



Financial and Grants Management 101 Basics

Corporation for
NATIONAL &
COMMUNITY
SERVICE 



Financial and Grants Management Institute
April 24 - 25, 2012



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 **See Handout 1**
 - Foster Grandparents, Senior Companion, RSVP
- AmeriCorps
- National Capacity Building Program
- Social Innovation Fund
- 9/11 Day of Service and Remembrance
- MLK Day of Service



Activity

Basic Financial & Grants Management Terminology

See Activity 1

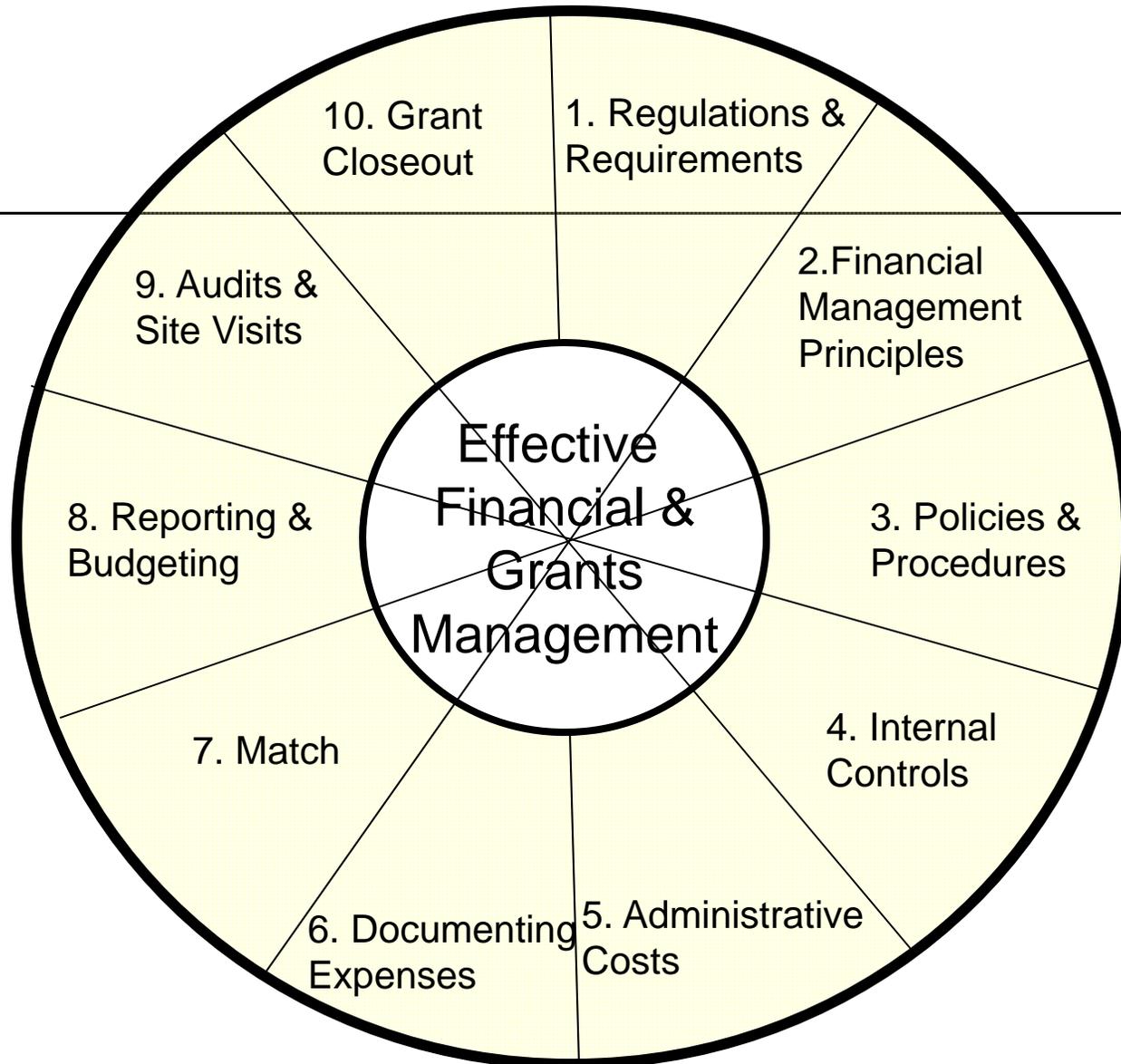


Effective Financial Management



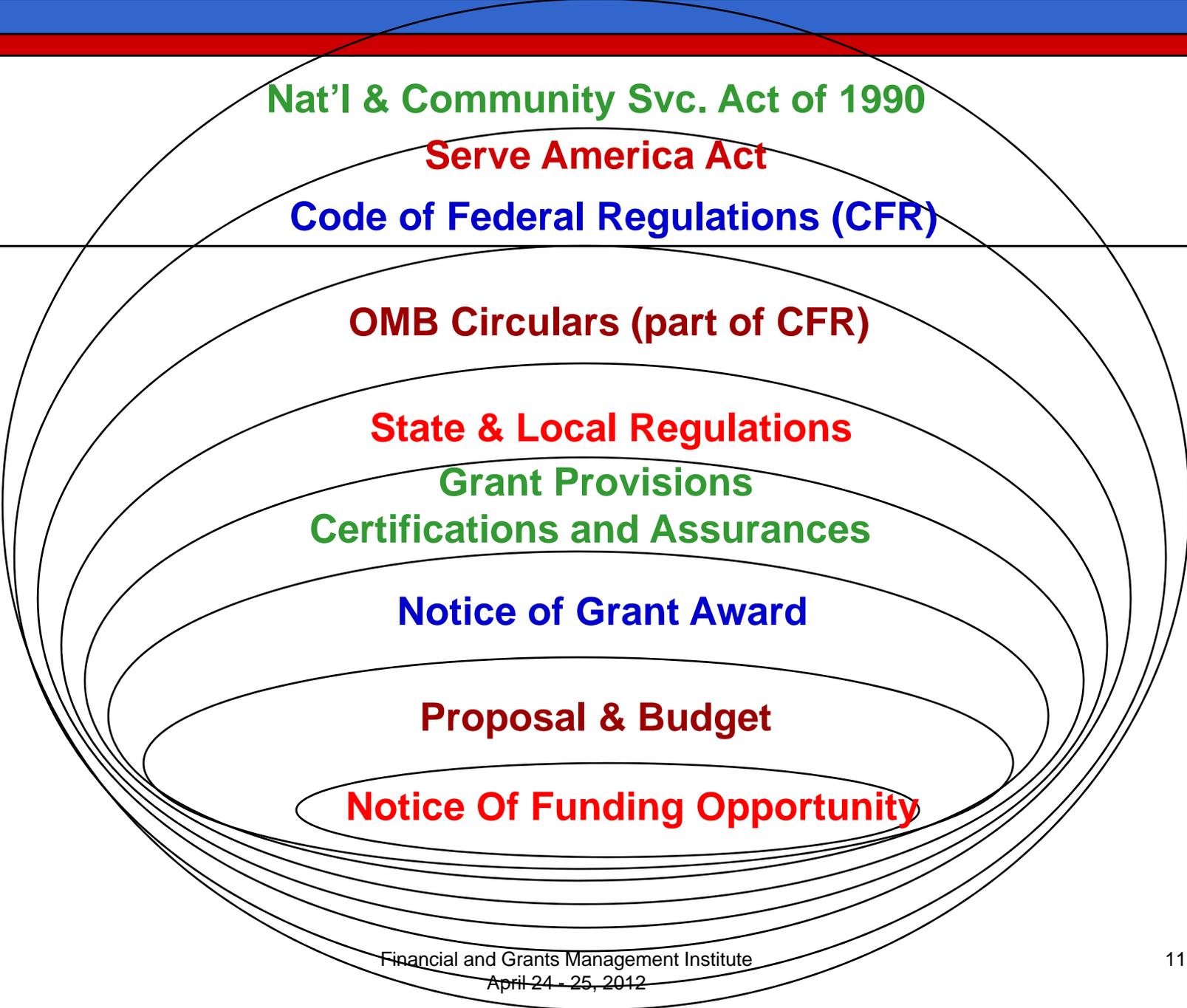
Key Characteristics of Organizations with Highly Effective Financial Management

- ❑ 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





Regulations & Requirements



Nat'l & Community Svc. Act of 1990

Serve America Act

Code of Federal Regulations (CFR)

OMB Circulars (part of CFR)

State & Local Regulations

Grant Provisions

Certifications and Assurances

Notice of Grant Award

Proposal & Budget

Notice Of Funding Opportunity

Grant Guidelines

Federal Grant Guidelines	Educational Institutions	States, Local, Indian Tribal Governments	Non-Profits	Hospitals
Administrative Requirements	§ 45 CFR 2543 § 2 CFR 215 (formerly A-110)	§ 45 CFR 2541 OMB A-102	§ 45 CFR 2543 § 2 CFR 215 (formerly A-110)	§ 45 CFR 2543 § 2 CFR 215 (formerly A-110)
Cost Principles	§ 2 CFR 220 (formerly A-21)	§ 2 CFR 225 (formerly A-87)	§ 2 CFR 230 (formerly A-122)	§ 45 CFR 74 (HHS regulations)
Audit Requirements ★	OMB A-133	OMB A-133	OMB A-133	OMB A-133

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

Federal Grant Guidelines	Educational Institutions	States, Local, Indian Tribal Governments	Non-Profits	Hospitals
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A-133 Audit Requirements

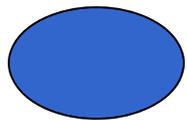
- Provide the standards for obtaining consistency and uniformity among Federal agencies for the audit of organizations expending Federal funds
- Apply to all organizations that expend \$500,000 or more of Federal funds in that organization's fiscal year



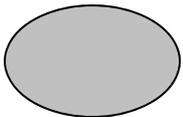
Efficient Accounting System Requirements

- ❑ 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

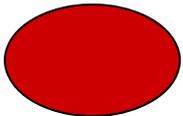
Accounting System that properly segregates funds



Department of Education Grant

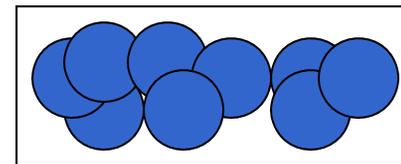


CNCS Grant

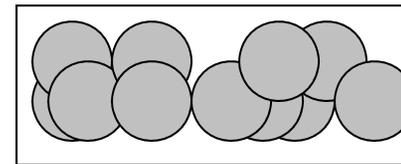


Ford Foundation Grant

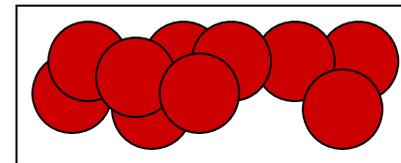
Accounting System



Grant 1

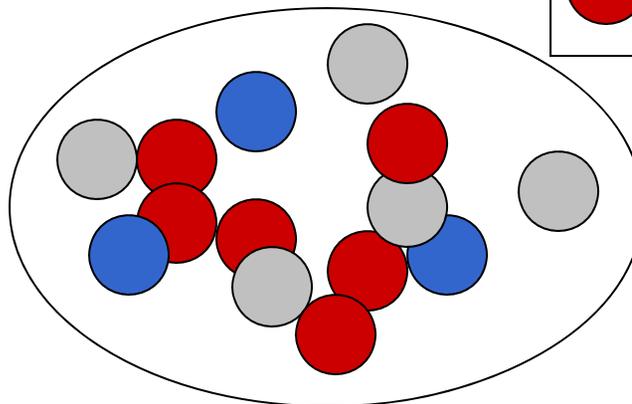


Grant 2



Grant 3

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

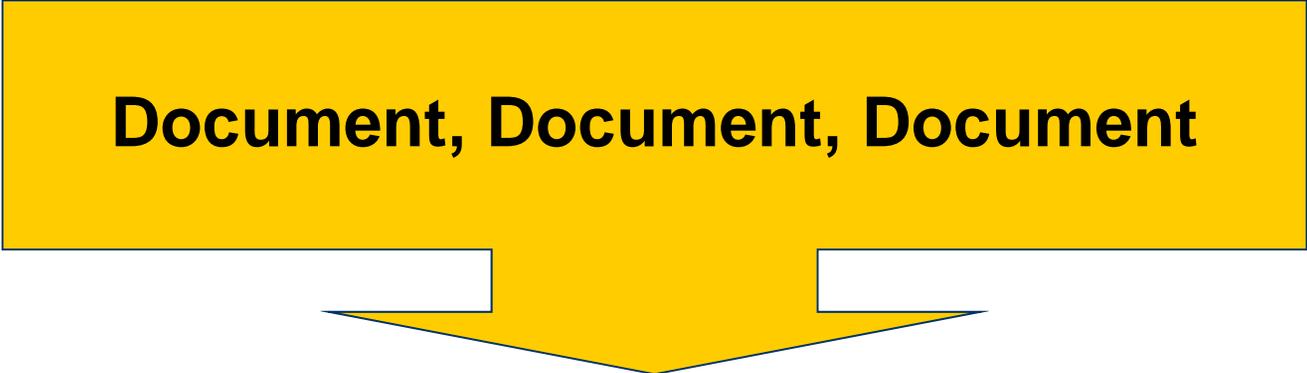


See Handout 3



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



Administrative Requirements

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



Budget Narrative Preparation

- 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

Description	
Corporation for National and Community Service	www.nationalservice.gov
A-133 Federal Audit Clearinghouse	harvester.census.gov/sac/dissemin/simpleqry.html
Excluded Parties List System	www.epls.gov
Payment Management System at HHS	www.dpm.psc.gov
GuideStar	www.guidestar.org
OMB Circulars	www.whitehouse.gov/omb/circulars
CNCS eGrants Gateway	egrants.cns.gov/espan/main/login.jsp



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

- www.nationalserviceresources.org/financial-and-grants-management

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