

ABCs of Financial Grants Management

*Understanding the
Uniform Administrative Requirements &
Financial Management Standards
applicable to your Grant*

Training Objectives

- Grant financial management requirements
- Sub-recipient versus vendor
- Financial system standards
- Internal control system
- Cash management
- Purchasing/Procurement
- Property Management
- Cost Principles & Cost Allocation
- Audit & Audit Resolution
- Record retention & access

Grant Financial Management Requirements

- Which Grant Financial Management Requirements Must You Follow?
 - DOL grant recipients & sub-recipients must adhere to the:
 - Specific requirements and special clauses contained in the grant agreement DOL Federal Regulations
 - OMB Circulars
 - Departmental Policies & SGA

US Department of Labor - ETA Grantees

Applicable OMB Circulars and Federal Regulations

	OMB Circulars			DOL Regulations
Nature of Grantee/Subgrantee	Federal Audit Requirements	Federal Cost Principles	Uniform Administrative Requirements	Uniform Administrative Requirements
State/Local, & Indian Tribal Governments	A-133 Revised 6/27/03 (effective 12/31/03)	A-87 Revised 05/10/04 2 CFR Part 225	A-102 Amended 8/29/97	29 CFR Part 97
Institutions of Higher Education		A-21 Revised 05/10/04 2 CFR Part 215 & 220	A-110 Amended 9/30/99 Republished as 2 CFR Part 215 8/31/2005	29 CFR Part 95
Non-Profits		A-122 Amended 05/10/04 2 CFR Part 230		
Hospitals		45 CFR Part 74		
For-Profits	Per program or grant agreement	48 CFR Part 31 (FAR)	Per program or grant agreement	

Sub-recipient vs. Vendor

29 CFR Part 99.210

OMB Circular A-133

One Stop Financial Management TAG

Sub-recipients & Vendors

- Sub-recipients & vendors can:
 - Receive funds directly from a Federal agency
 - Receive funds through a sub-award or pass-thru from a grantee
- Difference between sub-recipients & vendors is:
 - Critical in determination of applicable Federal grant management requirements & rules
 - Sub-recipients must follow such rules & vendors do not.

Sub-recipient

- Determines program eligibility of federally funded programs
- Measures performance of Federal program
- Responsible for programmatic decision making
- Adheres to applicable program goals & compliance requirements

Vendor

- Vendor is a dealer, distributor, merchant, or seller of goods and services which are required for conduct of a Federal Program
 - Not subject to Federal financial & administrative requirements
 - Provides the goods and services within normal business operations
 - Similar goods/services to different purchasers
 - Goods/services are ancillary to operation of Federal program
 - Program eligibility cannot be performed by vendors

Financial System Standards & Internal Control Structure

29 CFR Part 95

29 CFR Part 97

2 CFR Part 215

All Financial Systems

- 1. Financial reporting
 - System must permit preparation of Federal financial reports
 - Must report accruals
- 2. Accounting records
 - Adequately identify grant funds
 - Awards, obligations, assets, liabilities, income, and expenditures
 - Supported by source documentation
 - Must be maintained in accordance with GAAP

Financial Standards

- 3. Internal controls
 - System to protect integrity of funds
 - Accountability for cash, property & other assets
- 4. Budget controls
 - Comparison of actual expenditures (outlays) to approved budget plan
 - Compliance with line item requirements
 - Prevents overspending

More Financial Standards

- 5. Allowable costs
 - Only allowable costs charged
 - Only allocable costs charged
- 6. Source documentation
 - Costs must trace to authorizing document
 - Proof that costs are allowable & allocable
- 7. Cash management
 - System to control cash assets

Internal Control System (ICS)

What is it?

- The process used by an agency to safeguard its assets, check the accuracy and reliability of its accounting data, promote operational efficiency, and encourage adherence to management's policies.

Internal Control System

Elements

- Segregation of duties
 - Authorization, execution, and payment
- Competent personnel
 - Integrity, training, and supervision
- Access to assets is limited
- Records are periodically compared to existing assets
- Authorized transactions are recorded in a timely manner

Why Internal Controls are Important?

- Impact every aspect of an organization: people, processes, and physical structures
- A basic & necessary element
- Effective only when people and environment work together – Need buy in by all managers
- Provides reasonable assurances

Cash Management

29 CFR Part 95.22

29 CFR Part 97.21

2 CFR Part 215.22

31 CFR Part 205 (CMIA)

ETA 9130

Payment Management System

Cash Management

- Minimizing the time between the receipt and disbursement of cash
- Methods
 - Payment in advance
 - Reimbursement method
 - Working capital advances

Additional Requirements

- If possible, place funds in an interest-bearing account
- Not necessary to maintain a separate bank account for federal funds (however, certain federal agencies may require it)
- Tracking of funds must be consistent with fund accounting (GAAP)
- Encouraged to use minority/women-owned banks

System Requirements

- Extends to Monies Received:
 - From/To – US Treasury/EFT System such as Payment Management System (PMS)
 - From/To – Grantee
 - From/To – Subgrantee/Subrecipient
- Cash Disbursements \neq Accrued Expenditures

Cash Management

- Interest Income
 - Interest earned on federal (direct or pass-thru) funds may be considered program income (see federal program regulations)
 - Grantee may retain either \$100 or \$250 per year for administrative expenses

Purchasing/Procurement

29 CFR Part 95.40-48

29 CFR Part 97.36

2 CFR Part 215.40

48 CFR Part 31

Part IV Special Conditions

Purchasing/Procurement

- Process to obtain goods and services
- Applies to grantees and subgrantees
- Maintain a system for administration of contracts
- **Full & open competition** – required for all purchases

Procurement Standards

- Minimum requirements establish:
 - Written procurement/purchasing procedures
 - Written code of conduct & conflict of interest policies
 - Procedures to review procurements
 - Rating Panels & Factors
 - Cost and/or Price Analysis (determination of needs, costs, estimates, etc.)
 - Contractors demonstrate ability to perform
 - Close-out & Protest process of contracts (records, settlement, etc.)

Procurement Methods

- Small Purchase – informal
- Sealed Bids – technical specifications & price
- Competitive Proposals – Formal Request for Proposals or Invitations for Bids
- Non-Competitive Proposals – Sole Source or limited vendors

PARTNERS

- All services and goods within your grant agreement are subject to procurement
- **THERE ARE NO PRESUMPTIVE SERVICE PROVIDERS** – See SGA for additional detail

Mandatory Contract Clauses

29 CFR 97.36(i) and 29 CFR 95.48

- EEO & Non Discrimination requirements
- Copeland Anti-Kickback Act
- Davis-Bacon Act
- Sections 103/107 of Contract Work Hours (CWH) & Safety Standards Act (SSA)
- Clean Air Act, Clean Water Act, & EPA regulations
- Energy Conservation Act
- Byrd Anti-Lobbying Amendment (Part 93)
- Debarment & Suspension requirements (Part 98)

More Contract Clauses

- Breach of contract & other legal remedies
- Patent rights, copyrights, rights in data
- Termination for cause or convenience
- Access to records & retention requirements
- Reporting requirements
- Applicability of regulations
- Audit requirements

Property Management

29 CFR Part 95.32-.34
29 CFR Part 97.31-.32
48 CFR Part 31
2 CFR Part 215.34
Part IV Special Conditions

Equipment

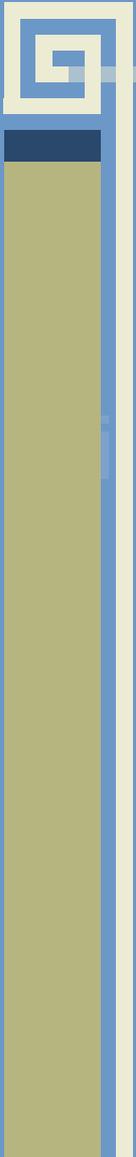
Federal definition

- Acquisition cost of \$5000 or more
- Useful life of 1 year or more,
- Prior approval requirements
- Title remains with grantee

- Other Considerations
 - Specialized Equipment – encourage to utilize leveraged resources (See SGA)
 - Acceptable to use a lower \$ threshold
 - Purchase, use, and title of subgrantee

Equipment Management

- Required of all grantees
- Physical inventory must be done
- Maintenance procedures
- Loss prevention & control system
- Disposition process
- Purchase of land or buildings – Prohibited



Equipment Records must contain the following:

- 1. Unit acquisition cost
- 2. Acquisition date
- 3. Description
- 4. Serial number
- 5. Funding source,
- 6. Percentage of federal interest
- 7. Title of ownership
- 8-9. Current use & Location
- 10-11. Date and condition of last physical inventory
- 12. Disposition data

Facilities & Leases

- Facilities
 - Use Allowance or Depreciation
 - Capital Expenditures
 - Idle Space
 - **Purchase of Real Property is Prohibited**
- Leasing
 - Less than Arms Length
 - FMV
 - Operating vs. Capital Leases

Federal Cost Principles & Cost Allocation

OMB Circular A-87

OMB Circular A-21

OMB Circular A-122

48 CFR Part 31

US DOL & HHS Indirect Cost Determination Guides

Federal Cost Principles

- **Purpose** – Provides that the Federal Government bear its fair share of costs except where restricted or prohibited by law
 - “Prudent person theory”
 - Allocable
 - Clearly benefit program
 - Both direct & indirect costs



Federal Cost Principles

8 factors affecting allowability of costs

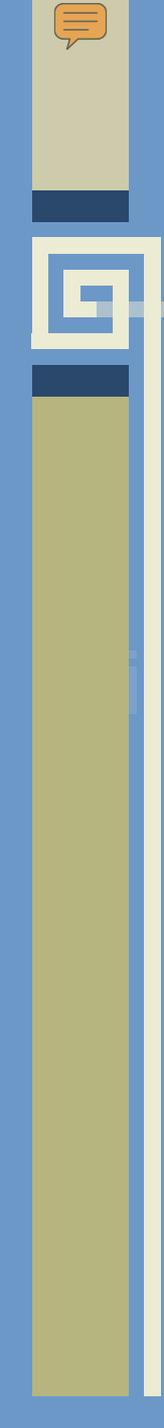
- Reasonable & Necessary to the grant award or program
- Consistent with the Federal Regulations & Circulars
- Consistent Treatment
 - Across time & program lines
 - Direct & indirect costs

Federal Cost Principles

- Not Used as Match
 - Unless specifically authorized
- Documented
 - Traceable to source documentation
- Consistent with GAAP
 - Accounting standards & treatment
- Conform to limitations/exclusions
- Net of applicable credits

Selected Items of Cost

- 3 types of Costs
 - Allowable
 - Unallowable
 - Allowable with Conditions
- If Cost not Treated -
 - Principles of necessary and reasonable apply



Unallowable Costs

- Entertainment
 - Allowable for certain WIA Youth recreation activities
- Losses, fines & penalties
- Contingency reserves
- Business relocation costs
- Employment generating activities & economic development activities
- Disallowed costs - not supported with adequate documentation, incurred outside of grant period, not for authorized purpose

Cost Allocation

- Direct Charge whenever possible
- Only Shared & Allowable costs are allocated
- Establish Cost Pools & Bases to Distribute costs
 - Controllable?
 - Direct relationship between cost & base

Cost Allocation

- **Cost Pooling by Expenditure type**
 - General & Administrative (G&A) Pool
 - Non-Allocable G&A Pool
 - Telecommunications Pool
- **Appropriate base reflects activity**
 - General & Administrative (G&A) Pool
 - **Base** – Direct program expenditures
 - Non-Allocable G&A Pool
 - **Base** – None. Can not be charged to federal programs and must be paid using non-federal sources
 - Telecommunications Pool
 - **Base** - # of telephones assigned to staff

Cost Allocation

- Staff Salaries & benefits
 - Time Distribution System – time spent on activity & grant
 - Needed if staff work on multiple projects/fund sources
 - Ensure that there are sufficient activity/project codes to cover all funding sources
 - Staff should account for 100% of their time
 - Should be completed by staff at least on a monthly basis and approved by a supervisor
 - Actual allocation of costs should be traceable to staff time activity report.

Cost Allocation Plan or Indirect Cost Rate

- Cost Allocation Plan (CAP)
 - Must be formalized and address all shared costs
- Indirect Cost Rate
 - Necessary if operating multiple programs or has multiple funding sources (both direct and pass through funds)
 - Submit a cost allocation plan
 - Needs written approval from cognizant agency

Audit & Audit Resolution

29 CFR Part 96.32

29 CFR Part 99

OMB Circular A-133 including Compliance Supplement

20 CFR 667.200

Single Audit Act

OMB Circular A-133

- Audits of States, Local Governments, and Non-Profit Organizations
- Required If aggregate federal expenditures from all sources total \$500,000 or more

Audits of Commercial Entities

- Direct Grant Recipient
 - DOL (Secretary) has the responsibility for audits of grantees that are commercial entities.
- Sub-recipient
 - Require that the entity conduct either an organization-wide or a program-specific audit in accordance with A-133.

A-133 Report

- Focuses on systems integrity more than program compliance
- Delivery of audit report within 9 months
- Federal Audit Clearinghouse & Online Single Audit Database
 - Found at **<http://harvester.census.gov/sac>**

Record Retention & Access

29 CFR Part 95.53

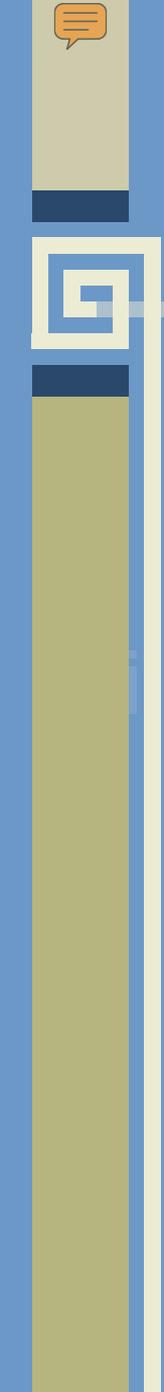
29 CFR Part 97.42

Record Retention

- Affects the following documents:
 - Financial & program records
 - Supporting documents
 - Other records (pertinent to grant)
 - Such as your cost allocation plan and audit reports
- Apply equally to grantees & subgrantees

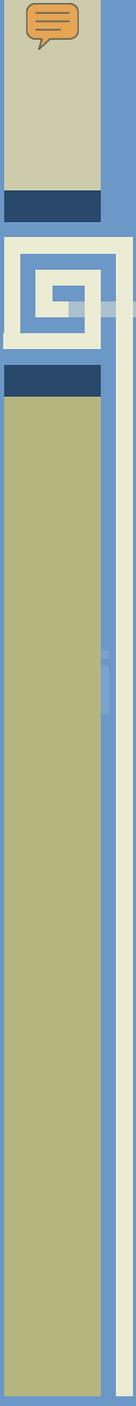
Length of Retention

- 3 years from submission of final expenditure report
 - 3 year period extended until all litigation or audits are resolved
 - Period not extended
 - Revisions resulting from closeout
 - If litigation, etc. resolved prior to period end
 - Subsequent revisions to the quarterly financial reports



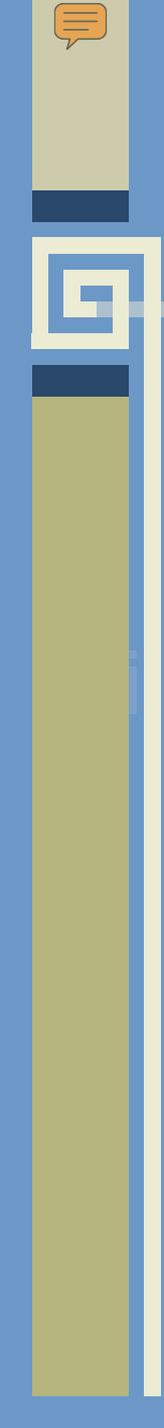
Other Retention Rules

- Real property & nonexpendable personal property
 - 3 years from date of final disposition
- Complaint records
 - 3 years from resolution of complaint
 - Maintained as a whole record system
- Indirect cost records
 - 3 years from date ICR package submitted or
 - If not submitted, normal 3 year period



Custody of Records

- Custodian is responsible for the integrity of all records
- Custody may be transferred
 - Joint use records
 - Records with long-term value
 - Termination of relationship
- Retention requirements follows agency with custody of records



Access to Records

- Recipients/subrecipients
 - Define conditions for providing access
 - Exceptions listed – WIA Section 185(A)(4)
- FOIA & Privacy Act
 - Applies only to records transferred to the Secretary of Labor
 - However, most states have sunshine laws
 - Fees may be charged only to recover costs of processing information requests

Resources

- **Handout - Financial and Administrative Policies/Procedures Checklist**
- <http://www.doleta.gov/grants/> - On-line grantee resource tools
- <http://www.dpm.psc.gov/> - HHS Payment Management System
- <http://www.cfda.gov> - Catalog of Federal Domestic Assistance (CFDA) website – Provides CFDA # and description of major federally funded programs needed for SEFA – Schedule of Expenditures of Federal Awards

Information Systems

- Records Storage
 - Authentication, Confidentiality, & Integrity
- Sensitive Data
 - Both personally & financially sensitive
 - Privacy Act, Identity Theft, Security, Password
- Organizational Changes
- Disaster & Recovery Plan
 - Internal & External
 - Physical & Virtual

More Web Resources

- Current List of USDOL Cost Negotiators
<http://www.dol.gov/oasam/programs/boc/costdeterminationguide/contact.htm>
- U.S. Department of Labor Indirect Cost Determination Guide for Non-Profits and Commercial Organizations
<http://www.dol.gov/oasam/programs/boc/costdeterminationguide/cdg.pdf>
- HHS Implementation Guide for State, Local and Indian Tribal Governments (ASMB C-10)
<http://rates.psc.gov/fms/dca/asmb%20c-10.pdf>
- Cost Allocation and Indirect Cost Rate Tools by various governments and entities operating federal programs
<http://www.agacgfm.org/intergovernmental/downloads/CostAllocationRG.pdf>

ABCs

Financial Grants Management

Accountability

Benefit

Count

Questions?

Deborah Galloway
230 S. Dearborn 6th Floor
Chicago IL 60604
galloway.deborah@dol.gov