramps along HWY 211 – ODOT to perform, project for tracking purposes
- [22-13](#) Goodwill – Private development with public improvements
- [22-12](#) RWUP Update for New Coleman Field – Related to project 22-27
- [22-11](#) River Meadows Subdivision – Private development with public improvements
- [22-10](#) WWTP Interim Capacity Determination – Balancing the need for development with existing WWTP Capacity
- [22-09](#) 1000 W. Main St (Affordable Apartments) – Private development with public improvements

- [22-07](#) Cascade Place Apartments – Private development with public improvements
- [22-04](#) New 2.0 MG Tank at Water Treatment Plant – Design & Property Acquisition in-work
- [22-02](#) 501 E Main Street - C Store – Private development with public improvements
- [21-12](#) New Police Facility – Architectural & Funding Identification in-work
- [21-10](#) Molalla Civic Center Improvements – Phase I complete, awaiting CDBG award for Phase II (ADA Access)
- [21-09](#) Chief Yelkus Park – Parks CPC working on design and funding
- [21-02](#) Molalla Forest Road - Park Road – Design in-work
- [21-01](#) Bartell Partition & Development (Patrol Street) – Private development with public improvements
- [20-07](#) Strawberry Park – Phase I complete, working on Phase II (fencing, benches, etc.)
- [20-03](#) Eckerd Ave, 2nd St, Lola Ave Sewer and Water line replacement – Pre construction meeting this week
- [20-01](#) Colima Apartments – Private development with public improvements
- [19-10](#) WWTP Upgrade – Design in-work, funding strategies in-work
- [19-04](#) Cascade Center Commercial Development – Private development with public improvements
- [18-16](#) Hix Tractor Supply Store - Private development with public improvements
- [18-14](#) City Shops Decant Facility – Construction 70% complete
- [18-08](#) OR 213 / Toliver Roundabout – Significant conflicts with Water and Wastewater systems identified, mitigation is in design, all funding identified.
- [18-04](#) Biosolids Removal – A consent decree requirement at the WWTP
- [18-02](#) Dyer miscellaneous development review and general engineering – Engineering support for private projects requiring complex public improvements.
- [17-20](#) Sawyer Truck Repair - Private development with public improvements
- [17-12](#) Shirley Street Curb Extensions – 2 of 3 curbs complete, 3rd removed and being repoured within the next week

Completed Projects (January 1, 2022 – Present):

- [22-25](#) City Hall Police Dept HVAC Replacement (Emergency)
- [22-15](#) Mercury TMDL Implementation Plan
- [22-06](#) CIP Update & SDC Recalculation
- [22-03](#) Shaver St. @ OR-211 Repair
- [22-01](#) City Hall Sewer Main Repair (Emergency)
- [21-14](#) City Hall Reader Board
- [21-11](#) Fox Park Play Equipment Improvements
- [21-08](#) 150 Miller St – private development
- [21-06](#) Scandia Waterline Replacement
- [21-04](#) City Hall Upstairs Remodel
- [21-03](#) Water CIP Rates and SDC Study
- [20-05](#) Clark Park Pathway
- [20-04](#) Shops/WWTP/Elementary School Waterline
- [20-02](#) 643 N Molalla Ave – private development
- [19-13](#) Dollar General – private development
- [19-09](#) OR 211 / Molalla Signal
- [19-07](#) Molalla Forest Road Bridge Phase II
- [17-04](#) ODOT, OR-211 Bike/Ped path

PUBLIC WORKS MAINTENANCE

Wondering why OR-213 was closed this month? The drone shot below shows the culprit, a Box Culvert being installed.



Left, the finished bridge/culvert and restored creek bed. Hwy 213 was reopened shortly after this photo was taken.



Public Works Maintenance Crews finish off Phase I of Strawberry Park (above), replace a service on Mary Dr (right), and fix those curb extensions on Shirley St (below)



Today's Date:
8/28/2022

City of Molalla
APPLICATION FOR PLANNING COMMISSION
APPOINTMENT

Please print or type

Must be received in City Recorder's Office



Planning Commission Appointment is a 4-year term.

PERSONAL INFORMATION:

Name Jeremy Joseph	Years of Residency in Molalla?	
Street 29256 S El Rancho St.	City/State/Zip Molalla, OR 97038	Registered Voter? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
E-mail address [REDACTED]	Cell / home phone 5 [REDACTED]	

EMPLOYMENT:

Current Employer Name/Address Business Owner - Semi Retired		
Position President	How long? 15 years	Work Phone [REDACTED]
Work Experience		

EDUCATION:

Years Completed 4	Degrees Social Studies Education
Colleges Corban University	
Certifications	

COMMUNITY INVOLVEMENT: *Attach additional pages if necessary.*

Describe volunteer activity within this or other communities I am just getting into serving our community, but currently also serve on the Molalla Youth Sports Board
Do you presently serve on a City board or committee? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
If yes, which board or committee?

In 50 words or less, explain why you desire appointment to the City Council.

My desire to serve this community stems from my recent abundance of time on my hands. I have 3 young children and my wife and I plan to live our life here. I want to do what I can to make Molalla a great place to live and raise children.

List any relevant experiences, skills, or interests that have helped to prepare you for your role on the City Council.

I have owned and ran businesses at a high level with over 500 employees and operations in 7 states. This experience taught me to be disciplined and organized. I believe I have a special ability in operations and logistics and I want to use these skills in a new way by serving my community. I also have 3 young children, (2, 7, and 9) and want to do what I can to make this a great place not only now, but when they get older as well. I currently serve on the Molalla Youth Sports board and I am looking for more ways to do my part.

- *Attach a resume if desired.*
- *To access the City Council Orientation Handbook, please access the following link: <https://www.cityofmolalla.com/cityrecorder/page/councilor-roles-responsibilities-elections>*
- *The information requested herein becomes public record upon submittal. A written request to not disclose certain information may be submitted to the City Recorder's Office for consideration.*
- *This Council seat is open until filled.*

I certify that the foregoing information is true and correct.

[Redacted Signature]

8/28/2022

Signed (Applicant)

Date

For Office Use Only

Date Received: _____

Date Appointed: _____

Term assigned: _____

Residency confirmed: _____

Voter Registration confirmed: _____