
Immersion: Financial and Grants Management 101 SIF and NCB only



Corporation for
NATIONAL &
COMMUNITY
SERVICE 



Financial & Grants Management Institute
November 15 - 17, 2010



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.



Session Objectives

- ❑ Develop knowledge about effective financial and grants management
- ❑ Discuss challenges and opportunities for financial management growth
- ❑ Explore ways to enhance and improve current practices



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/

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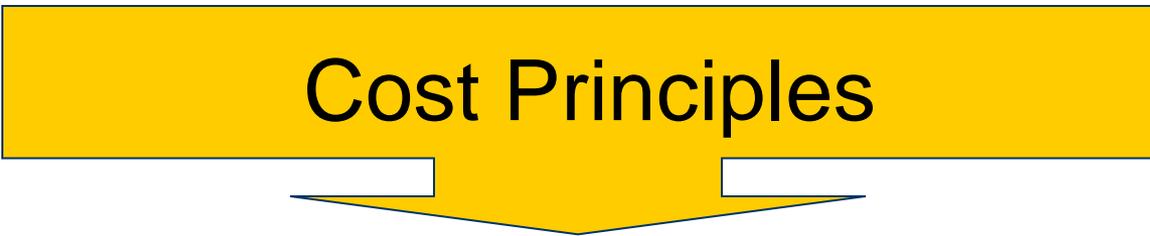


Basics of OMB Circulars

- 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



Cost Principles

□ Examples of Costs Identified:

- Advertising and public relations costs
- Compensation for personal services
- Memberships, subscriptions, and professional activity costs
- Recruiting costs
- Rental costs
- Training and education costs
- Travel costs

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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Administrative Requirements

Examples of Topics:

- ❑ Pre-award policies
- ❑ Special award conditions
- ❑ Purpose of financial and program management
- ❑ Standards for financial management systems
- ❑ Cost sharing or matching
- ❑ Program income

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

Grant Provisions

- ❑ Are issued by CNCS with the Notice of Grant Award
- ❑ Are the guiding principles for CNCS-funded grants and cooperative agreements
- ❑ Contain program and financial guidelines
- ❑ Are binding on the grantee and subgrantee in the same manner
- ❑ The order of precedence if inconsistencies exist is:
 1. Notice of Grant Award
 2. Special Provisions
 3. General Provisions or Terms and Conditions
 4. Approved Grant Application



SIF Terms and Conditions

- Examples of items in the Terms and Conditions:
 - Subgranting
 - Evaluation
 - Budget and Programmatic Changes
 - Reporting Requirements
 - Responsibilities under Grant Administration
 - Financial Management Standards
 - Program Income
 - Learning Communities
 - Matching Requirements
 - Replication and Expansion
 - Sharing Cooperative Agreement Products



NCB Terms and Conditions

- Examples of items in the Terms and Conditions:
 - Evaluation
 - Budget and Programmatic Changes
 - Reporting Requirements
 - Responsibilities under Grant Administration
 - Financial Management Standards
 - Program Income
 - Sharing Cooperative Agreement Products
 - Matching Requirements



Financial Management Principles



Allowable, Reasonable, Allocable, and Consistent Costs



Allowable Costs

To be allowable under a grant, costs must:

- Be reasonable and allocable for the performance of the award
- Conform to grant award limitations or cost principles
- Be consistent with policies and procedures that apply to both federally-financed and other activities of the organization
- Be given consistent treatment
- Be in accordance with Generally Accepted Accounting Principles (GAAP)
- Not be included as a cost or used to meet cost sharing or matching requirements of any other federally-financed program
- Be adequately documented



Reasonable Cost

A cost is reasonable if:

- It does not exceed what a prudent person would do under the circumstances at the time the decision was made to incur the cost
- Consideration should be given to:
 - Whether the cost is ordinary and necessary for the operations of the organization
 - The restraints or requirements imposed by generally accepted sound business practices
 - Whether the individuals concerned acted with prudence
 - Significant deviations from established practices which may unjustifiably increase the award costs



Allocable Cost

A cost is allocable:

- Based on its relative benefits received
- If it is treated consistently with other costs incurred for the same purpose in like circumstances and if it:
 - Is incurred specifically for the award
 - Benefits both the award and other work and can be distributed in reasonable proportion to the benefits received or
 - Is necessary to the overall operation of the organization



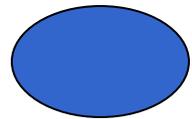
Efficient Accounting System

- Accounting System must be capable of:
 - Distinguishing between grant verses non-grant related expenditures
 - Identifying costs by program year
 - Identifying costs by budget category
 - Differentiating between direct and indirect costs (administrative costs)
 - Accounting for each award/grant separately

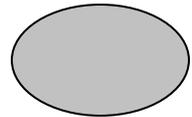
Efficient Accounting System (cont'd)

- Accounting System must be capable of:
 - Recording in-kind contribution as both revenues and expenses
 - Easily provide management with financial reports at both the summary or detailed levels
 - Comparing outlays with budget amounts for each award (budget vs. actual reports)
 - Correlating financial reports submitted to CNCS directly to accounting information and supporting documents

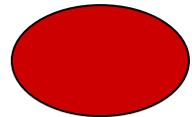
Accounting System that properly segregates funds



Department of Education Grant

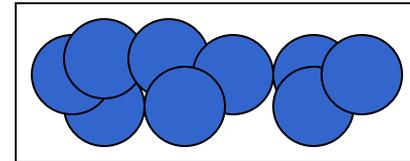


CNCS Grant

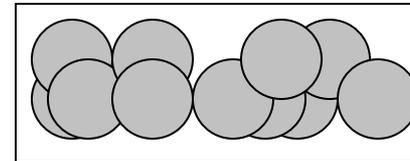


Ford Foundation Grant

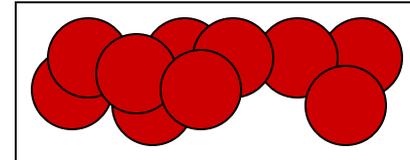
Accounting System



Grant 1

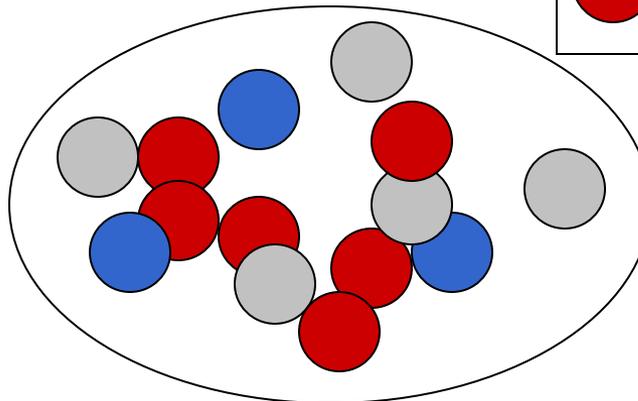


Grant 2



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



Policies & Procedures

- ❑ Required by Federal grant regulations
- ❑ Non-profit organizations have additional requirements – Form 990 submitted to IRS
- ❑ Other Key Policies & Procedures to document
- ❑ AmeriCorps Programs – identified separately

See Handout #1



Internal Controls



Why Have Internal Controls?

- Improve accountability to customers
 - 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



Administrative Costs

Definitions

Direct Costs

Specific expenses related to the operations of a specific project

Indirect/ Administrative 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



What are Direct Costs?

- ❑ Allowable direct expenses for members, e.g., living allowances and insurance costs
- ❑ Costs for staff who train, place, or supervise
- ❑ Evaluations of programs
- ❑ Supplies and Facility costs
- ❑ Travel
- ❑ Training



What are Administrative Costs?

- ❑ Accounting, auditing, contracting, budgeting, and general legal services
- ❑ Facility occupancy costs, e.g., rent, utilities, insurance, taxes, and maintenance
- ❑ General liability insurance that protects the organization (not directly related to a program)
- ❑ Director's and Officer's liability insurance
- ❑ Depreciation on building & equipment
- ❑ Office Supplies
- ❑ General & Administrative salaries & wages



Federally Approved Indirect Cost Rate

**Option for all
CNCS grantees**

**Use the federally-approved
Indirect Cost Rate**



Obtaining a Federally Approved Indirect Cost Rate

- Can my organization negotiate an indirect cost rate with CNCS?
 - Yes. If CNCS is the cognizant agency with your organization.
 - No. If CNCS is not the cognizant agency with your organization. If this is the case, then you can
 - Negotiate with your cognizant Federal agency



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 #2



Defining Source Documentation

- Physical information:
 - Hard copy
 - Soft copy: CD, flash drive, server, microfilm
- Source:
 - Internal to the organization
 - External sources
- Benefits → supports a value, cost, or performance criteria relative to the grant

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 #3



Documentation of Staff time

- ❑ Critical for staff to document time charged to both Federal and grantee share
- ❑ Particularly important for staff that are working on multiple projects to document actual time spend on multiple projects
- ❑ Timesheets are required



Activity 1



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 expenditures paid for with Federal funds (CNCS)

**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
- 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 members that are elements of the grantee's cost allocation plan

Recording In-Kind Contributions

- ❑ Maintain adequate documentation to support amounts claimed as match
- ❑ Maintain same documentation for both CNCS Federal share and for grantee's share
- ❑ Documentation must meet same standards as other expenditures within organization
- ❑ Record donation and valuation of item in detail
- ❑ Enter into the General Ledger as income and expenditure
 - Failure to enter match contributions into general ledger requires a formal explanatory policy and separate spread sheet accountability of receipt and use



Recording In-Kind Contributions

Enter into the General Ledger as income and expenditure:

Example:

A local paint store donates a professional paint sprayer with a fair market value of \$550.00

\$550.00 – 7250 In-Kind Expense Account (debit)

\$550.00 – 5250 In-Kind Income Account (credit)

Valuing In-Kind Contributions

- ❑ Use fair market price
- ❑ Consider what it would cost to obtain similar goods or services
- ❑ The donor must provide the value of the donation
- ❑ Review the donation letter or form to ensure the value is reasonable

The IRS defines *fair market value* as the price that item would sell for on the open market

Documenting In-Kind Contributions

1. Document the basis for determining value of personal services, material, equipment, building, and land
2. Obtain written acknowledgement from the donor to include:
 - Name and signature of donor
 - Date and location of donation
 - Detailed description of item or service
 - Estimated value of contribution, how value was determined, who made the determination
 - Whether the contribution was obtained with Federal funds

***** Keep a copy of the receipt in your files *****

If audited, a grantee may be required to provide supporting documentation of ALL donations, if not available during the audit



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

- 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 Federal share is based
- Consult grant terms and conditions to determine deductive or additive alternative



Program Income

- ❑ **Gross Program Income** – All funds collected as a direct result of grant funded-activities
- ❑ **Net Program Income** – The amount after deducting costs associated with generating the income
- ❑ **All Program Income** must be used for grant-related purposes
- ❑ **Program Income and the supporting documentation** is “auditable”



Budget Narrative Preparation

- Review your program/projects goals and objectives
- Estimate the resources needed to achieve program/project goal, for example:
 - Members
 - 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



Budget Narrative Preparation

- Allocate costs based on a consistent and documented cost allocation plan. The plan can be based on level of effort or usage, for example:
 - Level of effort: percentage of time spent on activity X salary
 - Rent: total CNCS program space ÷ total host agency space



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



What Are Budget Controls?

- Reviews of budget to actual expenses regularly to avoid cost overruns
 - Joint review by both program and fiscal staff to ensure maximum efficiency
- Identification of expenditures not budgeted to ensure they can be claimed
- Identification of costs that need approval before they are incurred

Budget Management

Grantees must obtain prior approval from CNCS for:

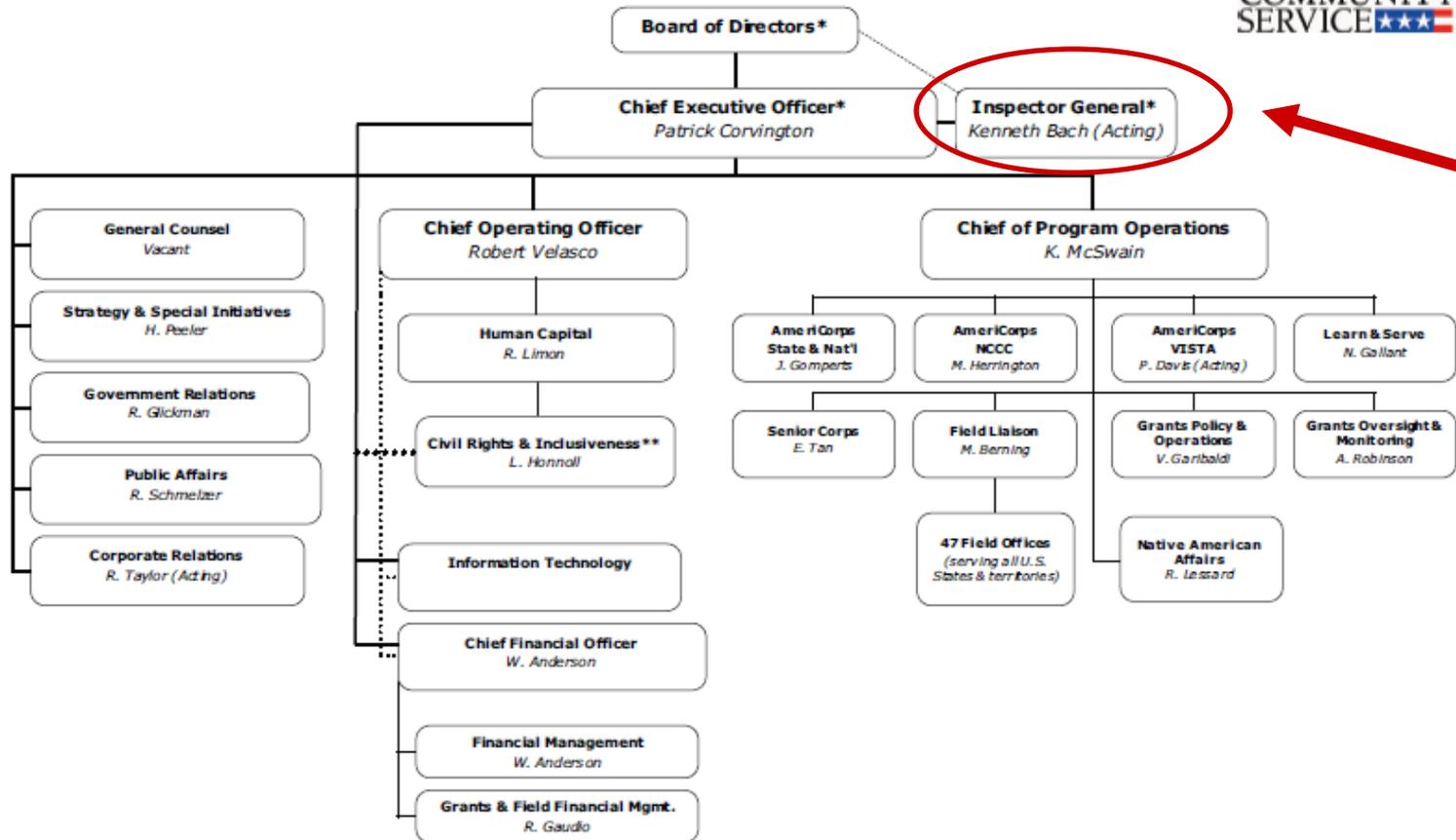
- ❑ Subgrants or contracts not included in approved application and budget
- ❑ Specific costs described in the Cost Principles
 - For example: overtime pay, rearrangement and alteration costs, and pre-award costs
- ❑ Purchases of equipment over \$5,000 using grant funds, unless specified in the approved 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 CNCS Grants office**



Federal Audits: OIG and OMB A-133 and Site Visits

Office of Inspector General



* Presidential Appointments with Senate confirmation
 ** The director has independent authority to advise the CEO on pre-complaint and complaint issues.



What is an Audit?

Examines a CNCS program or activity:

- **Financial Audits**

- Audits of costs incurred on grants and contracts, indirect costs, and internal controls

- **Performance Audits**

- Audits of economy and efficiency of programs
 - Measure achievement of desired results or benefits



What's the OIG Audit Process?

- ❑ Notification Letter in writing
- ❑ Entrance Conference
- ❑ Survey Phase (planning phase)
- ❑ Develop the Audit Program
- ❑ Field Work
- ❑ Exit Conference
- ❑ Draft Report
- ❑ CNCS & Grantee Response
- ❑ Final Report



Common Pitfalls & Issues

- ❑ Member Files & Records
- ❑ Match
- ❑ Reports
- ❑ Administrative Areas, e.g.,
timesheets
- ❑ General Management



OIG Hotline

Report suspected fraud, waste, or abuse

All Information is confidential

You can remain anonymous

1-800-452-8210

or

hotline@cncsig.gov

Website: www.cncsig.gov



Grant Closeout

Overview of Closeout Process



**Grantee
Responsibility**

- Complete grant close out within 90 days of the end of the project period
- Seek a one-time no-cost extension for up to 12 months from your grants officer for activities that will extend beyond the project period end dates

Closeout Responsibilities: Grantee

Complete the following steps:

- Pay outstanding obligations
- Close out sub-grants, if applicable
- Submit close out documents
- Enter final FFR in eGrants
- Return unobligated funds
- Determine whether there are existing programmatic or administrative issues to be resolved





Final Grant Closeout

- **Subgrantee must submit these final documents:**
 - Final FFR
 - Equipment Inventory Form
 - Residual Supplies Form
 - Progress Report

E-mail Certification



To: My Favorite Grants Officer

From: Your Favorite Executive Director

Subject: Closeout Certification for Grant 07ABCST001

MFGO,

This email certifies that the Close-Me-Fast grantee has no residual Supplies or Equipment purchased with grant funds, with a value of \$5,000 or more. We also certify that all sub-awards have been closed successfully.

Thank you,

YFED



CNCS: Deobligating Funds

- CNCS will deobligate any authorized grant funds not drawn down at the end of the project period
- Deobligation reduces the amount of authorized funds to equal the amounts disbursed and drawn down for the grantee and its subgrantees
- Grantees do not have access to deobligated funds



Highlights



Highlights: Program Responsibility

- ❑ Overall compliance with CNCS and grant specific regulations
- ❑ Training, monitoring and oversight of subgrantee or member 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	dpm.psc.gov
GuideStar	www.guidestar.org
OMB Circulars	www.whitehouse.gov/omb/circulars
CNCS eGrants Gateway	egrants.cns.gov/espan/main/login.jsp

Taking it Home!



- ❑ Importance of strong financial systems and what that includes
- ❑ Identify necessary steps to improve accountability
- ❑ Possess ability to prioritize action steps



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

- On-line Request: <http://tta.mbicfs.com>
- Telephone: 1-866-585-6698
- E-mail: cforrester@mbicfs.com

□ **Visit the Resource Center**

- Online tools and training
- <http://nationalserviceresources.org>

