FY2016 Grant Application Workshop

Basics of Financial Management for Grant Applicants

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Missouri Community Service Commission

November 19, 2015
Session Overview

- **Objectives:**
  - To review key requirements related to managing an AmeriCorps grant.
  - To understand the responsibilities associated with managing an AmeriCorps grant.
  - To provide basic principles to assist in developing a budget for the proposed project.

- **Topics:**
  - Regulations & Requirements
  - Cost Classifications
  - Financial Management Principles
  - Program Responsibility
  - Next Steps for the Grant Application
Regulations & Requirements

The following regulations/documents apply to AmeriCorps grants:

1. National and Community Service Act of 1990
2. Serve America Act
4. OMB Circulars (part of CFR)
5. State and Local Regulations
6. Grant Terms and Conditions
7. Certifications and Assurances
8. Notice of Grant Award
9. Approved Grant Proposal and Budget
10. Notice of Funding Opportunity

*in order of precedence*
• **National and Community Service Act of 1990, as amended**
  
  - Signed into law by President George H.W. Bush, it created the Commission on National and Community Service, an independent federal agency designed to encourage volunteering in America.
  - Amended by President Bill Clinton in 1993, this led to the creation of the Corporation for National and Community Service (CNCS) and three primary programs: AmeriCorps, Senior Corps, and Learn and Serve America.

• **Edward M. Kennedy Serve America Act**
  
  - Signed into law by President Barack Obama in 2009, it reauthorized and expanded national service programs administered by CNCS.
### Code of Federal Regulations (CFR) and Office of Management and Budget (OMB) Circulars:

<table>
<thead>
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<th>Federal Grant Guidelines</th>
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<tbody>
<tr>
<td>Uniform Guidance</td>
<td></td>
<td>2 CFR 200</td>
<td>2 CFR 2205 (CNCS exceptions)</td>
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<td>Administrative Requirements</td>
<td>45 CFR 2543</td>
<td>45 CFR 2541</td>
<td>45 CFR 2543</td>
<td>45 CFR 2543</td>
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<td>Audit Requirements</td>
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<td>OMB A-133</td>
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The purpose of the **Uniform Guidance** is:

- To deliver on the promise of a 21\textsuperscript{st} century government that is more efficient, effective, and transparent by streamlining the federal government’s guidance on administrative requirements, cost principles, and audit requirements for federal awards.
- *Also known as the Omnicirculars or Supercirculars.*

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The purpose of **Administrative Requirements** is:

– To provide consistency and uniformity among federal agencies in the management of grants and cooperative agreements; and

– To require all federal agencies to issue a grants management common rule to adopt government-wide terms and conditions

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Example administrative requirements include:

- Pre-award policies
- Special award conditions
- Purpose of financial and program management
- Standards for financial management systems
- Cost sharing or matching
- Program income
The purpose of Cost Principles is:

- To provide guidance to determine the allowable costs under federal grants or contracts;
- To provide guidance so that federal awards support their fair share of the costs;
- To provide uniform standards of allowability, reasonability, necessity, and allocation;
- To encourage consistency of treatment of costs; and
- To provide guidance about reimbursement requirements.

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Example costs addressed in cost principles include:

- Compensation for personnel services
- Travel costs
- Training and education costs
- Rental costs
- Recruiting costs
- Memberships, subscriptions, and professional activity costs
- Advertising and public relations costs
The purpose of **Audit Requirements** is:

- To provide the standards for obtaining consistency and uniformity among federal agencies for the audit of organizations expending federal funds
• Audit Requirement (**2 CFR 200.501**):
  
  – A non-federal entity that expends $750,000 or more in federal awards in a fiscal year must have a single audit (also known as an A-133 single audit) conducted by an external evaluator.
  
  – A non-federal entity that expends $750,000 or more in federal awards under only one federal program must have a program-specific audit conducted by an external evaluator.
  
  – A non-federal entity that expends less than $750,000 in federal awards in a fiscal year must conduct an internal or external evaluation of the program.

**CNCS notes a threshold of $500,000 specific to annual CNCS program grants.**
• **State and Local Regulations**  
  – Includes state-specific policies and procedures outlined by the Missouri Community Service Commission

• **Grant Terms and Conditions**  
  – Includes guiding principles for program and financial management specific to CNCS-funded grants and cooperative agreements  
  – If inconsistencies exist, the order of precedence is:  
    1. Notice of Grant Award  
    2. Special Provisions  
    3. General Provisions or Terms and Conditions  
    4. Approved Grant Application

• **Notes: AmeriCorps Regulations**  
  – There are regulations specific to AmeriCorps outlined in 45 CFR Chapter XXV, sections 2520-2550.
Cost Classifications

• **CNCS SHARE vs. GRANTEE SHARE**

  The costs incurred to operate the program and accomplish its objectives is divided into two “shares”:
  
  – **CNCS Share**
    
    • Portion of incurred costs paid for with CNCS (grant) funds.
  
  – **Grantee Share (aka Match)**
    
    • Portion of incurred costs paid for with grantee (match) funds
      – the additional funds the organization must leverage to fully operate the proposed project.
- **Grantee Share (Match) Requirement:**
  - Grantees are required to meet a minimum match based on the year of funding.

<table>
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<tr>
<th>Min. Req. Match</th>
<th>Years 1 - 3</th>
<th>Year 4</th>
<th>Year 5</th>
<th>Year 6</th>
<th>Year 7</th>
<th>Year 8</th>
<th>Year 9</th>
<th>Year 10+</th>
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<tr>
<td></td>
<td>24%</td>
<td>26%</td>
<td>30%</td>
<td>34%</td>
<td>38%</td>
<td>42%</td>
<td>46%</td>
<td>50%</td>
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**Total Budgeted Match:** Budgeted match is the overall grantee share beyond the minimum requirement noted above. Applicants should not “over-promise” match. MCSC will hold funded projects accountable for budgeted match.
Sources of Match: Match may be either cash or in-kind.

- **Cash Contributions**: Contributions received by cash, check, electronic funds transfer, credit card, or payroll deduction.
- **In-kind Contributions**: Fair market value of non-cash contributions; may be in the form of real property, equipment, supplies, services, and other expendable property.

**In-kind Contributions (Volunteer Time):**

- **YES**: You may count the services contributed to organizational functions (*legal*, *accounting*, *program-specific training*) as match.
- **NO**: You **may not** count the direct community service performed by volunteers as match.
Determining Acceptable Match: Cash and in-kind contributions are accepted as part of the proposed program’s cost sharing or match when contributions meet all of the following criteria:

1. Are **verifiable** from the grantee's records;
2. Are necessary and reasonable for proper and efficient accomplishment of project or program objectives;
3. Are **allowable** under the applicable OMB cost principles;
4. Are not paid by the federal government under another award, except where authorized by statute to be used for cost sharing or matching;
5. Are provided for in the **approved budget** (allowable under program guidelines); and
6. Conform to other grant terms and conditions or OMB Circulars, as applicable.

**Using Federal Funds as Match:** An organization must have **written authorization** from the federal granting agency in order to use other federal funds as match.
• **DIRECT vs. INDIRECT (ADMINISTRATIVE)**

There are two types of costs:

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

– **Indirect / Administrative Costs**
  - General expenses related to the operation of the overall administration of an organization receiving CNCS funds, incurred for common or joint objectives, and cannot be readily identifiable with a specific project or cost objective.
Direct Costs

Examples:
- Allowable, direct expenses for Members (e.g. living allowance, FICA, healthcare)
- Member training costs
- Program-specific travel costs
- Supplies, including Member gear
- Evaluation of the program
- Costs to conduct criminal history checks on program staff and Members

Indirect / Administrative Costs

Examples:
- Accounting, auditing, general legal services
- Facility occupancy costs (e.g. rent, utilities, insurance)
- General liability insurance
- Costs for internal evaluation
- General and/or administrative salaries and/or wages

Limits on indirect/administrative costs, as defined by federal statute, will be discussed with budget guidelines.
Financial Management Principles

- **Cost Principles:** When considering costs for the operation of the proposed program, ask the following questions:
  1. Is it allowable?
  2. Is it reasonable?
  3. Is it allocable?
  4. Is it consistently applied?
• **ALLOWABLE:** To be allowable under the grant, costs must:
  - Be included in the approved budget;
  - 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 within the entire organization;
  - 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; and
  - Be adequately documented.
### Example: Allowable vs. Unallowable

<table>
<thead>
<tr>
<th>Cost</th>
<th>Allowable?</th>
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<tbody>
<tr>
<td>Alcohol</td>
<td>No</td>
</tr>
<tr>
<td>Lobbying costs</td>
<td>No</td>
</tr>
<tr>
<td>Fundraising costs</td>
<td>No</td>
</tr>
<tr>
<td>Travel costs</td>
<td>Yes (w/ restrictions)</td>
</tr>
<tr>
<td>Fines or penalty fees</td>
<td>No</td>
</tr>
<tr>
<td>Personnel salaries/benefits</td>
<td>Yes (w/ restrictions)</td>
</tr>
<tr>
<td>Advertising/public relations</td>
<td>Yes (w/ restrictions)</td>
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• **REASONABLE**: 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**; and
  – Significant deviations from **established practices** which may unjustifiably increase the award costs.
• **ALLOCABLE**: A cost is considered allocable if the amount of the cost applied to the program is based on the relative benefit received \((i.e. \text{the share of the cost that directly relates to the program})\). The cost must:
  
  – Be incurred **specifically for the award**;
  
  – Benefit both the award and other work and be **distributed in reasonable proportion** to the benefits received; and
  
  – Be **necessary to the overall operation** of the organization.

Any cost allocable to a particular award **may not** be shifted to other federal awards to overcome funding deficiencies or to avoid restrictions imposed by law or by the terms of the award.
• **CONSISTENTLY APPLIED:** A cost, whether direct or indirect, must be consistently assigned to the program regardless of the source of funding (*i.e.* federal vs. non-federal) and based on the organization’s written cost allocation plan, as applicable. Key considerations include:

  – Is the cost consistent with that paid for similar work in the organization’s other activities?
  – Is the cost distributed to other contracts/grant awards or other activities in a consistent pattern?
  – Did the organization follow an equitable procedure in cost distribution?
  – Were charges consistent with those normally allowed in like circumstances in the organization’s non-federally sponsored activities.
• **Question:** Is this allowable?

The Program Director of ABC AmeriCorps Program decided to host a very important meeting at his home and serve beer and pizza hoping that everyone would attend. The purpose of the meeting was to discuss changes to the new uniform guidance and updated CNCS grant terms & conditions that affected the program.

Because it was a business meeting, he decided to charge the cost of the beer and pizza to the AmeriCorps grant, especially since he was providing the use of his home.
Answer: Partially. Since the business meeting was to discuss AmeriCorps requirements, the pizza is allowable and may be charged to the grant. However, the beer may not because alcohol is an unallowable expense.

(Documentation Note: To support the pizza expenditure, the Program Director would need a meeting agenda, sign-in sheet to document attendance, and itemized receipt.)
• Question: Is this reasonable?

ABC AmeriCorps Program needs 5 laptops so that participants can learn basic computer skills. When deciding on the model that would best suit its needs, the Program Director received 3 price quotes on various models and 2 were within the same general price range of $300-$500. However, one laptop appealed to him most – it met all the necessary specifications and also had a 17” HD widescreen, 8 built-in speakers, a fingerprint scanner, Blu-ray drive…and it came in crimson red, his favorite color.

Although the basic models were adequate, the more appealing one was on sale for $1,999, so the Program Director ordered 5 of these laptop computers.
• **Answer:** No. While the laptops were necessary to achieving program objectives, the purchase did not adhere to sound business practices and was not what a prudent person would do.
• **Question:** *Is this allocable?*

When the crimson red laptops finally arrived, the Program Director found that funds allocated for supplies for the ABC AmeriCorps Program were fully expended.

Although the laptops were to be used only for the AmeriCorps Program, ABC had another CNCS-funded program through a Senior Corps program, so the Program Director told the accountant to charge the cost to the Senior Corps program since CNCS was also funding the program.
• **Answer:** No. Any cost allocable to a particular award **may not** be shifted to other federal awards to overcome funding deficiencies.
• **Question:** Is this consistently applied?

The ABC AmeriCorps Program was running low on office supplies and postage stamps.

Since the Program Director couldn’t wait any longer for the Office Manager to provide the supplies, he purchased them and charged them to the ABC grant.
• **Answer:** No. The Program Director did not adhere to the organization’s written procedure regarding the purchase of office supplies.
Program Responsibility

- An organization that receives AmeriCorps funding:
  - Has full fiscal and programmatic responsibility for managing all aspects of the award and award-supported activities, subject to oversight by the MCSC;
  - Is accountable to MCSC for its operation of the program and use of award funds;
  - Must expend the award funds in a judicious and reasonable manner; and
  - Must accurately record the service activities and outcomes achieved under the award as outlined in the grant application, and report progress to MCSC.
Compliance with AmeriCorps requirements is a team effort!! The effective team environment:

- Engages both program and fiscal staff in order to:
  - Gain a deeper understanding of the program goals,
  - Learn to value each other and their roles in the project, and
  - Support and cultivate a common purpose with mutual goals and accountability;
- Promotes on-going communication, cooperation, and coordination;
- Builds a more efficient and effective program; and
- Strengthens the overall success of the program.
• **Compliance**: Organizations that receive AmeriCorps funding are expected to have the following systems in place to ensure compliance with grant requirements:

1. Efficient Accounting Systems
2. Internal Controls
3. Written Policies and Procedures
• **Efficient Accounting Systems**: An accounting system is considered efficient if it is capable of:

1. Adhering to standard accounting practices (GAAP);
2. Distinguishing grant vs. non-grant related expenditures;
3. Identifying costs by program year;
4. Identifying costs by budget category;
5. Differentiating between direct and indirect (administrative) costs;
6. Accounting for each award/grant separately;
7. Maintaining federal vs. non-federal matching funds separately from grant funds;
8. Recording in-kind contributions appropriately (as revenues and expenses);
9. Allowing management to easily obtain financial reports at both the summary and detailed levels;
10. Correlating accounting information and documents to financial reports submitted to the granting agency; and
11. Maintaining a clear audit trail.
Internal Controls: The processes effected by an organization’s board, management and other personnel designed to provide reasonable assurance regarding the achievement of:

- Effectiveness and efficiency of operations;
- Reliability of financial reporting; and
- Compliance with laws and regulations.

Internal Controls also establish checks and balances to:

- Protect the organization from financial abuse;
- Enhance the organization’s ability to achieve its goals; and
- Assist the organization in optimizing resources.
• **Considerations for internal controls include:**
  
  – **Adequacy of Audit Trail:** *Can a transaction be traced from the accounting records back to the original source documentation (e.g. invoice, receipt, timesheet)?*
  
  – **Separation of Duties:** *Are the various aspects of the accounting functions separated and performed by more than one person?*
  
  – **Safeguarding of Assets:** *Are the assets of the organization protected?*
  
  – **Adequacy of Records:** *Are adequate records maintained to provide explanation and basis for decision or transaction?*
  
  – **Good Control Environment:** *Is this a positive work environment? Are all of the above in place?*

*Everyone in the organization has a role and responsibility in internal controls.*
• **Written Policies and Procedures**: A set of written documents that describe an organization's **policies for operation** *(what to do)* and **procedures to fulfill policies** *(how, when, and by whom)*. These written documents:

1. Are the standards for the organization’s operations;
2. Should be established, followed, monitored, updated and reviewed;
3. Help maintain information that is crucial to operations that would otherwise remain in employees’ heads;
4. Help orient substitutes or new employees if the appropriate personnel are absent or leave the organization;
5. Assist with consistency and clear communication of expectations;
6. Explain rationale and include examples of principal transactions and completed forms; and
7. Should incorporate federal (CNCS) and state (MCSC) requirements.
• **Example key policies and procedures include:**
  – Authorization of transactions
  – Payroll procedures
  – Timekeeping procedure for personnel
  – Cash receipts procedures
  – Travel policy
  – Financial and progress reporting procedures
  – Records retention policy
  – Conflict of interest policy
  – Whistleblowing policy
• What could possibly happen if my organization does not have compliance systems in place?

  – **Audit Findings**: Questioned costs, material weaknesses.
  – **Inappropriate Grant Management**: Federal funds may be managed inappropriately.
  – **Funding Source Risks**: Public/private funding sources may be jeopardized.
  – **Inconsistency**: Inconsistencies may be identified in practices, processes, reviews, approvals, results, and documentation.
  – **Inefficiency**: Time and resources may be inefficiently used.
  – **Repayment**: Costs may be unallowable or disallowed causing the organization to repay grant funds.
• **Documentation of Expenses**
  
  – All expenses should have supporting documentation that directly relates to grant expenses.
  
  – Documentation of expenses should support:
    
    • The necessity of costs in meeting program objectives;
    
    • That costs are reasonable, allocable, allowable, and consistently applied;
    
    • That costs adhere to grant guidelines.
• **Financial Reporting Requirements**

  – Organizations that receive funding are required to submit financial reports to MCSC on a monthly and quarterly basis.

  – Note: Monthly financial reports correlate to monthly reimbursement requests.

  • The grant is on a reimbursement basis; no advances are allowed.

  • Reimbursement requests must be for actual expenses incurred.
• **Records Retention Policy**
  – Organizations must have a written records retention policy.
  – The minimum requirements for the retention of financial records is as follows:
    • A minimum of 3 years after submission of the Commission’s final Federal Financial Report (FFR); or
    • If there is an ongoing or unresolved audit at the end of the retention period, then records shall be retained until the audit is resolved and final action taken.
Next Steps for the Grant Application

- **Proposed Budget**
  - Budget guidelines will be discussed at length.

- **Documentation of Financial Management Capability**
  - All “new” applicants are required to submit documentation of financial management capability via the *Financial Management Survey* provided by MCSC.
Conclusion

**Financial Management:**
For information and curriculum on financial management and budget preparation, please visit