

AN INTRODUCTION TO FINANCIAL MANAGEMENT FOR GRANT RECIPIENTS

National Historical Publications and Records Commission National Archives

www.archives.gov/nhprc

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USE OF THE GUIDE

Everyone in your organization who is responsible for grant management should review this guide. This includes those who prepare grant proposals and those who record and report on grant project activities. It is intended only to provide practical information on what is expected from grantee organizations in terms of fiscal accountability.

Please note: The guide is not offered as a complete manual of procedures on grant administration. General information on other topics related to grant administration may be obtained by referring to the regulations in the Office of Management and Budget's Guidance on Grants and Agreements. In addition, many for-profit and non-profit organizations offer training in the management of federal grants.

In addition, specifics about each grant are included in the grant award package furnished to each grantee. Recipients should carefully review the Grant Award Summary Sheet and all referenced requirements.

ACCOUNTABILITY REQUIREMENTS

The National Historical Publications and Records Commission (NHPRC), a part of the National Archives and Records Administration, receives annual appropriations from Congress to be used for granting financial assistance to projects related to preserving and making accessible the nation's historical records. The NHPRC is charged with a fiduciary responsibility to see that taxpayers' money is used appropriately and to require proper accountability from the recipients of its awards.

Acceptance of a grant from the NHPRC creates a legal obligation on the part of the grantee to use the funds in accordance with the terms of the grant and to comply with the grant's provisions and conditions. The grantee thus assumes full responsibility for the conduct of project activities and becomes accountable for meeting Federal standards in the areas of financial management, internal controls, audit, and reporting to the NHPRC.

FINANCIAL MANAGEMENT STANDARDS

Many methods exist for implementing financial management systems, and the organization should choose methods appropriate for its particular scale of operations. If the grantee organization is unable to meet the standards that are covered here, its NHPRC funding may be terminated and the organization may be deemed ineligible to receive subsequent financial assistance or may have more oversight for future awards. Increased oversight might include requirements that payments be reimbursements or documentation supporting project costs be submitted regularly.

Some standards to consider:

Recipients must have accounting structures that provide accurate and complete information about all financial transactions related to each Federally-supported project. This includes both expenditures of grant funds and cost share expenses.

- Frant expenditure records must be at least as detailed as the cost categories indicated in the approved budget (including indirect costs that are charged to the project as cost share). Actual expenditures are to be compared with budgeted amounts.
- Funding for ongoing projects or for multiple grants to the same organization must be accounted for separately and cannot be combined.
- Costs may be incurred only during the grant period, and all funds must be requested and all obligations must be paid no later than 90 days after the end of the grant period (costs cannot be incurred during those 90 days after the end of the grant period, but invoices from the costs may be paid).

Accounting records are to be maintained on a current basis and balanced monthly.

- ➤ The records must be supported by source documentation such as cancelled checks, invoices, contracts, travel reports, donor letters, in-kind contribution reports and personnel activity reports. The same costs cannot be claimed and reported on more than one Federal grant. (See attachments for sample forms.)
- Records must be preserved for three years following submission of the final financial status report OR payment request (whichever is later).
- For every employee whose salary is charged, in whole or in part, to a grant, personnel activity reports must be maintained to account for all compensated time, including time spent on other activities. (See Attachment A for sample form.) If an organization has converted to an electronic timekeeping system, it must be possible to report from this system at any point during the grant and for three years after the end of the grant.

OMB cost principles and the terms and conditions of the grant award shall be followed in determining whether costs are reasonable, allowable, and properly allocated. For more information on OMB cost principles, see the referenced links at the end of this document.

- Requests for advance payment of Federal funds shall be limited to immediate cash needs and must not exceed the grantee's anticipated expenditures over the next two-month period. A brief explanation of these needs should accompany the payment request.
- > Contributions such as property, space, or services that are donated to a project shall be valued in accordance with Federal cost principles. They will require receipts and documentation if they are being used for cost share. For more information, see the referenced links at the end of this document.
- Third-party in-kind (non-cash) contributions are not required to be recorded in the general ledger, but must be accounted for, such as with a memorandum ledger.
- ➤ Other Federal funds may not provide any part of the required match for an NHPRC grant.

INTERNAL CONTROL STANDARDS

Organizations must provide safeguards for all grant property, whether cash or other assets, and assure that it is used solely for authorized purposes. Control will be enhanced if the duties of the members of the organization are divided so that no one person handles all aspects of a transaction from beginning to end. Although a complete separation of functions may not be feasible for a small organization, some measure of effective control may be obtained by planning the assignment of duties carefully.

Many of the most effective techniques for providing internal control are very simple. Some examples are:

- Must have written conflict of interest policies.
- Cash receipts should be recorded immediately and deposited daily.
- Someone other than the person who signs the checks should reconcile bank accounts monthly.
- A petty cash fund should be entrusted to a single custodian and used for all payments other than those made by check or bank transfer.
- Checks to vendors should be issued only in payment of approved invoices, and the supporting documents should be marked as "paid."
- The person who is responsible for the physical custody of an asset should not also have responsibility for keeping the records related to that asset.
- The person who has authority for placing employees on the payroll and establishing wage rates should not be the same person who signs the checks.

PROCUREMENT STANDARDS

Does not apply to State governments who use their procurement standards on Federal grants.

If your organization is not part of state government and the grant started after December 26, 2014, new restrictive rules may apply procurement.

- You must develop procurement standards for Federal grants that include conflict of interest statements.
- For purchases under \$3,000 (known as *micropurchases*), you may make them without bids as long as the item purchased is competitively and reasonably priced for your needs.
- Purchases over \$3,000 and less than \$150,000 are defined are small purchases. For such purchases, you must your vendor selection through some form of competition. Your options include:
 - o Quotes from a reasonable number of vendors
 - o Internet research
 - o Competitive proposals
- If you believe you must purchase an item from a pre-identified vendor (a sole-source purchase), you may need to justify your choice to the NHPRC in writing and obtain our approval.

One Year Grace Period for Procurement Rule: Office of Management and Budget: "[I]n light of the new procurement standards, for procurement policies and procedures, for the non-Federal entity's first full fiscal year that begins on or after December 26, 2014, the non-Federal entity must document whether it is in compliance with the old or new standard, and must meet the documented standard. For example, the first full fiscal year for a non-Federal entity with a June 30th year end would be the year ending June 30, 2016. The Single Audit Compliance Supplement will instruct auditors to review procurement policies and procedures based on the documented standard. For future fiscal years, all non-Federal entities will be required to comply fully with the uniform guidance." https://cfo.gov/wp-content/uploads/2014/11/2014-11-26-Frequently-Asked-Questions.pdf (.110.6, pg. 9)

AUDIT STANDARDS

Grantees are expected to maintain a state of audit readiness. This means that records pertinent to the financial and programmatic aspects of their grants must be readily accessible for audit. Failure to provide the auditor with reliable documentation could lead to questioned costs and possibly result in cost disallowances, requiring refunds to the NHPRC.

The Office of Management and Budget (OMB) regulations concerning audits of states, local governments, and non-profit organizations, base the requirements for audit on specific dollar amounts. The requirements are discussed below.

- > Organizations that expend \$750,000 or more in a year in Federal awards (beginning in 2014) must have a "single Federal audit" (A-133 audit) conducted for that year in accordance with the provisions 2 CFR 200.501, which requires:
 - An independent public accounting firm, engaged by the grantee organization, to perform the audit.
 - Grantee organizations to bear the cost of the audit. Such fees are allowable as charges to grant projects, and they may be considered either direct costs or allocated indirect costs as determined by the Federal cost principles.

Prior to 2014, single Federal audits were done for organizations that spent \$500,000 or more in a year.

- > Organizations that expend less than \$750,000 in a year in Federal awards are not required to have an A-133 audit for that year.
 - Organizations that are exempt need to be aware that they may be selected by the NHPRC, the National Archives and Records Administration's Office of Inspector General, or by the Government Accountability Office for audits, evaluations or other reviews to be performed by Federal auditors or by public accounting firms under contract to the Government.
 - Costs for audits, evaluations or other reviews performed by Federal authorities are not charged to grantee organizations.

REPORTING STANDARDS

The basic requirements for reporting to the NHPRC are spelled out in two documents: the **Grant Award Summary** that is mailed when the award is made and lists deadlines; and on the NHPRC website under Reporting Requirements that explains how to report:

(http://www.archives.gov/nhprc/administer/reporting.html). Failure to submit reports on a timely basis will result in delayed payments and/or denial of eligibility for future grants from the NHPRC.

In addition, organizations that are required to have A-133 audits must submit the requisite reports within nine months following the end of the audit period.

COST SHARE REPORTING

Cost share is required on all NHPRC grants. For most grants, the amount is at least 50% of total project costs or in other words, an "equal match." If a grantee receives \$15,000 in grant funds, it must supply \$15,000 to make total project costs \$30,000. Cost share funds may come from personnel costs, in-kind contributions, volunteers, or contributions of indirect costs and should correspond to the approved budget. Guidance about how to budget for and record cost share contributions is available in 2 CFR 400 – 2 CFR 475. The NHPRC does have a special exemption regarding indirect costs that does not allow them to be charged to grant funds but does allow them to be used for cost share (see 2 CFR 2600.101). For more information on cost principles, see the links at the end of this document.

In-kind contributions as well as volunteer hours should be recorded using the same methods as required for other expenses. See the appendices for examples on how to keep the proper documentation.

Please note that the NHPRC requires grantees to include the amount of cost share expended on all payment requests for both advance and reimbursement funding, as well as all Federal Financial Reports. If a report does not include an amount that corresponds to the approved budget, the NHPRC staff will ask for clarification. If circumstances change, and your institution cannot provide the amount of cost share in the approved budget, the project director or authorized representative should *immediately* contact the NHPRC program officer assigned to the grant. Failure to supply the amount of cost share on an approved budget can result in the withholding of grant funds. For more details, please see the NHPRC cost-share policy: http://www.archives.gov/nhprc/administer/costshare.html.

SUBAWARDS OR REGRANTS

Especially in our grants to state historical records advisory boards, applicants may propose to grant some of the Federal funds to other recipients. If the application is approved, then the NHPRC grantee is responsible for ensuring that subrecipients expend their awards in accordance with the laws, regulations, and provisions of the underlying grant. The grantee must perform the following functions for the Federal funds it provides to subrecipients:

- ➤ Inform the subrecipient of Federal funds and identify the Federal grant number, CFDA title, and Federal agency.
- Advise subrecipients of requirements imposed on them by Federal laws and grant terms.
- Monitor the activities of subrecipients as necessary to ensure that Federal funds are used in accordance with the terms and conditions of the primary grant.

- Request that the NHPRC extend the grant period whenever a subrecipient's project cannot be completed and reported on time.
- Require subrecipients to give the pass-through entity and its auditors access to the relevant records and financial statements as necessary to comply with 2 CFR 400 2 CFR 475.
- ➤ Keep subrecipient's report submissions on file for three years from the date of receipt.

CONSORTIUM PROJECTS

For consortium projects, the lead member is legally, financially, administratively, and programmatically responsible for all aspects of the award. The lead member submits the cash requests, prepares the reports, and if need be, handles the requests to amend the terms of the award. The lead agency on a consortium grant must include that grant in determining if it has met the threshold for a Single Federal audit and then maintain the appropriate documentation to support the annual audit.

ACCOUNTING MANUAL

Although having a formalized accounting manual is not an NHPRC or OMB requirement, such manuals can help organizations and individual employees understand procedures and avoid potential systematic problems. A manual provides a formal reference for an organization's policies and procedures, and guidance available on other grants and accounting matters. This formalized accounting manual could contain policies and procedures relating to financial management, grants management, internal controls, budgeting, etc. An addendum to the manual could include publications such as the General Terms and Conditions for Grants, this Introduction to Financial Management for NHPRC Grantees, the OMB Guidance for Grants and Agreement and other publications on Federal and State requirements.

UNALLOWABLE COSTS

Costs Always Unallowable for Federal Funding

- ➤ Lobbying Includes direct legislative lobbying and grassroots lobbying.
- Fund-raising Includes costs of organized fund-raising, endowment drives, solicitation of gifts and bequests, and similar expenses incurred solely to raise capital or obtain contributions.
- ➤ Bad debts Any losses arising from uncollected accounts and other claims, and related costs.

- Contingencies Contributions to a contingency reserve or any similar provision for unforeseen events.
- Fines and penalties Resulting from violations of, or failure to comply with Federal, State and local laws and regulations.
- Losses on other awards Any excess of costs over the grant amount and required matching on any Federal award is unallowable as a cost for any other Federal award.
- ➤ Unnecessary travel costs Travel should be conducted at the most economical price available. In general, this means passengers should travel in economy-class. There are specific guidelines for international travel that require grant recipients to select United States carriers and may permit upgrades to business class. Please consult the regulations or ask your grant program officers.
- Contribution and donations By the organization to others.
- > Certain depreciation or use allowances Unallowable on buildings and equipment purchased with Federal funds or contributed to meet statutory matching requirements.

Costs Usually Unallowable for Federal Funding

Entertainment - Costs for amusement, social activities, ceremonials, hospitality and activities relating thereto, such as meals, lodging, rentals, transportation and gratuities are unallowable. (However, review 2 CFR Part 230 (OMB Circular A-122), Attachment B, Sections 11 and 25, for certain exceptions related to meetings, conferences and employee morale.)

Costs Requiring NHPRC Approval

- ➤ Items of equipment costing more than \$5,000 with a useful life of more than one year. If equipment over \$5,000 was not identified in your grant application, it is unallowable unless written approval is given in advance by the NHPRC.
- Foreign travel If foreign travel was not identified in your grant application, it is unallowable unless written approval is given in advance by the NHPRC.

SHORTCOMINGS TO AVOID

Audits, evaluations and other reviews conducted by the NHPRC and NARA's Office of Inspector General have disclosed some common deficiencies in the administration of NHPRC grants. Among these were:

- Personnel costs charged to grant projects not supported by adequate documentation. (For example, personnel activity reports should be maintained that show the actual activity of each employee, whose compensation was charged, in whole or in part, to NHPRC projects.)
- Reported grant project costs did not agree with the accounting records, i.e., the financial status reports were not prepared directly from the general ledger or subsidiary ledgers or from worksheets reconciled to the accounts.
- ➤ In-kind contributions of goods and services charged to the NHPRC grant projects were not supported by documentation adequate for establishing valuations of the contributions.
- ➤ No documented basis was provided to support the amount allocated to NHPRC grant projects for common (indirect) costs which benefitted all projects and activities of the organization.
- ➤ Independent Federal audits required were not performed or did not meet the standards for audits of Federal grants.
- For Grantees' financial management systems lacked adequate internal controls (for example, proper segregation of duties to safeguard resources or procedures for comparing actual outlays with the budget).
- > Grantees failed to spend advances of federal funds in a timely manner.
- Frantee had a liability with the Internal Revenue Service. Until the liability has been paid or an agreement has been reached with the IRS, the NHPRC cannot make any payments to the organization nor can any new grants be awarded.

REFERENCES and other information

Presentations and documents related to Office of Management and Budget Guidance for Grants and Agreement 2 CFR:

- ➤ Chief Financial Officers, <u>Frequently Asked Questions</u>, Updated November 2014.
- Council on Financial Assistance Reform, Uniform Guidance Training, January 27, 2014.

Government Auditing Standards and Circular A-133 Audits – This AICPA Audit Guide presents guidance for the audits of financial statements conducted in accordance with Government Auditing Standards. It also presents recommendations for the conduct of audits in accordance with the Single Audit Act and OMB Circular A-133. Available for purchase.

Federal Acquisition Regulation (FAR) at 48 CFR Part 31 – This FAR is for commercial organizations, individuals, and those nonprofit organizations listed in Attachment C to OMB Circular A-122. The FAR is available online at https://www.acquisition.gov/far/.

In addition to the above, there are different guides and manuals on nonprofits that have been published by the AICPA, Thompson Publishing, Commerce Clearing House, and others. The internet also is a great source for information.

Training classes from other federal funders such as EPA: http://www.epa.gov/ogd/training/section15.htm

New Grant Regulations from Office of Management and Budget by parts:

Part 200—Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards;

Introduction to the new Guidance: starts at 2 CFR 1

Subpart A: Definitions and Acronyms: starts as <u>2 CFR 200</u>

Subpart B: General Provisions: starts at <u>2 CFR 200.100</u>

Subpart C: Pre-Federal Award Requirements and Contents of Federal Awards: starts at <u>2 CFR</u> 200.200

Subpart D—Post Federal Award Requirements: starts at <u>2 CFR 200.300</u>

Subpart E—Cost Principles: starts at 2 CFR 200.400

Subpart F—Audit Requirements: starts at 2 CFR 200.500

SAMPLE DOCUMENTATION FORMS

Sample Personnel Activity Report	A
Sample In-Kind Contribution Report	
Sample Travel Expense Report	

Attachment A: Sample Personnel Activity Report

Organization Name:

Employee's Name:	ing:		
<u>Activity</u>	<u>Dist</u>	ribution of Time	
NHPRC:			
1. Grant #:		%	
2. Grant #:		<u></u> %	
Other:			
3. Cost Share for Grant #:		%	
		%	
5. Project name:	·	%	
6. Project name:		%	
Administrative:		%	
Fundraising: Leave:**		%	
Sick		%	
Vacation		<u></u> %	
Other (specify):		<u></u> %	
	TOTAL:	100 %	
Employee's Signature:	D	ate:	
Supervisor's Signature:		ate:	
_			
**If benefits that included leave wer costs proportionally as well.	re included in the budget (whether using grant funds or cost share), p	lease break out these	

In preparing personnel activity reports, please note the following:

- The reports must be based on an after-the-fact determination of the employee's actual activities (i.e., these cannot be estimated in advance). For example, the distribution of time might be determined based on notes from personal calendars and/or reasonable estimates of time spent on various activities.
- All of the employee's compensated time must be accounted for in these reports. This would include time spent on activities in addition to the NHPRC-supported project(s), as well as leave (sick/vacation/holiday), administrative duties, etc. NOTE: For nonprofessional employees, you must also maintain records indicating the total number of hours worked each day in conformance with the Fair Labor Standards Act (29 CFR Part 516).
- The reports must be signed by the employee and a responsible supervisory official.
- Reports must coincide with one or more pay periods and be used to reconcile salary and fringe benefit costs to appropriate accounts on a regular (at least monthly) basis.

Attachment B: Sample In-Kind Contribution Report

Report of SERVICES RENDERED, GOODS DONATED, FACILITIES PROVIDED to the awardee:

Project:						
Donor:						
Address:						
Donor's S	ignature:					
Title:				Phone:		
Date(s) se	Date(s) services were performed, goods were donated, or facilities provided for project:					
	Rendered:					
Ву:			Hours:		\$	
Ву:			Hours:			
Ву:			Hours:			
Ву:			Hours:			
Ву:			Hours:			
Ву:			Hours:			
Others list	ted on reverse; a	mount from reverse:				
Total Services:					\$	
Goods Do	onated:					
Item:					\$	
Item:						
Item:						
Others list	ted on reverse; a	mount from reverse:				
			T	otal Goods:	\$	
Facilities I	Provided:					
Place:					<u>\$</u>	
Place:						
Place:						
Others list	ted on reverse; a	mount from reverse:				
				al Facilities:	<u>\$</u>	
			TOT	AL VALUE:	<u>\$</u>	
Approved	By:					
Signature						
Name:						
Title:						
Date:						

NOTE: Please attach an explanation of the bases for the valuation of each item and any supporting documentation.

Attachment C: Sample Travel Expense Report

Organiza	tion N	lame:									
					P	urpose (of Trip	:			
Account t	o be	charg	ed:								
		ı		<u> </u>		T					
Departure)			Point of				Arriv	al		
D (Travel		_		D (+	
Date		Hou	<u>r</u>	From		То	Date		te		ur
Schedule	of ex	pense	es claime	d in additior	n to	or in lie	u of pe	r dien	n allowan	ce:	
				/ENTATION							
Date		el		Tips	_	axi	Othe				Total
							Amo	unt	Descrip	tion	
	\$		\$	\$	\$	5	\$		\$		
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Actual ex	pense	es (fro	m above)							
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•		by co	mmon ca	ırrier (attach	n du	iplicate c	of ticke	ts)			
Co	_					,	,				
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			es claime	u. No	Δm	ount					,
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	•		ledge and	d belief, and	d th	at paym	ent for	the a	mount cl	aime	d has not
been rece	eived.										
Traveler's	Sign	ature							Date		
-											
Approved	By S	ignati	ure	Tit	tle				Date		