Financial and Grants Management 101 Basics
You need to know . . .

The information in this session is based on CNCS and Federal laws, rules, and regulations; CNCS grant terms and provisions; and generally accepted accounting and financial principles and practices.

Some state commissions, national grantees, or parent organizations may impose additional requirements.
Welcome . . .

- Introduction of trainer and CNCS staff
- Program types represented
  - Senior Corps, AmeriCorps, SIF, NCB, 9/11, MLK
- Questions
  - As we go . . . ask clarifying questions and provide your experiences
  - Questions at the end as time permits
- We will do a small group activity
Session Objectives

- Review basic Corporation for National and Community Service facts
- Develop knowledge about effective financial and grants management
- Discuss challenges and opportunities for financial management growth
- Explore ways to enhance and improve current practices
National Service Grantees

- Senior Corps
  - Foster Grandparents, Senior Companion, RSVP

- AmeriCorps

- National Capacity Building Program

- Social Innovation Fund

- 9/11 Day of Service and Remembrance

- MLK Day of Service

See Handout 1
Activity

Basic Financial & Grants Management Terminology

See Activity 1
Effective Financial Management
Key Characteristics of Organizations with Highly Effective Financial Management

- Written and followed policies and procedures
- Qualified and trained financial staff
- Effective communications
- Succession planning and cross-training
- Self-assessment and continuous improvement
- Active, knowledgeable and informed Board and finance committee
Effective Financial & Grants Management

1. Regulations & Requirements
2. Financial Management Principles
3. Policies & Procedures
4. Internal Controls
5. Administrative Costs
6. Documenting Expenses
7. Match
8. Reporting & Budgeting
9. Audits & Site Visits
10. Grant Closeout
Regulations & Requirements
# Grant Guidelines

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**Notes:**
CFR = Code of Federal Regulations  
★ = Organization is subject to A-133 if it expends more than $500,000 of Federal funds in its fiscal year

*Locate Grants Management Circulars: [www.whitehouse.gov/omb/grants_circulars/]({#})*
Basics of OMB Circulars

- Cost Principles
  - Allowable & Unallowable Costs
  - Indirect Costs
- Administrative Requirements
  - Accounting System
  - Documentation requirements
- A-133 requirements
Cost Principles

- Provide guidance to determine the allowable costs that can be incurred by organizations under Federal grants
- Designed so that Federal awards bear their fair share of costs
- Provide guidance about reimbursement requirements
- Provide uniform standards of allowability and allocation
- Encourage consistency of treatment of costs
- Includes guidance on 54 selected items of cost
Allowable, Reasonable & Allocable

- **Allowable** – A cost within award limitations consistent, documented, reasonable & allocable

- **Reasonable** - A cost that does not exceed what a prudent person would do under the circumstances at the time the decision

- **Allocable** - Treated consistently with other costs incurred for the same purpose in like circumstances and benefits the award and can be distributed proportionally to the benefits received
Administrative Requirements

- Provide consistency and uniformity among Federal agencies in the management of grants and cooperative agreements.
- Require all Federal agencies to issue a grants management common rule to adopt government-wide terms and conditions.

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A-133 Audit Requirements

- Provide the standards for obtaining consistency and uniformity among Federal agencies for the audit of organizations expending Federal funds
- Apply to all organizations that expend $500,000 or more of Federal funds in that organization’s fiscal year
Efficient Accounting System Requirements

- Distinguish grant verses non-grant related expenses
- Identify costs by program year & budget category
- Differentiate between direct and indirect costs
- Account for each award/grant separately
- Record in-kind contribution as both revenue & expense
- Provide management with financial reports at both the summary or detailed levels that will compare outlays with budget amounts
- Correlate financial reports submitted to CNCS directly to accounting information and supporting documents
Accounting System that properly segregates funds

- Department of Education Grant
- CNCS Grant
- Ford Foundation Grant

NOT
Policies & Procedures
Policies & Procedures

- Policies and procedures are a set of written documents that describe an organization's
  - policies for operation – “what is to be done”
  - the procedures necessary to fulfill the policies – “how it is to be completed”
- All staff must be familiar with these documents
- Documents must be kept up-to-date
- Documents should explain the rationale and include principal transactions and completed forms
- Documents must incorporate Federal and CNCS grant regulations and provisions

See Handout 2
Internal Controls
Why Have Internal Controls?

- Improve **accountability** to constituents
  - CNCS, trustees, funders, public
- Help organization achieve performance & budget **targets**
- Improve **reliability** of financial reporting
- Improve **compliance** with laws & regulations
- Prevent loss of **resources & public assets**
- Prevent loss of **public trust**
- Reduce legal **liability**
Who is Responsible?

- **Everyone** within the organization has some role in internal controls
- Roles vary depending upon level of responsibility:
  - **Executives** establish the presence of integrity, ethics, competence and a positive control environment
  - **Directors and department heads** have oversight responsibility for internal controls within their units
  - **Managers and supervisory personnel** are responsible for executing control policies and procedures at the detail level within their specific unit
  - **Each individual** within a unit is to be cognizant of proper internal control procedures associated with their specific job responsibilities
A Good Control Environment Includes

- Positive “atmosphere” in the work environment
- Existence of a code of conduct and code of ethics
- Written job descriptions
- Timely/appropriate communications with Board
- Written policies to hire, train, promote and compensate employees
- Safeguards for employees related to whistle-blowing
- A clear chain of command
- Clear, written delegations of authority & responsibilities
A Good Control Environment Includes (cont’d)

- Written policies, procedures and processes
- Adequate review process for financial transactions, financial reports, budgets, etc.
- Adequate cash management procedures (e.g., monthly bank reconciliations by supervisory personnel)
- System to track participants’ & employees’ activities
- System to follow up on problems to ensure resolution
Administrative Costs
Definitions

**Direct Costs**
Specific expenses related to the operations of a specific project

**Indirect Costs**
General expenses related to overall administration of an organization receiving CNCS funds

Expenses incurred for common or joint objectives and cannot be readily identifiable with a specific project or cost objective

See Handout 3
Documenting Expenses

Document, Document, Document

Allowable
Allocable
Reasonable
Consistently Applied
Documentation Basics

Why Retain Documentation?

- To track incoming information
- To review information
- To provide historical evidence
- To provide evidence of accomplishments
- To prepare for an audit

Establish a written record retention policy

See Handout 4
Electronic Storage of Records
- AmeriCorps Member Records

The electronic storage procedures and system must

☐ Provide for the safe-keeping and security of the records, including:
  ■ Sufficient prevention of unauthorized alterations or erasures of records
  ■ Effective security measures to ensure only authorized persons have access to records
  ■ Adequate measures designed to prevent physical damage to records
  ■ A system providing for back-up and recovery of records

☐ Provide for the easy retrieval of records in a timely fashion, including:
  ■ Storage of the records in a physically accessible location
  ■ Clear and accurate labeling of all records
  ■ Storage of the records in a usable, readable format

☐ Where there is a requirement for a signature on a record, electronically stored records must include an image of the original signature
  ■ Records without signatures, when required, are considered incomplete
Key Documentation Issue

Salary

- Signed timesheets with supervisory approval
- Quarterly payroll returns (941)
- Payroll register
- Personnel file with salary/wage information
- Employment contract
- Cancelled checks
- Direct deposit schedule

See Handout 5
Match
Project Costs

The total allowable budget or expenditures incurred to operate the program and accomplish its objectives is divided into 2 sections:

- **Federal Share**: Portion of budget or total expenditures paid for with CNCS funds
- **Grantee Share** aka: match **Portion of total expenditures not paid for with CNCS funds**

Federal and Grantee Share funds must be treated consistently
Acceptable Match is . . .

Cash and in-kind contributions are accepted as part of the grantee’s cost sharing or matching when contributions meet all of the following criteria:

- Are verifiable from the grantee's records
- Are necessary and reasonable for proper and efficient accomplishment of project or program objectives
- Are allowable under the applicable OMB cost principles
- Are not paid by the Federal Government under another award, except where authorized by Federal statute to be used for cost sharing or matching
- Are provided for in the approved budget (allowable under program guidelines)
- Conform to other grant provisions or OMB Circulars
Exception: Volunteer Match

Do **not** count as match -

- The value of *direct community services* performed by volunteers

Do **count** as match -

- Services that contribute to *organizational functions*
- Count services such as accounting, legal, training of staff or participants that are elements of the grantee’s cost allocation plan

See Handout 6
Financial Reporting and Budgeting
Key Elements of Financial Reporting

- Prepare all financial reports with information from the organization’s accounting system.

- Review and reconcile the information to ensure accuracy prior to report submission.

- Ensure files have the proper documentation to support all information reported in financial reports.

- Submit all reports on time.
Program Income

- Defined as “gross income received by the grantee . . . directly generated by a grant supported activity, or earned only as the result of the grant agreement during the grant period”

- There are 2 alternatives to using program income:
  - Additive – added to funds committed to the program and used to further program objectives
  - Deductive – deducted from total allowable costs of the program to determine the net allowable costs for which the CNCS share is based

- Consult grant terms and conditions to determine deductive or additive alternative
Budget Narrative Preparation

- Review your program/projects goals and objectives
- Estimate the resources needed to achieve program/project goal, for example:
  - Participants – members, volunteers
  - Staff positions
  - Space, utilities, supplies, telephone
  - Medical and liability insurance
  - Uniforms and training
  - Transportation
  - Evaluations
Budget Narrative Preparation

☐ Follow instructions in NOFO/NOFA
☐ Organize narrative to fit budget categories on budget form or proposal
☐ Provide adequate descriptions and calculations to support amounts
☐ Ensure budget aligns with the application narrative
Allocate costs based on a consistent and documented cost allocation plan. Examples include:

- Level of effort: percentage of time spent on activity X salary
- Rent: total CNCS program space ÷ total host agency space
- Expenses: percentage of expenses for program versus total organization’s expenses
Key Budgeting Tips

- Check to ensure that required match is met
- Be strategic when allocating funds to CNCS or grantee share, some costs can be met with in-kind donations
- Be aware of budget changes that require amendments
- Identify In-kind donations prior to creating the budget
Budget Management

Grantees must obtain prior approval from CNCS for:

- Subgrants or contracts not included in approved application and budget
- Specific costs described in the Cost Principles
  - For example: overtime pay, rearrangement and alteration costs, and pre-award costs
- Purchases of equipment over $5,000 using grant funds, unless specified in the approved application and budget
- Cumulative or aggregate budget line items that amount to 10% or more of the total budget

1. Do not assume approvals have been granted unless documented
2. Approval required by the OGM or FFMC
Highlights: Program Responsibility

- Overall compliance with CNCS and program specific regulations
- Training, monitoring and oversight of subgrantee or participant compliance
- Accurate, timely and complete program and performance reporting
- Ensure key staff understand roles, responsibility, understand each other’s priorities and work together
Highlights: Fiscal Responsibility

- Overall compliance with State and Federal regulations
- Accurate, timely and complete financial reporting
- Tracking of budget to actual expenses
- Ensure key staff understand roles, responsibility, understand each other’s priorities and work together
## Helpful Links

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<td>harvester.census.gov/sac/dissem/simpleqry.html</td>
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Questions?

Open

Wrap Up

Evaluation
For More Information

- **Contact your CNCS Grants Officer**
  - E-mail or call your Grants Officer

- **Contact MBI Consulting**
  - Financial & Grants Management Training and Technical Assistance Provider
    - Telephone: 301-986-1595, ext. 110
    - E-mail: cforrester@mbicfs.com

- **Visit the Resource Center**
  - Online tools and training