

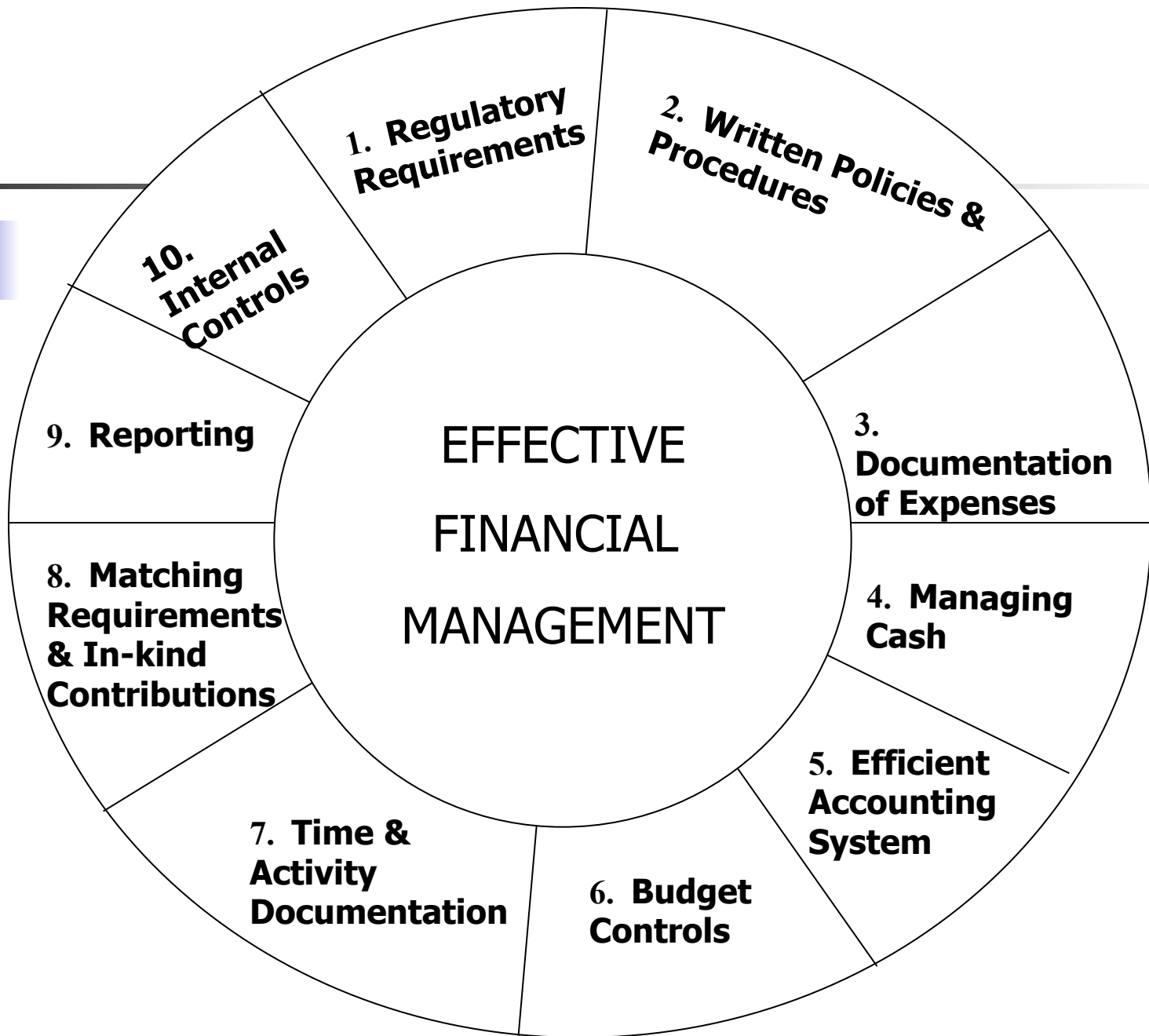


***FINANCIAL MANAGEMENT -
KEY CONCEPTS OF CNCS GRANTS***

Financial Management Training

Learning Objectives

- Participants increase their knowledge of financial management requirements.
- Program gain a clear understanding of Administrative Cost and the options for cost recovery.
- Participants increase their knowledge of in-kind contributions and tracking matching requirements.
- Participants will be aware of the documentation requirement for their AmeriCorps grant.



Key Elements of Grants Management



1. Regulatory Requirements

- Organization follows OMB Circulars and staff are aware of the regulations
- All staff should be familiar with grant provisions and guidelines
- Individuals are aware of specific matching requirements and are spending grant funds proportionately to match funds

Key Elements of Grants Management



To be allowable under Federal awards, costs must meet the following criteria:

- Necessary and reasonable for proper and efficient performance and administration of the program
- Allocable to Federal awards
- Not prohibited under State or local laws or regulations
- Be accorded consistent treatment. (i.e., direct versus indirect costs)

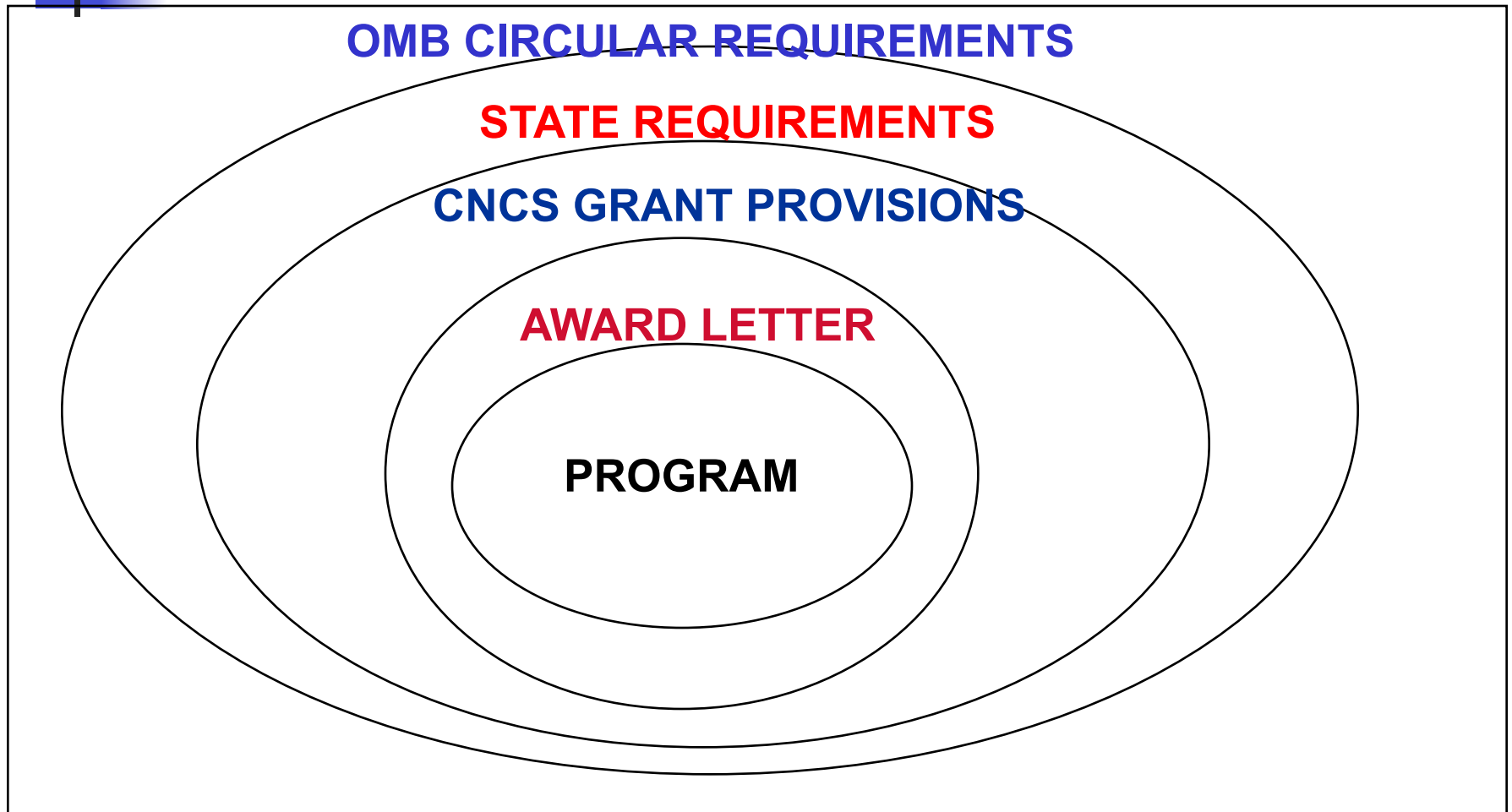
Key Elements of Grants Management



To be allowable under Federal awards, costs must meet the following criteria (Continued):

- Be determined and reported in accordance with generally accepted accounting principles
- Not be included as a cost or used to meet cost sharing or matching requirements of any other Federal award in either the current or a prior period, except as specifically provided by Federal law or regulation
- Be adequately documented

Regulatory Requirements Provide The Guidance And Foundation For Your Financial Management Systems



OFFICE OF MANAGEMENT AND BUDGET (OMB) CIRCULARS APPLICABLE TO EDUCATIONAL INSTITUTIONS



- **45 CFR 2543**

Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Nonprofit Organizations

- **OMB Circular No. A-21**

Cost Principles for Educational Institutions

- **OMB Circular No. A-133**

Audits of States, Local Governments, and Non-Profit Organizations

OFFICE OF MANAGEMENT AND BUDGET (OMB) CIRCULARS APPLICABLE TO NONPROFITS ORGANIZATIONS

- **45 CFR 2543**

Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Nonprofit Organizations

- **OMB Circular No. A-122**

Cost Principles for Nonprofit Organizations

- **OMB Circular No. A-133**

Audits of States, Local Governments, and Non-Profit Organizations

OFFICE OF MANAGEMENT AND BUDGET (OMB) CIRCULARS APPLICABLE TO STATE AND LOCAL GOVERNMENT ENTITIES



- **45 CFR 2541**

Grant and Cooperative Agreements to State and Local Governments

- **OMB Circular No. A-102:**

Cost Principles for State, Local and Indian Tribal Governments

- **OMB Circular No. A-133:**

Audits of States, Local Governments, and Non-Profit Organizations

OMB A-133 AUDIT



- All A-133 audits shall be performed annually
- Applicable to non-profit organizations, educational institutions and state and local governments that expend \$300,000 or more of federal funds in a year
- Exemption applies when federal expenditures are less than \$300,000 and the federal award is not identified to specific program audit
- Audit must be performed by an independent certified public accountant
- Cost of audit should be counted as an administrative cost



OMB Circulars Internet Address

[http://www.whitehouse.gov/
OMB/circulars/index.html](http://www.whitehouse.gov/OMB/circulars/index.html)

Key Elements of Grants Management



2. Written Policies and Procedures

- Organization operates within a written set of policies and procedures
- All Staff are familiar with policies and procedures
- Organizational policies and procedures are up-to-date
- Policies and procedures incorporate CNCS grant provisions

Key Elements of Grants Management



3. Documentation of Expenses

- All staff are familiar with documentation requirements for CNCS grants
- All expenses have supporting documentation that directly relates to expense to CNCS grant
- Organization has proper record retention policy
- Documentation supports expenditure requirements: reasonableness, necessity, allocability, allowability, and adherence to grant guidelines

Direct & Administrative Costs



- Why know the difference between the two kinds of administrative costs:
 - You need to understand the characteristics of the cost to properly recover and identify the costs
 - Direct costs are those cost that can closely be associated with the program and its objectives
 - Indirect costs also known administrative costs are costs to operate the organization and are not directly attributable to the program

Direct & Administrative Costs



- **Administrative Costs** are expenses associated with the overall administration of a Program
- **Administrative costs** are general or centralized expenses of overall administration of an organization that receives Corporation funds and does not include particular Program costs.

Direct & Administrative Costs



- Costs for financial, accounting, auditing, contracting or general legal services except in unusual cases where they are specifically approved in writing by the Corporation as program costs;
- Costs for internal evaluation, including overall organizational management improvement costs (except for independent and internal evaluations of the Program evaluations that are specifically related to creative methods of quality improvement); and
- Costs for general liability insurance that protects the organization(s) responsible for operating a Program, other than insurance costs solely attributable to the Program.

Direct & Administrative Costs



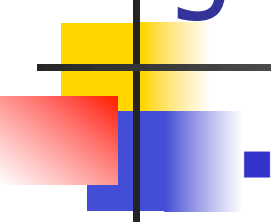
Administrative costs may also include that portion of salaries and benefits of the Program's director and other administrative staff not attributable to the time spent in support of a specific Program. The principles that pertain to the allocation and documentation of personnel costs are stated in the OMB circulars that are incorporated in Corporation regulations [45 CFR 2541.220(b)].

Administrative Costs generally Do Not Include:



- Allowable direct charges for members, including living allowances, insurance payments made on behalf of members, training and travel
- Costs for staff (including salary, benefits, training and travel) who recruit, train, place or supervise members or who develop materials used in such activities, if the purpose is for a specific Program objective
- Costs for independent evaluations and any internal evaluations of the Program that are related specifically to creative methods of quality improvement

Administrative Costs also generally Do Not Include:

- 
- Costs attributable to staff that work in a direct Program support, operational, or oversight capacity, including, but not limited to:
 - support staff whose functions directly support Program activities
 - staff who coordinate and facilitate single or multi-site Program activities
 - staff who review, disseminate and implement Corporation guidance and policies directly relating to a Program

Administrative Costs also generally Do Not Include:

- Space, facility and communication costs that primarily support Program operations
- Other allowable costs, specifically approved by the Corporation as directly attributable to a Program.
- There is an exclusion for costs already covered in an organization's indirect cost rate

Limitation by Statute



Administrative costs cannot exceed 5% of total Corporation funds actually expended under this award.



Administrative Costs

Two methods to recover administrative costs

- Approved cost allocation plan
 - Requires approval from Federal Government
 - Grantee share is limited to 5% of actual expenses and the difference is allowable as match
- Fixed five percent rule
 - Requires approval by Corporation
 - Fixed 5% of Corporation's funds
 - Grantee match for administrative funds may not exceed 10% of all direct expenditures



Fixed 5%

If approved on a case-by-case basis by the Corporation, the grantee may charge, for administrative costs, a fixed 5% of the total of the Corporation funds expended. In order to charge this fixed 5%, the grantee match for administrative costs may not exceed 10% of all direct cost expenditures. These rates may be used without supporting documentation and are in lieu of an indirect cost rate.

Indirect Cost Rates



- If grantees have an approved indirect cost rate, such rate will constitute documentation of the grantee's administrative costs including the 5% maximum payable by the Corporation and the grantee match of administrative costs.
- If a grantee wants to claim more than 10% match in administrative costs it must have or obtain an approved indirect cost rate. Where appropriate, the Corporation will establish an indirect cost rate that may be used for this and other federal awards.

Key Elements of Grants Management



4. Managing Cash

- Organization has adequate cash to meet obligations
- Organization is requesting funds on a regular basis
- Advance requests (if used) are timed so funds are spent within three days for grantee or thirty days for sub-grantees
- Perform monthly bank reconciliations with financial records

Key Elements of Grants Management



5. Efficient Accounting System

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

Key Elements of Grants Management



Efficient Accounting System (Continued):

- Accounts for each award/grant separately
- Maintains Federal/non-Federal matching funds separately from grant funds
- Records in-kind contribution as both revenues and expenses
- Allows management to easily obtain financial reports at both the summary or detailed levels
- Accounting information and documents should correlate to financial reports submitted to CNCS

Key Elements of Grants Management



6. Budget Controls

- A properly approved budget is:
 - A financial blueprint to help an organization meet its goals and objectives
 - A tool to help ensure an organization is meeting matching requirements
- An Organization should:
 - Periodically review budget to actual expenses
 - Assure budget changes are properly approved
 - Review movements between line items and verify if they are within provisions and/or guidelines

Key Elements of Grants Management



Budget Controls - continued

- Budget changes requiring Corporation approval:
 - Changes in scope, objectives or goals of program
 - Substantial changes in level of participant supervision
 - Additional sub-grants or contracts
 - Line item changes greater than 10% of grant award (except for instances when corporation share is less than \$100,000)

Key Elements of Grants Management



Budget Controls - continued

- AmeriCorps programs must obtain prior approval for:
 - Changes to increase or reallocate funds for member support category (Section A)
 - Purchase of equipment over \$5,000
 - Changes in scope of program
 - Cumulative reallocation exceeding 10% of total budget

Key Elements of Grants Management



7. Time & Activity Documentation

- All salaries and wages charged to CNCS grants must be supported by signed Time and Attendance records except for:
 - State, Local and Indian Tribal governments must comply with OMB A-87
 - Educational Institutions must comply with OMB A-21
 - Time must be based on after-the-fact activity and not based on a predetermined basis

Key Elements of Grants Management



OMB A-87 requirements of documentation for Activity reporting:

- Must reflect an after-the-fact distribution of each employee's actual activity
- Must account for the total activity of each employee
- Must be prepared at least monthly and should coincide with one or more pay periods
- Must be signed by the employee

Key Elements of Grants Management



8. Matching Requirements and In-kind Contributions

- Must be verifiable from recipient records
- Must not be included as contribution for other federally-assisted programs
- Must be necessary for accomplishing program objectives
- Must be allowable according to cost principles (OMB Circulars) and grant provisions

Key Elements of Grants Management



OMB A-87: Budget estimates do not qualify as support for expenditure, except on an interim basis, provided that:

- The estimates produce reasonable approximation of the actual activity performed
- Quarterly comparison to actual activity is performed
- Budget estimates are revised at least quarterly to reflect changed circumstances

Key Elements of Grants Management



In-kind Contributions

- Are to be recorded in the general ledger
- Need to be properly documented
- Need to have the value supported by appropriate documentation

Valuation of In-Kind Services

Fair market value

=

What-would-you-pay-if-it-was-not-donated?



Recording and Reporting In-Kind Contributions



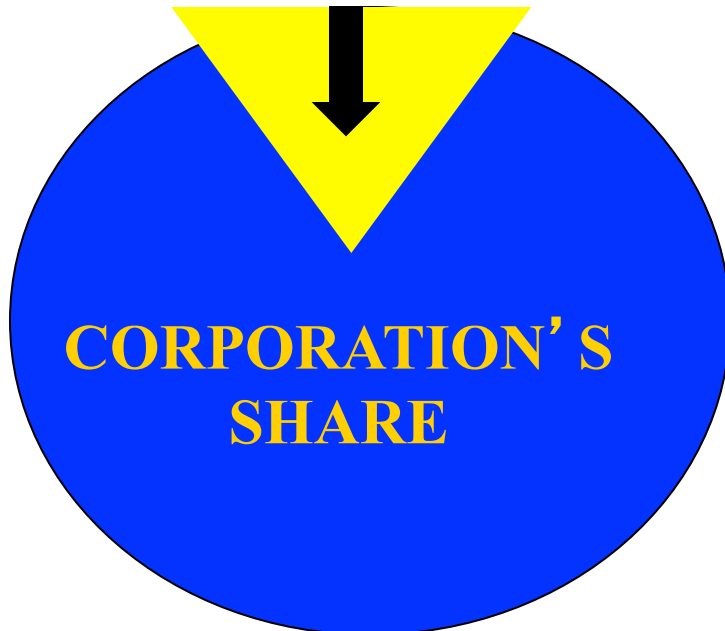
- In-kind contributions documentation have same standards as other expenditures
- In-kind contributions must be entered into the general ledger and financial reports submitted to CNCS in order to be recognized as match
 - In-kind contributions should be recorded as both a revenue and an expense

Ultimate Goal Is Sustainability



**New
Program/Project**

**GRANTEE'S
SHARE**



**Mature
Program/Project**

**GRANTEE'S
SHARE**



Criteria for Matching CNCS Funds



- Must be verifiable from recipient records
- Must not be included as contribution for other federally-assisted program
- Must be necessary and reasonable for accomplishing program objectives
- Must be allowable according to cost principles (OMB Circulars)

AmeriCorps

Match Requirements

- **Match percentages should be calculated from the FSR**
 - Budget Line (A) - Member support should be calculated every quarter
 - Budget Lines (B-F) Operating expenses should be monitored every quarter and should meet budget guideline at end of program year
 - If match objective (15% for Section A and 33% for Section B-F) is not likely to be achieved, explain on FSR (Remarks - Block 12)

Recording and Reporting In-Kind Contributions



- Documentation of In-kind contributions - same standards as other expenditures
- In-kind contributions must be entered into the general ledger and other reports submitted to the Corporation in order to be recognized as match
 - In-kind contributions should be
 - Recorded as both a revenue and expense in accounting system
 - Included in Financial Status Report submitted to the Corporation to be recognized as match



Documenting In-Kind Contributions Received

Document the basis for determining the value of personal services, material equipment, building, and land. Obtain acknowledgement of the contribution which should include:

- * Name of donor
- * Date and Location of donation
- * Description of item/service
- * Estimated value

Keep a copy of the receipt in your files.

The ABCD Tutoring Program

1299 N Main Street, Suite 110, Great City, Good State 00000-1234, (800) 555-1212, Fax 321-1234

In-Kind Contribution Form

Date of Contribution	Description of Contributed Item(s) or Service	Purpose for Which Contribution Was Made	Real or Approximate Value of Contribution	How Was Value Determined? (i.e. Actual, appraisal, fair market value)	Who Made This Value Determination?	Was Contribution Obtained With or Supported By Federal Funds? (If so, indicate source)

Name of Contributing Organization/Agency/Business/Individual: _____

Address of Above Contributor: _____ Phone #: _____

Printed/Typed Name of Contributor's Authorized Signee: _____ Title: _____

Signature of Authorized Signee: _____ Date: _____



Volunteer Exception For Match

- Grantees match may not include the value of *direct community services* performed by volunteers
- Services that contribute to *organizational functions* such as accounting, training of staff or members can be counted as match

Contributed Services Valuation

Financial Accounting Standards (SFAS #116)

- Contributed services are recognized in the financial statements if the services received:
 - Create or enhance non-financial assets
 - Requires specialized skills and
 - Provided by individuals possessing those skills
 - Would need to be purchased if not provided by donation

Recording and Reporting Match Received



- **Match should be recorded in the accounting system (General Ledger)**
- **Match should be included in the Financial Status Report (FSR)**
- **In-kind contribution should be recorded as both a revenue and an expense (See example on following slide)**

Financial Statements

In-Kind Contributions Examples

- The following were donated to a grantee during the fiscal year:
 - Training services valued at \$3,544
 - Office space valued at \$12,000
 - Office supplies valued at \$6,000
 - Services of volunteers working side-by-side with AmeriCorps members valued at \$10,000
- The following pages show the financial statement presentation

Teach Tech
Statement of Activities
March 31, 2002

6,000
12,000
3,544
21,544

Revenues and Other Support

AmeriCorps Grant	\$	56,000
Contributions		21,544
Total Revenues and Support		<u>77,544</u>



Expenses

Salaries and Living Expenses		39,400
Benefits		7,000
Consultants		1,000
Staff travel		1,000
Supplies		6,000
Communications		1,050
Rent		12,000
Donated Services		3,544
Depreciation expenses		4,000
Other expenses		1,590
Total Expenses		<u>76,584</u>
Excess of Revenues and Other Support Over Expenses		960
Beginning Net Assets		300,416
Ending Net Assets	\$	<u><u>301,376</u></u>



FINANCIAL STATEMENT WITHOUT IN-KIND CONTRIBUTIONS

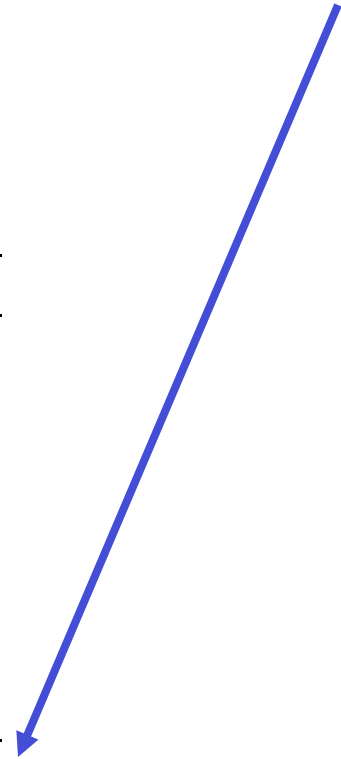
Teach Tech
Statement of Activities
March 31, 2002

Revenues and Other Support

AmeriCorps Grant	\$	56,000
		56,000
		56,000

Expenses

Salaries and Living Expenses		39,400
Benefits		7,000
Consultants		1,000
Staff travel		1,000
Communications		1,050
Depreciation expenses		4,000
Other expenses		1,590
		55,040
		55,040
Excess of Revenues and Other Support Over Expenses		960
Beginning Net Assets		300,416
Ending Net Assets		\$ 301,376
		\$ 301,376



Key Elements of Grants Management



9. Reporting

- All Financial reports must be supported by the accounting system and should match the information in the general ledger
- Final financial status report is due within 90 days after the end of the grant and must be cumulative over the life of the grant
- Financial records must be retained for three years from the date of the submission of the final Financial Status Report (SF 269A) to CNCS

Key Elements of Grants Management



10. Internal Controls

- Organization has developed and communicated rules of operations to employees and members
- Follow-up is done to ensure that expectations are met
- Financial duties are properly segregated
- Accounting system tracks grant and matching funds separately
- Accounting system is used to create financial reports
- Proper safeguards over assets exist

