



**POLICIES FOR USE OF FEDERAL FUNDS
UNDER UNIFORM GUIDANCE STANDARDS**

TABLE OF CONTENTS

<u>Section</u>	<u>Title</u>
I	Purpose
II	Responsibilities
III	Conflict of Interest
IV	Debarred Vendors
V	Procurement Standards
VI	Procurement Methods
VII	Management of Cash
VIII	Allowable Costs
IX	Personnel Expenses
X	Subrecipient Monitoring
XI	Personally Identifiable Information
XII	Data Breach Procedures and Notification

Section I – Purpose

The Uniform Guidance – a "government-wide framework for grants management" – is an authoritative set of rules and requirements for Federal awards that synthesizes and supersedes guidance from earlier Office of Management and Budget (OMB) circulars. Announced in the Federal Register in December 2014, the Uniform Guidance (UG) aims to ease the administrative burden for organizations that receive federal awards while reducing the risk of waste, fraud, and abuse of awards expended annually.

The UG procurement requirements apply to purchases that are paid or reimbursed from federal financial assistance. This includes, but is not limited to, purchases that are reimbursed from USDA grants and loans, Community Development Block Grant (CDBG) programs, public disaster grants and reimbursement from FEMA, and the Highway Planning, Research, and Construction program.

The UG standards apply to the procurement of goods and services as well as construction and repair contracts. The UG procurement requirements start at purchases of \$10,000 (per OMB M-18-18; attached) (\$2,000 if Wage Rate requirements apply). This is a significantly lower threshold than the current North Carolina State procurement standards.

This Policy is to establish and maintain effective internal control over the Federal award providing reasonable assurance that the City of Hickory is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. In addition, the City takes reasonable measures to safeguard protected personally identifiable information and other information the Federal awarding agency or pass-through entity designates as sensitive or the non-Federal entity considers sensitive consistent with applicable Federal, state, and local laws regarding privacy and obligations of confidentiality.

This Policy is a supplement to the City of Hickory's Procurement Policy and is not meant to contradict or override any policies or procedures outlined in the Procurement Policy in line with State procurement laws. In the case of overlap or contradiction, the City shall use the "most restrictive rule" in determination of procedures to utilize. Failure to comply with Uniform Guidance procedures can result in those purchases made being disallowed and loss of Federal Grant assistance.

For additional information please see the Uniform Guidance [FAQ](#) and the UNC-School of Government document "Comparison of Federal and State Procurement Requirements" included at the end of this policy.

Section II – Responsibilities

It is the awarded Department's responsibility for maintaining documents showing all the expenditures and methods of procurement. The awarded Department shall provide these documents to Finance Department throughout the life of the project. Documentation must keep in accordance with retention laws.

The City shall provide the auditor with access to personnel, accounts, books, records, supporting documentation, and other information as needed for the auditor to perform the audit required by this part.

Section III – Conflict of Interest

No employee, officer, or agent may participate in the selection, award, or administration of a contract supported by federal award if he or she has a real or apparent conflict of interest. A conflict would arise when the employee, officer, or agent, any member of his or her immediate family has a financial or other interest in or a tangible personal benefit from a firm considered for a contract. The officers, employees, and agents may not solicit nor accept gratuities, favors, or anything of monetary value from contractors or parties to subcontracts. If a violation occurs, the City may pursue disciplinary actions in accordance with the City's Ethics Policy and Disciplinary Action Policy and Procedure.

Section IV – Debarred Vendors

Before engaging a vendor, search for vendors on the [System for Award Management](#) (SAM) for the vendor by name, tax identification number, or another characteristic to make sure the person or entity hasn't been suspended or debarred from performing federally funded work. If the Department does engage a prohibited vendor, the federal awarding agency could refuse to reimburse project costs or request a return of previously awarded funds and exclude the City from future federal funding.

Section V – Procurement Standards

1. Awarded Departments must maintain oversight of grant funds to ensure that contractors perform in accordance with the terms, conditions, and specifications of their contracts or purchase orders.
2. The Department must avoid acquisition of unnecessary or duplicative items. Consideration should be given to consolidating or breaking out procurements to obtain a more economical purchase. Where appropriate, an analysis will be made of lease versus purchase alternatives, and any other appropriate analysis to determine the most economical approach.
3. The City of Hickory must award contracts only to responsible contractors possessing the ability to perform successfully under the terms and conditions of a proposed procurement. Consideration will be given to such matters as contractor integrity, compliance with public policy, record of past performance, and financial and technical resources.
4. The Department must maintain records sufficient to detail the history of procurement. These records will include, but are not necessarily limited to the following: rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price.
5. All procurement transactions must be conducted in a manner that provides full and open competition consistent with the UG procurement standards and avoids measures that include, but are not limited to:
 - Imposing unreasonable requirements on contractors in order for them to qualify to do business;
 - Requiring unnecessary experience and excessive bonding; or
 - Specifying only a brand name product instead of allowing an equal product to be offered and describing the performance or other relevant requirements of the procurement.
6. The City must include in the contract boilerplate terms and conditions, a number of provisions required under the UG. This includes remedies, termination for cause and convenience, EEO requirements, worker safety and wage and hour requirements, Clean Air Act and Federal Water Pollution Control Act requirements, debarment and suspension, procurement of recovered materials, contract modifications, access to records, and Byrd Anti-lobbying provisions.

Consult with the Legal Department or Finance Department for these supplemental terms and conditions before entering into Federal Funded contracts.
7. For construction or facility improvement contracts or subcontracts exceeding the Simplified Acquisition Threshold, the minimum bonding requirements must be as follows:
 - Bid guarantee from each bidder equivalent to five percent of the bid price. The “bid guarantee” must consist of a firm commitment such as a bid bond or certified check.
 - Performance bond on the part of the contractor for 100 percent of the contract price.
 - Payment bond on the part of the contractor for 100 percent of the contract price.

Section VI – Procurement Methods

Documentation is of utmost importance.

When comparing federal and state procurement requirements, the City of Hickory departments shall apply the requirements that are more restrictive. If there is overlap among local, state, and federal rules, and none of the rules are more restrictive than the other, the federal UG rules will apply.

The awarded department must perform a cost or price analysis for all procurement actions that utilize sealed bids, competitive, or noncompetitive proposals, if the contract price is in excess of the Simplified Acquisition Threshold (SAT). The method and degree of the cost or price analysis is dependent on the facts of the procurement. Micro-purchases and small purchases do not require cost or price analysis.

The UG procurement standards requires the City to place emphasis on contracting with small and minority businesses, women business enterprises, and surplus area firms. This includes soliciting them whenever they are a potential source for goods and services, and dividing the projects into smaller tasks or quantities to permit participation. Contractors also are required to follow these procedures when hiring subcontractors.

The uniform guidance outlines five methods of procurement: micro-purchases, small purchases, sealed bids, competitive proposals, and noncompetitive (sole source) proposals:

1. **Micro-purchases** – This method refers to the acquisition of goods or services, including construction, when the aggregate dollar amount does not exceed the micro-purchase threshold. The micro-purchase threshold is \$10,000 (verify this amount at [§200.67](#); and per OMB M-18-18 attached) (\$2,000 for construction subject to the Wage Rate requirements). Soliciting competitive prices is not required if the City of Hickory responsible departments believes the price is fair. This method applies to purchases in the aggregate and not to the cost of an individual item. Both the micro-purchase threshold and the (SAT), which is \$250,000 (verify this amount at [§200.88](#)), are periodically adjusted for inflation.
2. **Small purchases** – This method is for procurement of goods (purchase contracts), services, and construction or repair projects between the micro-purchase threshold and the SAT referenced in the previous paragraph. Relatively simple and informal methods of securing services, supplies, or other property are allowed. There must be price or rate quotes from an adequate number of qualified sources. The awarded department should consult with their federal granting agency to determine if that agency has issued guidance defining “adequate number.” If there is no guidance, the City considers an “adequate number” to be a minimum of three (3) quotes. Pricing from the internet, vendor price sheets, or logging of verbal quotes are all allowed. Documentation can include printouts of internet searches for price quotes or a written memo detailing the reasons for accepting or rejecting the bidders in a sealed bid or competitive proposal purchase.
3. **Sealed Bids (formal advertising)** – These apply to procurement of goods (purchase contracts), services, and construction or repair projects that exceed the SAT. Bids are publicly solicited electronically and a firm-fixed-price contract, whether a lump sum or a unit price, is awarded to the responsible bidder whose bid conforms to all the material items and is the lowest price. This method is the preferred method for procuring construction if sealed bids are feasible,

if a complete and realistic specification or purchase description is available, if an adequate number of bidders (two or more) participate (this will be three or more bidders if over \$500,000 according to State procurement laws), and if the procurement lends itself to a firm-fixed-price contract and the selection of the successful bidder can be made principally on the basis of price. The City must make independent estimates before receiving bids and proposals. The bids must be opened publically at the time and place prescribed in the invitation for bids. Any or all bids may be rejected if there is a sound documented reason.

4. Competitive Proposals – This method is generally used for procurement of goods (purchase contracts), services, and construction or repair projects greater than the SAT when it is not appropriate to use sealed bids. The technique is conducted with more than one source submitting an offer, and either a fixed-price or cost-reimbursement type contract will be awarded. Request for proposals must be publicized and must identify all evaluation factors and their relative importance. A minimum of two (2) proposals must be solicited. If there is only one proposal received, the department shall re-advertise with no minimum on the second publicized solicitation. There needs to be a written method for evaluating proposals and selecting recipients. The responsible firm is awarded the contract that is most advantageous to the program considering price and other factors.

5. Noncompetitive Proposals – These proposals are for soliciting from one source and may be used if an item is only available from one source, if a public emergency will not permit a delay, if a federal or pass-through agency authorizes the sole source in response to a written request, or if after solicitation from a number of sources, competition is determined inadequate.

Section VII – Management of Cash

Any funds paid to the City in excess of the amount to which the City is determined to be entitled under the terms of the Federal award constitute a debt to the Federal Government. The Federal awarding agency charges interest on the excess funds in accordance with the Federal Claims Collection Standards. The awarded department must immediately contact the federal awarding agency to notify if any excess funds have been received and make arrangements for return. The City may not earn or keep any profit resulting from Federal financial assistance, unless explicitly authorized by the terms and conditions of the Federal award.

The financial reporting of federal fund awards and expenditures will be in accordance with current Governmental Accounting Standards Board (GASB) standards and procedures.

The City of Hickory will:

- Provide, through the accounting system and other documentation, identification of all Federal awards received and expended and the Federal programs under which they were received. Federal program and Federal award identification includes, as applicable, the CFDA title and number, Federal award identification number and year, name of the Federal agency, and name of any pass-through entity.
- The City shall compare expenditures with budget amounts for each Federal award.
- Maintain effective control over, and accountability for, all funds, property, and other assets including cash.
- Adequately safeguard all assets and assure that they are used solely for authorized purposes.

Cash advances of federal funds shall not be requested by any City of Hickory officers or employees. The City utilizes the reimbursement method for Federal grants. No reimbursement of funds shall take place for amounts that are withheld by the City from payment to contractors to assure satisfactory completion of work. A payment must be made when the City actually disburses the withheld funds to the contractors or to escrow accounts established to assure satisfactory completion of work.

If a payment to the City is withheld by the Federal agency for failure to comply with Federal award conditions, the awarded department must consult with Finance staff to work towards compliance. The priority is to have the payment released to the City as soon as possible for cash flow purposes.

The City will utilize the most effective method, as allowed by the Federal agency, in requesting and receiving reimbursement to minimize the time elapsing between the transfer of funds from the United States Treasury and the disbursement by the City.

Section VIII – Allowable Costs

A) *General Criteria* - Costs must meet the following general criteria in order to be allowable under Federal awards:

- Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.
- Conform to any limitations or exclusions set forth in the UG Subpart E-Cost Principles or in the Federal award as to types or amount of cost items.
- Be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the City.
- Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost.
- Not be included as a cost or used to meet cost sharing or matching requirements of any other federally-financed program in either the current or a prior period.
- Be adequately documented.

Given the fourth bullet point above, the Uniform Guidance cost principles mandate that the City normally treat the following items as indirect costs: administrative and clerical staff, office supplies (including electronics), postage (the costs of overnight shipping and handling e.g., Federal Express, are allowable assuming they are directly associated with the conduct of the project), memberships, and hosting.

B) *Reasonable Costs* - In determining reasonableness of a given cost, consideration must be given to:

- Whether the cost is of a type generally recognized as ordinary and necessary for the operation of the non-Federal entity or the proper and efficient performance of the Federal award.
- The restraints or requirements imposed by such factors as: sound business practices; arm's-length bargaining; Federal, state, local, tribal, and other laws and regulations; and terms and conditions of the Federal award.
- Market prices for comparable goods or services for the geographic area.
- Whether the individuals concerned acted with prudence in the circumstances considering their responsibilities to the non-Federal entity, its employees, where applicable its students or membership, 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 Federal award's cost.

C) *Unacceptable Practices* – The awarded department shall not participate in the following practices:

- Purchasing items simply to exhaust an unobligated balance.
- Rotating charges among projects.
- Assigning charges to a project on the basis of the remaining balance to resolve availability of funding issues or simply to avoid the loss of carry-forward balances.

- Charging the budgeted amount (in contrast to an amount based on actual usage), unless the project allows a fixed price or other types of approved reimbursement method that does not require tracking of actual charges to the project.
- Assigning charges to an award before the cost is incurred.
- Charging an expense exclusively to a single award when the expense clearly has supported other activities.
- Applying a unit "tax" to projects to distribute clerical and administrative expenses.
- Transferring an overdraft from one sponsored project to another, without express sponsor approval.

D) *Distribution of costs across two or more sponsored programs* - Allocating costs cannot be based on overcoming funding deficiencies, to avoid restrictions based upon statutes, regulations or award terms and conditions, or for reasons of convenience. Costs that benefit two or more projects should be allocated based upon proportional benefit. That is, the cost is allocated according to the proportion of benefit provided to each project.

For an in-depth review of the following costs see §200.421 – 475 of the Uniform Guidance:

E) *Generally Unallowable Costs*

- Advisory councils
- Alcoholic beverages
- Alumni activities
- Bad debts
- Commencement and convocation costs
- Contingency provisions
- Contributions and donations
- Defense and prosecution of criminal and civil proceedings, claims, appeals and patent infringements
- Entertainment costs
- Fines, penalties, damages and other settlements
- Fund raising and investment management costs
- General costs of the City
- Gift Cards
- Goods or services for personal use
- Idle facilities and idle capacity
- Lobbying
- Losses on other awards or contracts
- Organization costs

F) *Allowable Under Limited Circumstances*

- Advertising and public relations – allowed when:
 - Solely for recruitment of personnel for performance of the award
 - For the procurement of good and services for the performance of the award
 - Disposal of scrap and surplus materials purchased on the award
 - Program outreach and other specific purposes to meet the requirements of the award

- Depreciation of buildings, capital improvements, equipment and software
- Exchange rates
- Gains and losses on disposition of depreciable assets
- Insurance and indemnification
- Intellectual property:
 - Patent costs
 - Allowable if required by the federal award
- Interest
 - Unallowable: costs for borrowed capital, temporary use of endowment funds, or entity's use of own funds
 - Allowable: financing costs to acquire, construct or replace capital assets
- Materials and supplies costs, including costs of computing devices
 - Computing devices are allowable as long as they are essential and allocable (even if not solely dedicated)
- Memberships, subscriptions, and professional activity costs
- Professional service costs (consultants)
- Recruiting costs
- Relocation costs of employees
- Rental costs of real property and equipment
- Taxes (including Value Added Tax VAT)
- Termination costs
 - Loss of useful value of special tooling, machinery and equipment; settlement costs and claims under sub-awards may be allowable
- Trustees

G) *Allowable Only with Prior Permission from the Grantor*

- Audit services
- Special Purpose Equipment
- Publication and printing costs (after the project ends but before closeout)
- Selling and marketing costs

H) *Generally Allowable Costs*

- Bonding costs
 - May be required by sponsor to assurance against financial loss
 - Allowable as a direct cost when required by the terms of the award
 - Allowable as an indirect cost when in accordance with sound business practice with reasonable rates and circumstances
- Collections of improper payments (either as a direct or indirect cost)
- Compensation—personal services and fringe benefits
 - Administrative and Clerical Salaries (need to be included in the award budget or have prior sponsor approval)
- Conferences
- Employee health and welfare costs
- Maintenance and repair costs
- Participant support

- Plant and security
- Proposal costs
- Rearrangement and reconversion costs
- Specialized service facilities
- Training and education
- Transportation
 - Including freight, express, cartage, postage and other transportation as either a direct or indirect cost
- Travel
 - Least expensive unrestricted accommodations

l) *Description of Expenses*

Consulting

External consulting costs are allowable when a consulting agreement exists and a specific invoice documents the charges. Under normal circumstances, City employees may not be considered consultants. In the unusual event that the consultation is across departmental lines and the work performed is in addition to the individual's normal departmental responsibilities, the City may approve these consulting charges to a sponsored project. Each case will be considered on an individual basis. Consulting contracts should be processed in accordance with City policy.

Equipment

The cost of the equipment includes the net invoice price of the equipment, including the cost of any modifications, attachments, or auxiliary apparatus necessary to make it usable for the purpose for which it was acquired. In accordance with Uniform Guidance, special-purpose equipment means equipment which is used only for specialized technical activities. General-purpose equipment means equipment, the use of which is not limited only to special use purposes. Examples include office equipment, computer equipment, and common tools of the trade.

Travel

Travel is an allowable direct cost when directly attributable to specific work under a sponsored project. Costs of meetings and conferences are allowable when the primary purpose is the dissemination of technical information and the cost is budgeted. Meals, transportation, facility rentals, and other items incidental to such meetings and conferences are also allowable direct costs. All travel costs charged to a sponsored project must comply with City travel policies.

Maintenance and Repairs

Necessary maintenance, repairs or upkeep of directly charged project-specific equipment that neither adds to the permanent value of the property nor appreciably prolongs its intended life but keeps it in efficient operating condition is allowable within the grant period. If a maintenance agreement cost or a repair cost benefits more than one sponsored agreement or other activity, the cost must be allocated to the various projects and activities based on the benefit directly received by each.

Memberships, Subscriptions and Professional activity costs

- Costs of the department's membership in business, technical, and professional organizations are allowable.
- Costs of the department's subscriptions to business, professional, and technical periodicals are allowable.
- Costs of membership in any civic or community organization are allowable with prior approval by the Federal awarding agency.
- Costs of membership in any country club or social or dining club or organization are unallowable.
- Costs of membership in organizations whose primary purpose is lobbying are unallowable.

Section IX – Personnel Expenses

The Uniform Guidance requires that time distribution records must be maintained for all employees whose salary is paid in whole or in part with federal funds or is used to meet a match or cost-share requirement for a grant. Payroll allocations among grant awards cannot be based on budgeted distributions alone. Rather, allocations of salaries and wages among grant programs need to be supported by actual hours worked.

Personnel expenses shall be documented at the departmental level for any eligible Federal award. If the award allows personnel expenses, the individual is responsible for maintaining the appropriate timekeeping information for the purpose of the grant allocation. Actual time spent on the award will be documented on Excel spreadsheets by the individual and reviewed and approved by the project award manager or department head. Time records documented at the departmental level are reviewed by the Senior Accountant and distributed to the appropriate project based on the data at the documented percentage amounts. The entries for salary calculations at the prorated amounts are prepared by the Senior Accountant and reviewed and approved by the Deputy Finance Officer prior to entry into the project management module of the City of Hickory accounting software.

For an in-depth guidance of personnel expenses see §200.430-431 of the Uniform Guidance.

Section X – Subrecipient Monitoring

Organizations receiving \$750,000 or more of federal funds are subject to the single audit requirements under the Uniform Guidance. If the City acts as a pass-through entity, the City is responsible for the task of ensuring subrecipients are using funds appropriately. All subrecipients, regardless of award size, must be monitored under Subpart D of the uniform guidance, which provides a list of a pass-through entity's related responsibilities. In addition to the need to disclose to subrecipients the full name of the award, any stipulations imposed by the federal awarding agency or the pass-through entity, and the closeout terms and conditions, the following requirements must also be met:

Subaward Required Information to be Provided

Ensure that every subaward is clearly identified to the subrecipient as a subaward and includes the following information at the time of the subaward. When some of this information is not available, the pass-through entity must provide the best information available to describe the Federal award and subaward:

1. Federal Award Identification.
 - a) Subrecipient name (which must match the name associated with its unique entity identifier);
 - b) Subrecipient's unique entity identifier;
 - c) Federal Award Identification Number (FAIN);
 - d) Federal Award Date (see §200.39 Federal award date) of award to the recipient by the Federal agency;
 - e) Subaward Period of Performance Start and End Date;
 - f) Amount of Federal Funds Obligated by this action by the pass-through entity to the subrecipient;
 - g) Total Amount of Federal Funds Obligated to the subrecipient by the pass-through entity including the current obligation;
 - h) Total Amount of the Federal Award committed to the subrecipient by the pass-through entity;
 - i) Federal award project description, as required to be responsive to the Federal Funding Accountability and Transparency Act (FFATA);
 - j) Name of Federal awarding agency, pass-through entity, and contact information for awarding official of the Pass-through entity;
 - k) CFDA Number and Name; the pass-through entity must identify the dollar amount made available under each Federal award and the CFDA number at time of disbursement;
 - l) Identification of whether the award is R&D; and
 - m) Indirect cost rate for the Federal award (including if the de minimis rate is charged per §200.414 Indirect (F&A) costs).
2. A requirement that the subrecipient permit the pass-through entity and auditors to have access to the subrecipient's records and financial statements as necessary for the pass-through entity to meet the requirements of this part.

Risk Assessments

The City should assess the risk of a subrecipient's noncompliance with federal statutes, regulations, and the terms and conditions of the subaward at the outset of the relationship and at least annually afterward.

Risk assessments should include evaluation of both the magnitude of potential noncompliance and the probability that noncompliance will occur. Subrecipient characteristics to examine include:

- Prior experience with federal awards
- Results of any previous audits
- Personnel involved
- Extent and results of any monitoring by the federal awarding agency
- Policies and procedures
- Financial stability
- Management systems
- Complexity of award requirements

Ongoing Monitoring

For each subrecipient awarded pass through funding, the department shall have a system in place for determining how, who, and when will perform the monitoring.

The City of Hickory considers a few key characteristics of effective monitoring to be:

- Data quality reviews
- Required progress reporting
- Site and desk reviews (especially important for large-scale projects)
- Compliance auditing
- The development of corrective action plans, as needed

Follow-up to Monitoring Efforts

Audit findings uncovered in the monitoring or auditing process are best discussed and agreed upon by both the City's (as the pass-through entity) reviewer and the subrecipient's management. Any deficiencies must be identified to the subrecipient, which should be given a specified period of time—for example, 60 days—to submit a corrective action plan for the pass-through entity's approval. This plan shouldn't only correct the immediate problem but also should create future controls that prevent the situation from reoccurring.

In the event of subrecipient noncompliance, follow the requirements in the uniform guidance for reporting such events. This includes reporting the act of noncompliance itself and any sanctioning activities the City takes to the federal awarding agency. This will keep the City ahead of any potential repercussions from the federal awarding agency.

Section XI – Personally Identifiable Information (PII)

Definitions:

- PII means information that can be used to distinguish or trace an individual's identity, either alone or when combined with other personal or identifying information that is linked or linkable to a specific individual. Some information that is considered to be PII is available in public sources such as telephone books, public Web sites, and university listings. This type of information is considered to be Public PII and includes, for example, first and last name, address, work telephone number, email address, home telephone number, and general educational credentials.
- Protected PII means an individual's first name or first initial and last name in combination with any one or more of types of information, including, but not limited to, social security number, passport number, credit card numbers, clearances, bank numbers, biometrics, date and place of birth, mother's maiden name, criminal, medical and financial records, educational transcripts. This does not include PII that is required by law to be disclosed.

The City shall make every effort to keep PII and Protected PII under lock and key. At no time should any employees be allowed to look at this information unless their official job duties require them to look at the information. To the extent possible, the City will keep records electronically in protected folders to eliminate the risk of paper copies being accessible.

All electronic files that contain Protected PII will reside within a protected City of Hickory information system location. All physical files that contain Protected PII will reside within a locked file cabinet or room when not being actively viewed or modified. Protected PII is not to be downloaded to personal or City owned employee workstations, mobile devices, tablets, or to systems outside the protection of the City such as file share programs. PII will also not be sent through any form of insecure electronic communication. When disposing of PII the physical or electronic file will be shredded or securely deleted.

When allocating labor expenditures, such as for Powell Bill funds, the information is kept in a work order system that utilizes an employee number that identifies the employee and their associated department. The employee number does not include social security, name, or any other identifiable information.

An employee found to be in violation of this PII policy may be subject to disciplinary action as deemed appropriate based on the facts and circumstances giving rise to the violation.

Section XII – Data Breach Procedures and Notification

A data breach includes the loss of control, compromise, unauthorized disclosure, unauthorized acquisition, unauthorized access, or any similar term referring to situations where persons other than authorized users with an authorized purpose have access or potential access to Personally Identifiable Information, whether physical or electronic.

Data breaches can take multiple forms including:

- Hackers gaining access to data through a malicious attack;
- Lost, stolen, or temporary misplaced equipment (e.g., laptops, mobile phones, portable storage devices, etc.);
- Employee negligence (e.g., leaving a password list in a publicly accessible location, technical staff misconfiguring a security service or device, etc.)

This policy mandates that any individual who suspects that a theft, breach or exposure of City of Hickory protected Personally Identifiable Information has occurred must immediately provide a description of what occurred to their department head or the City Manager's Office.

There are two types of categories of PII incidents:

- *Category I - Sensitive* incident is defined as a breach of sensitive PII. Sensitive PII is defined as Social Security numbers, or comparable identification numbers; financial information associated with individuals; and medical information.
- *Category II – Non Sensitive* incident is defined as a breach of non-sensitive PII. Non-sensitive PII is defined all other PII not explicitly mentioned in the content and context of the Sensitive PII definition.

The severity of the PII incident is determined by the extent of the data breach and the risk of harm to the individuals or Agency. Therefore the following severity levels can be utilized to assess the level of severity:

- *High* severity incident is a breach that would be catastrophically adverse to the organizational operations, organizational assets or individuals. Examples include, but are not limited to, the incident (1) may result in human death or serious injury or harm to individual(s); (2) may result in high cost to the City or individuals; (3) is State or National in scope; or (4) may significantly violate, harm or impede the City's mission, reputation, or interest.
- *Moderate* severity incident is a breach that would be seriously adverse to the organizational operations, organizational assets or individuals. Examples include, but are not limited to, (1) may result in injury or harm to the individual; (2) may result in costs to the City or individuals; (3) is Regional in scope; or (4) may violate, harm, or impede the City's mission, reputation or interest.
- *Low* severity incident is a breach that would be of limited significance to organizational operations, organizational assets or individuals. Examples include, but are not limited to, the incident (1) may result in loss of some tangible City asset or resource; (2) costs are minor or insignificant; (3) is local or otherwise limited in scope; or (4) may noticeably affect the City's mission, reputation, or interest

The analysis of these factors (form of breach, category I or II, and severity level) assists in the initial determination of risk of the PII incident to the individual(s) and City of Hickory, and the selection of an overall severity level rating for the incident to arrive at a subsequent notification action.

The City Manager's Office will chair an incident response team to handle the breach or exposure. The team will include members from Information Technology, Finance (if applicable), Legal, Communications, Hickory Police Department, and Human Resources.

The Communications Department will decide how to communicate the breach to a) internal employees, b) the public, c) those directly affected.

Notification for Category I PII incidents should take place as soon as practicable after the completion of the risk evaluation. Category II PII incident notifications should take place with a reasonable time following the risk evaluation.

The notification will include the following elements:

- A brief description of what happened, including the date(s) of the incident and of its discovery
- A description of the types of personal information involved in the incident;
- What steps, if any, individuals should take to protect themselves from potential harm, including
 - Advise the person should remain vigilant by reviewing account statements and monitoring free credit reports.
 - Toll-free numbers and addresses for the major consumer reporting agencies.
 - Toll-free numbers, addresses, and Web site addresses for the Federal Trade Commission and the North Carolina Attorney General's Office, along with a statement that the individual can obtain information from these sources about preventing identity theft
- What the City is doing to investigate the incident, to mitigate losses, and to protect against any further breaches; and
- Who affected individuals should contact at the City for more information, including a telephone number, e-mail address, and postal address.

The City will conduct a Post-Incident Activity Phase where the incident will close with a formal lessons learned to measure effective and ineffective activities during the PII incident.

*Note-Double Click on this page to read the full memorandum.



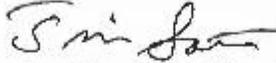
EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

OFFICE OF FEDERAL
FINANCIAL MANAGEMENT

June 20, 2018

M-18-18

MEMORANDUM FOR CHIEF FINANCIAL OFFICERS AND HEADS OF SMALL EXECUTIVE AGENCIES

FROM: Tim Soltis 
Deputy Controller, Office of Federal Financial Management

SUBJECT: Implementing Statutory Changes to the Micro-Purchase and the Simplified Acquisition Thresholds for Financial Assistance

In accordance with recent statutory changes set forth in the National Defense Authorization Acts (NDAA) for Fiscal Years 2017 and 2018, this memorandum raises the threshold for micro-purchases under Federal financial assistance awards to \$10,000, and raises the threshold for simplified acquisitions to \$250,000 for all recipients. Further, it implements an approval process for certain institutions that want to request micro-purchase thresholds higher than \$10,000. Agencies are required to implement these changes in the terms and conditions of their awards, and recipients of existing Federal financial assistance awards may implement them in their internal controls.

Background

This memorandum applies to all Federal agencies, as defined at 5 U.S.C. § 551(1), that award grants or cooperative agreements. It implements changes to the micro-purchase and simplified acquisition thresholds for financial assistance under the NDAA for Fiscal Year (FY) 2017 and FY2018. The micro-purchase threshold refers to purchases of supplies or services using simplified acquisition procedures, not to exceed an established amount pursuant to the Office of Management and Budget (OMB) Governmentwide Guidance for Grants and Agreements ("Uniform Guidance") at 2 C.F.R. § 200.67 (Micro-purchase). The simplified acquisition threshold refers to purchases of property or services using small purchase methods not to exceed an established amount pursuant to 2 C.F.R. § 200.88 (Simplified acquisition threshold). For Federal financial assistance awards, these purchases are acquired for use by a Federal program. The NDAA for FY2017 increased the micro-purchase threshold from \$3,500 to \$10,000 for institutions of higher education, or related or affiliated nonprofit entities, nonprofit research organizations or independent research institutes (41 U.S.C. § 1908). The NDAA for FY2018 increases the micro-purchase threshold to \$10,000 for all recipients and also increases the simplified acquisition threshold from \$100,000 to \$250,000 for all recipients.

Implementing the NDAA for FY2017

Section 217(b) of the NDAA for FY2017 raises the micro-purchase threshold to \$10,000 for procurements under grants and cooperative agreements for institutions of higher education, or related or affiliated nonprofit entities, nonprofit research organizations or independent research institutes.¹

¹ Pub. L. No. 114-328 (codified at 41 U.S.C. § 1902(a)(2)).