



AmeriCorps Program Startup Institute

Fiscal Literacy

By

Corland E. Forrester

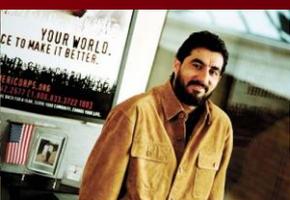
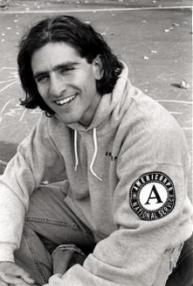
MBI Consulting

Financial Management TTA Provider to CNCS Grantees



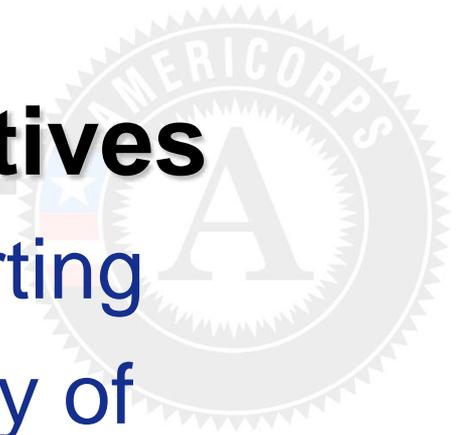
Agenda

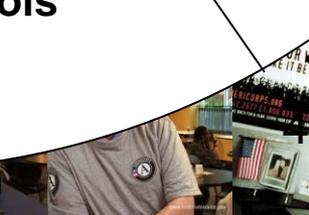
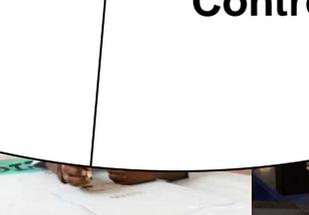
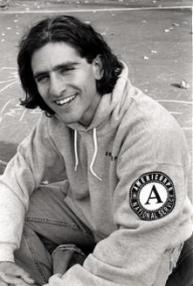
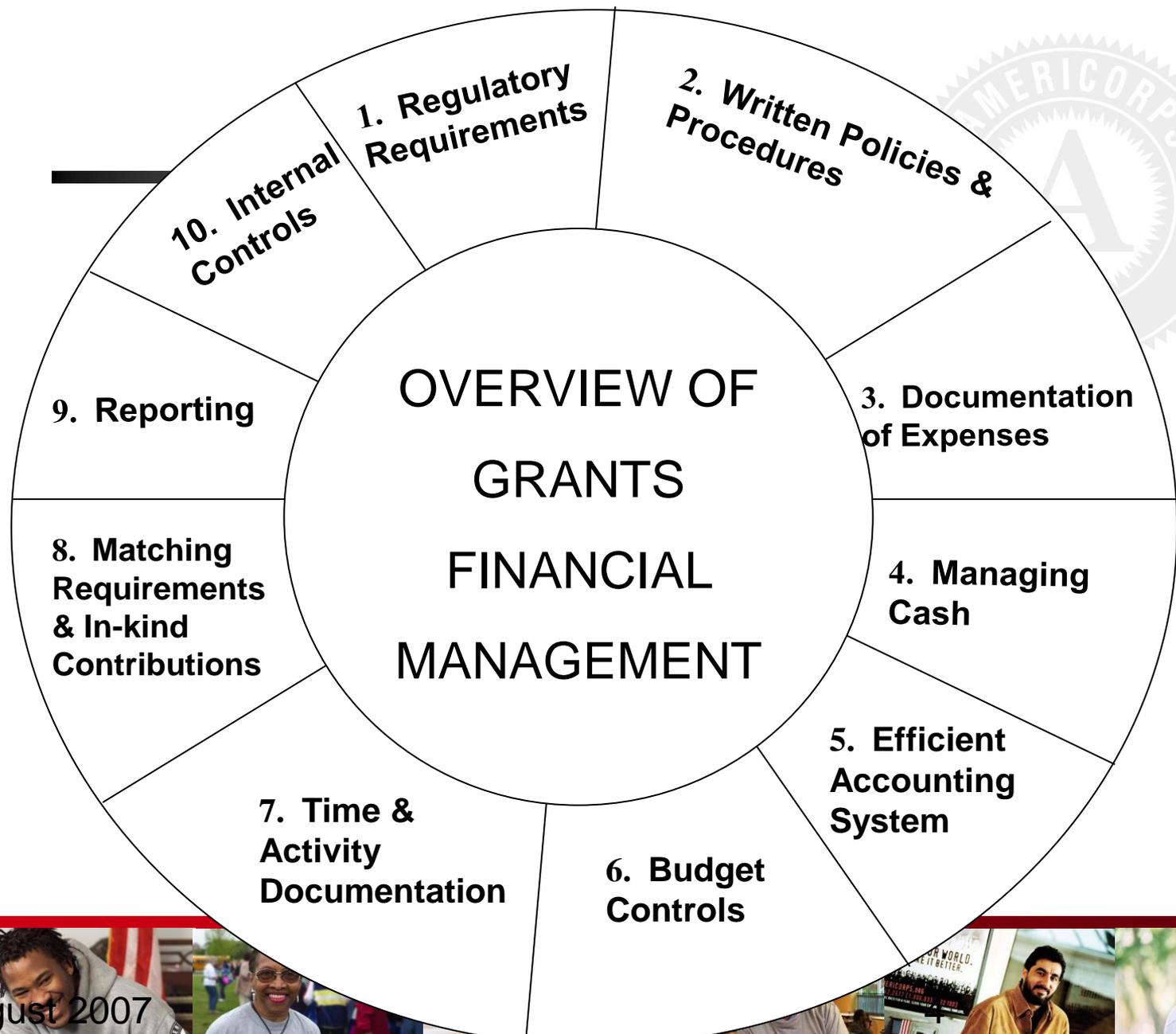
- Overview of an Effective Financial Management System
- AmeriCorps Rules and Regulations
- Developing and Managing Your Program Budget
- Documenting Program Expenditures
- Matching Requirement and In-Kind Contributions



Internal Control Objectives

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





August 2007



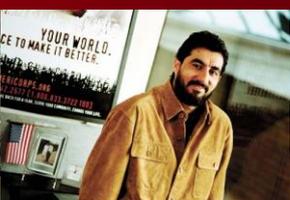
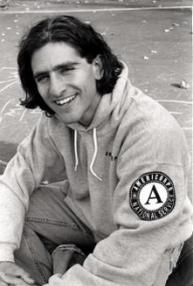
AmeriCorps Rule and Regulations



Regulatory Requirements



- Federal Regulations
 - AmeriCorps (AC)
 - *45CFR § § 2520*



Nat'l & Community Svc. Act of 1990

Code of Fed. Regulations (CFR)

OMB Circulars (part of CFR)

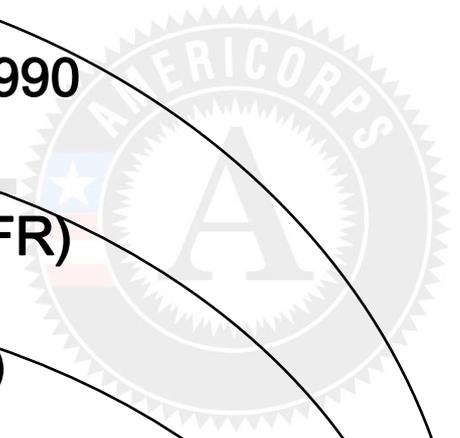
State & Local Regulations

NOFO

Notice of Grant Award

Certifications and Assurances

Provisions





OMB Circulars



All Corporation grants are governed by the Office of Management and Budget (OMB) Circulars. OMB establishes government-wide grants management policies and common rules.

Each grantee must comply with three specific circulars related to:

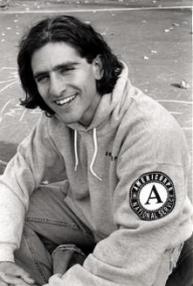
- Cost List Principles,
- Administrative Requirements, and
- Audit Requirements



Summary of Relevant OMB Circulars

http://www.whitehouse.gov/omb/grants/grants_circulars.html

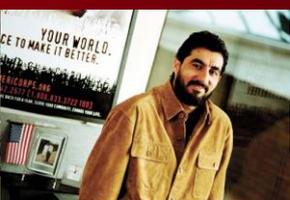
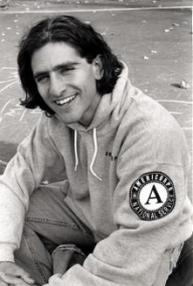
	Educational Institutions	Non- Profit Organizations	State & Local Governments
Uniform Administrative Requirements	45 CFR 2543 & Circular No. A-110	45 CFR 2543 & Circular No. A-110	45 CFR 2541 & Circular No. A-102
Cost Principles	Circular No. A - 21	Circular No. A-122	Circular No. A-87
Audits	Circular No. A-133	Circular No. A-133	Circular No. A-133



Cost Principles

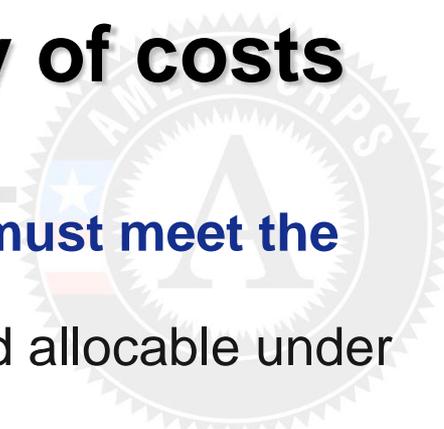
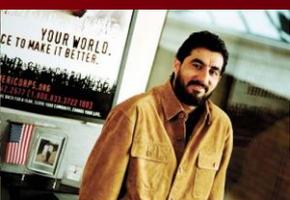
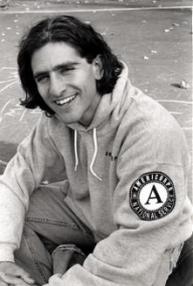


- Established principles to determine the allowable costs incurred by organizations under grants or contracts
- Principles are designed so that Federal awards bear their fair share of costs recognized under these principles
- Provide guidance about reimbursement requirements
- Provide uniform standards of allowability and allocation
- Encourage consistency of treatment of costs



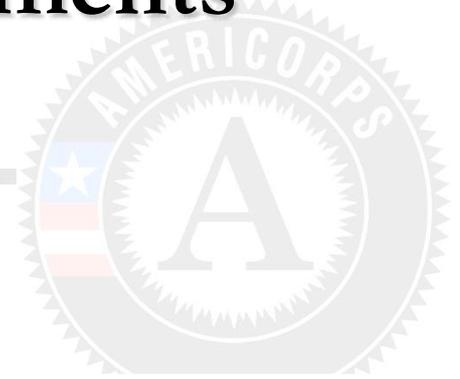
Factors affecting allowability of costs

- **To be allowable under an award, costs must meet the following general criteria:**
 - Be reasonable, ordinary, necessary and allocable under OMB principles.
 - Conform to any limitations set forth in OMB principles or in the award as to types or amount of cost items.
 - Be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the organization.
 - Be accorded consistent treatment.
 - Be determined 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.



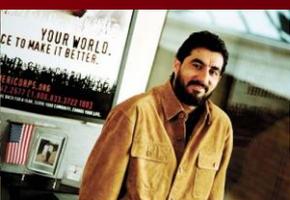
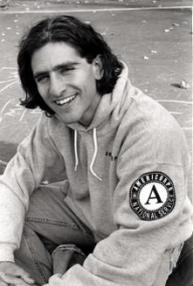
Administrative Requirements

- Provide consistency and uniformity among Federal agencies in the management of grants and cooperative agreements.
- Specific grantmaking requirements for CNCS are in the Code of Federal Regulations (CFR).



Administrative Requirements

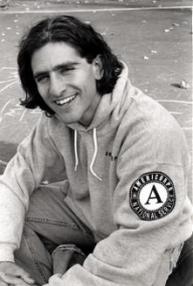
- Examples of items addressed in Circulars
 - Pre-Award policies
 - Special Award Conditions
 - Purpose of financial and program management
 - Standards for financial management systems
 - Cost sharing or matching



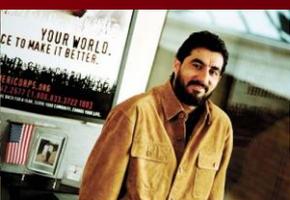
Audit Requirements

- OMB-133 Audit
 - Standards for obtaining consistency and uniformity among Federal agencies for the audit of organization's expenditure of Federal funds.
 - Applicable to organizations that expend \$500,000 or more of federal funds in a year.



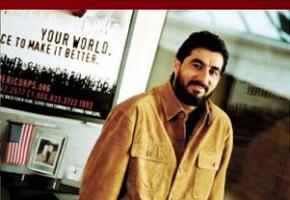
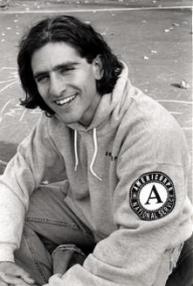


Developing and Managing Your Program Budget

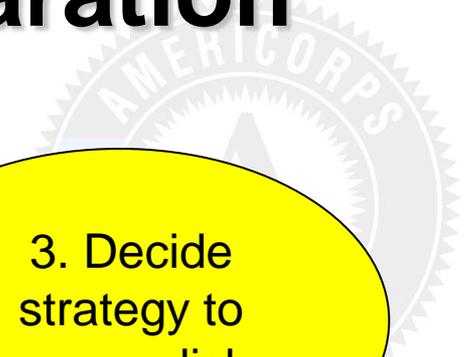


An effective budget must be:

- **Realistic-** Reflects expected program revenues and expenses and understand the strengths and weaknesses of your organization and its capacity to carry out program activities.
- **Consistent** - Aligned with organizational goals and objectives
- **Flexible** - An organization's financial and operating circumstances can often change. A nonprofit must have a budget that can absorb lower than expected organizational revenue and higher than expected program costs.



Effective Budget Preparation



1. Determine needs of community being served

2. Set up program/project goals and objectives

3. Decide strategy to accomplish goals

4. Translate strategy to dollars

5. Prepare budget

6. Set up budget control process

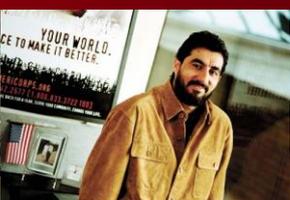
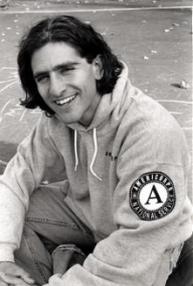
7. Compare budget to actual

8. Budget modification for realistic scenario



Budget Narrative Preparation

- Review your program/projects goals and objectives
- Estimate the resources needed to achieve program/project goal, e.g.:
 - Members
 - Staff positions
 - Space, utilities, supplies, telephone
 - Medical and liability insurance
 - Uniforms, training, child care
 - Transportation



Budget Narrative Preparation

- Organize narrative to fit categories on budget form or proposal
- Provide adequate descriptions and calculations to support amounts
- Group related items (e.g., Staff salaries should be grouped with staff benefits, FICA, etc.)
- Compare the final costs to the narrative to ensure they make sense



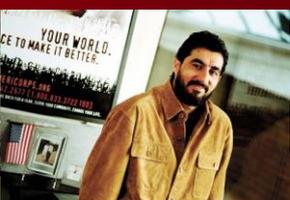
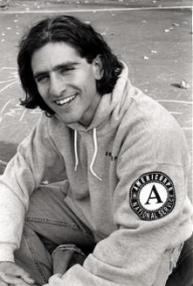
Budget Narrative Preparation

- Organization should 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

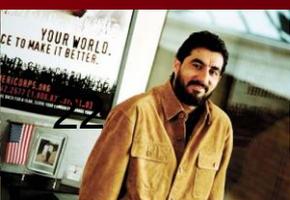
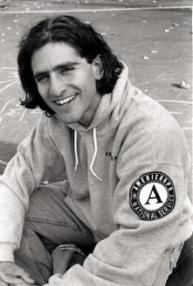
- Check to ensure that required match is met
- Be strategic when allocating funds to CNCS or grantee share, some costs can be met with in-kind donations
- Be aware of budget changes that require amendments
- Identify In-kind donations prior to creating the budget



Budgetary Controls



- Serves to link programmatic and financial activities
- Prevents cost overruns if monitored on a regular basis
- Overruns may result in disallowed costs
- Helps staff responsible for specific activities to maintain control over expenditures



When do you need to request budget approval?

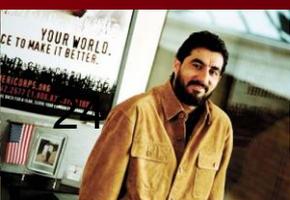
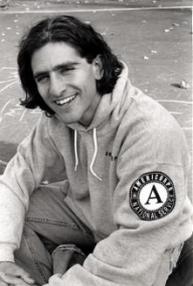
Budget changes that require CNCS approval

- Changes that impact area of coverage for service
- For any reduction to non-Federal funds/in-kind that results in that projects failure to meet match non-Federal share requirements, (except when a waiver is granted by CNCS)
- If you want to create a new budget line item in Egrants



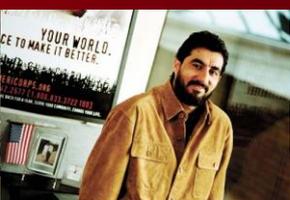
Budget Controls - continued

- 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 (except for instances when corporation share is less than \$100,000)
 - Purchase equipment over \$5,000





Documenting Program Expenditures



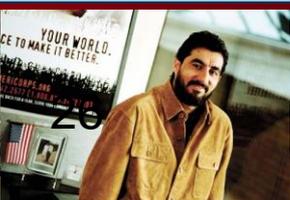
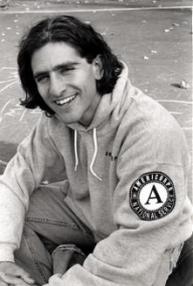
Defining Documentation for Costs



- Reasonable, allocable, allowable
- Conform to grant/contract limitations
- Treated consistently
- In accordance with Generally Accepted Accounting Principles (GAAP)



Documentation provides support



Finding Source Documentation

- Internal

- Time and activity
- Purchase orders
- Compliance, financial reports to grantors or grantees
- Ledgers: cash receipts, payroll, disbursements

- External

- Bank statements
- Vendor invoices
- Grantor/grantee report
- In-Kind Match documentation



Documentation – Key Components

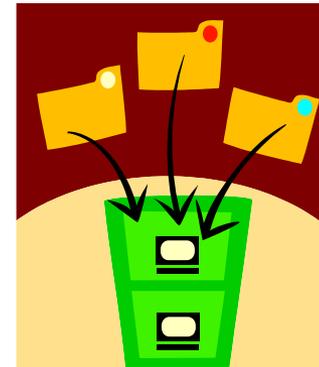
- ① What is the product or service obtained?
- ② Why is the transaction allowable to this grant?
- ③ What is the cost or value of the transaction?



Maintaining Source Documentation

Filing cabinet

- In grants management office?
- In accounting department?
- In Executive Director's office?
 - *by vendor?*
 - *alphabetically?*
 - *by month?*
 - *by grantor/grantee?*



Retaining Source Documentation

Retain all financial records for:

- 3 years from date of submission of final Financial Status Report
- 3 years from final audit resolution when there is an on-going audit



Documentation Examples



Salary

Benefits

Training

Travel

Admin



Identifying Source Documentation

Salary

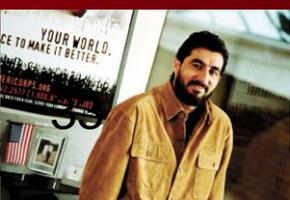
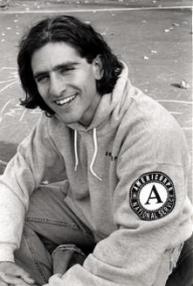
- Signed timesheets with supervisory approval
- Quarterly payroll returns (941)
- Payroll register
- Personnel file with salary/wage information
- Employment contract
- Cancelled checks/Direct deposit schedule



Staff Activity Reporting Summary

All salaries and wages charged to AmeriCorps grants must be supported by signed time & attendance records except for:

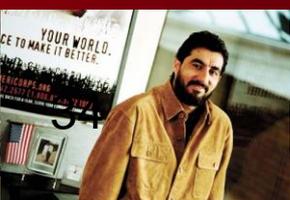
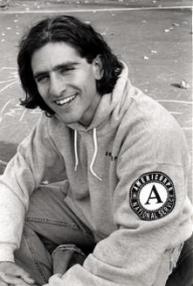
- State, Local and Indian Tribal governments must comply with OMB A-87
- Educational Institutions must comply with OMB A-21



Time & Activity Reporting

OMB A-122 requirements of documentation for Activity reporting:

- ✓ Must reflect an after-the-fact distribution of the employee actual activity
- ✓ Must account for the total activity of each employee
- ✓ Must be prepared at least monthly and must coincide with one or more pay periods
- ✓ Must be signed by the employee or supervisor having first hand knowledge



Time & Activity Reporting

Budget estimates do not qualify as support for expenditure, except on an interim basis, unless:

- ✓ 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

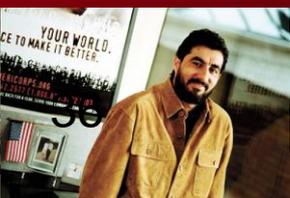


Identifying Documentation

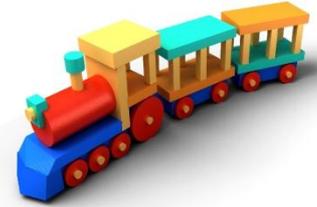


Benefits

- Insurance receipts
- Cost allocation plan
- Paid invoices



Defining Documentation



Travel

- ✓ Authorization/reimbursement requests
- ✓ Receipts/invoices
- ✓ Per diem rates (applicable for region)
- ✓ Mileage calculation
- ✓ Reconciliation of advances to payments



Training Documentation

Training

- Agenda
- Course description, cost
- Sign-in sheet (if in-house)
- Consultant/Trainer agreement
- Paid invoices





Documentation



Member Costs

- Signed timesheets with supervisory approval
- Quarterly payroll returns (941)
- Insurance receipts
- Payroll register



Documentation



Evaluation

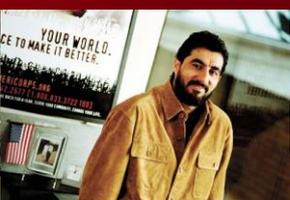
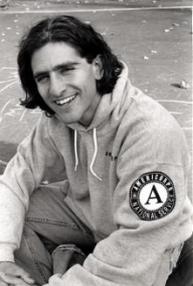
- Consultant agreement
- Paid invoices
- Evaluation results
- Other relevant documentation

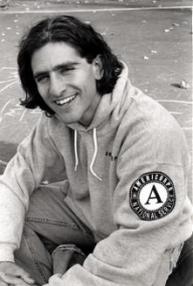


Administrative Costs



- Option A – Organization using the Corporation Fixed Percentage Method
 - Indirect costs that can be recovered from CNCS can be up to 5% of total Corporation share, and matching grantee share cannot exceed 10% of total direct costs.
 - These rates can be used without supporting documentation.
- Option B – Organization has Federally Approved Indirect Cost Plan Use of Indirect Rate
 - Calculations done using supporting rate
 - Documentation supporting amounts used in calculating rate





Matching Requirement and and In-Kind Contributions



Match



Findings: Match not met, undocumented, unreasonable, not approved in budget or uses unauthorized federal funds.

- Cash and in-kind amounts were unsupported by adequate documentation or not verifiable by grantee's records.
- Inadequate documentation
- Other federal funds were used as match for programs without authority
- Match claimed was not necessary to operate grant
- Match amounts were unreasonable or excessive
- Match was inadequately supported to determine if it was allowable and allocable
- Claimed match was not related to a cost included in the approved budget
- Match covered expenses incurred outside of the grant award period



Match

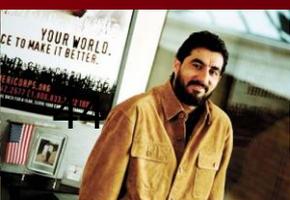
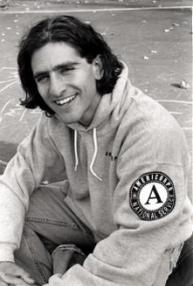


Consequences:

- May disallow match causing minimum match to not be met
- May disallow some Federal funds if minimum match cannot be met
- May decide to audit all match or question all match if unable to confirm if match is reasonable or allocable

Preventive Actions:

- Ensure documentation is adequate for all match
- Review all match to ensure it is necessary and reasonable
- Follow-up on promises to provide in-kind and obtain documentation
- Obtain written approval from other Federal agency to its funds
- Request budget amendments to include new sources of match
- Determine if costs are allowable – ask questions, don't risk it!
- Know the regulatory and other match requirements



Matching Fund Requirements



Match funds must be:

- ✓ Verifiable from recipient records
- ✓ In-kind must not be included as contributions for any other Federally assisted program
- ✓ Necessary & reasonable for accomplishing program objectives
- ✓ Allowable according to cost principles (OMB Circulars)
- ✓ Incurred during same period as project



Match Basics



The same requirements apply to match and direct costs so that all costs must be:

- reasonable
- allocable
- allowable
- provided consistent treatment
- expensed in the accounting system
- supported by adequate & appropriate documentation



Documenting In-Kind Contributions

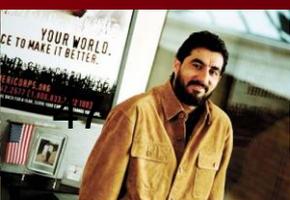
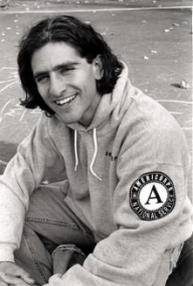


1. Document the basis for determining value of personal services, material, equipment, building, and land
2. Obtain written acknowledgement of the contribution including:

- Name and signature of donor
- Date and Location of donation
- Detailed description of item/service
- Estimated value of contribution, how value was determined, who made the determination
- Was the contribution obtained with Federal funds



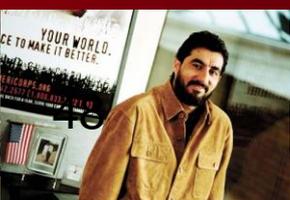
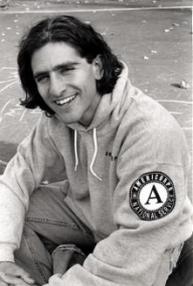
***** Keep a copy of the receipt in your files *****



AmeriCorps Match Requirements

Single Overall Minimum Match

- 24% for the first 3 years of funding, and thereafter annually increases to 50% by Year 10
- Applies to 2008 new, recompetete, and continuation applicants
- No requirements on cash or in-kind amounts, at this time
- Must still request approval to use other federal funds as match
- Must still meet minimum member living allowance
- Will use standard Federal FSR starting in 2008



Examining “Overall Match” Requirement



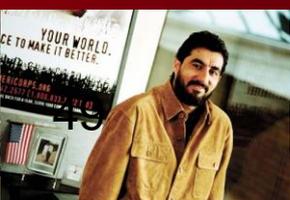
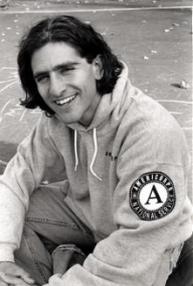
§ 45 CFR 2521.60(a) – Regulatory Match:

- Grantees must meet minimum requirements as shown in table below up to 50% overall match
- \$1 dollar for every CNCS \$1 - by year 10

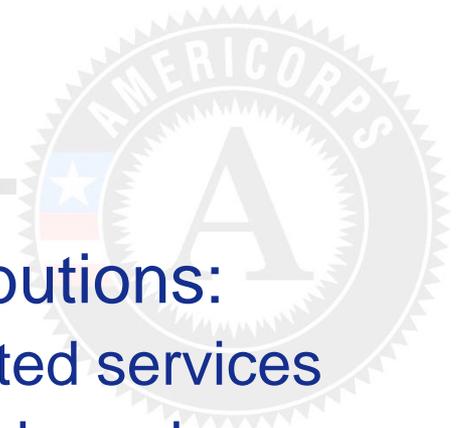
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Overall Minimum Share	24%	24%	24%	26%	30%	34%	38%	42%	46%	50%

Note: Pre-existing grantees as of September 2005 were deemed to be in Year 3 for matching purposes.

Therefore, long term grantees would be in Year 5 based on the above chart.



Finding Your Match



Cash:

- Donations
- Non-federal income
- State appropriations
- Foundation grants or corporate contributions

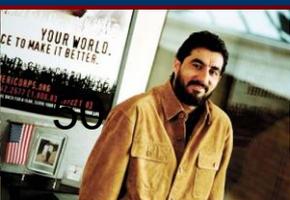
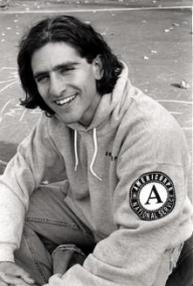
In-kind contributions:

- Value of donated services and/or donated goods

Unutilized indirect cost rate:

- The portion of indirect costs not allowed by CNCS in Federal Share

Government-wide, with few rare exceptions, Grantees cannot use other Federal funds as match



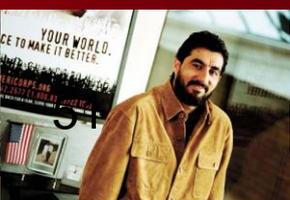
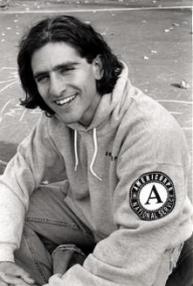
Volunteer Exception For Match

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, training of staff or members that are elements of the grantee's cost allocation plan



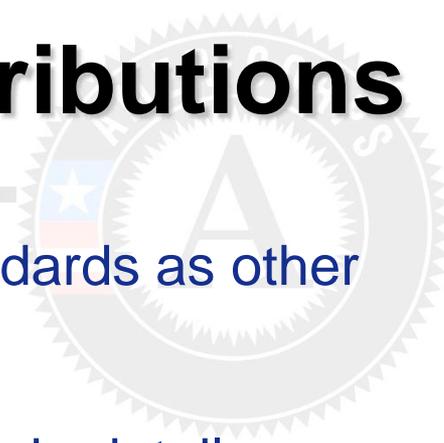
Documenting Match

- ☞ Maintain adequate documentation to support amounts claimed as match
- ☞ Maintain same documentation for both CNCS and for the Grantee's share
- ☞ Documentation should also ensure that costs:
 - Conform to grant/contract limitations
 - Are treated consistently
 - Determined in accordance with Generally Accepted Accounting Principles (GAAP)



Recording In-Kind Contributions

- ✍ Documentation must meet same standards as other expenditures
- ✍ 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



Accounting for Contribution Received

Statement of Financial Accounting Standards (SFAS #116):

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



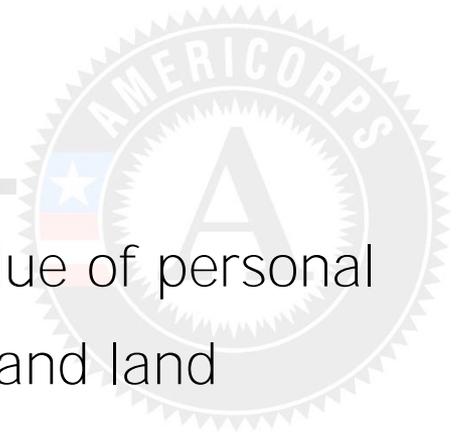
Valuing In-Kind Donations



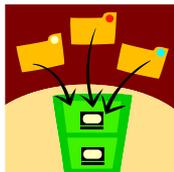
- ✓ Utilize Quoted Market Price
- ✓ Consider what it would cost to obtain similar good or service
- ✓ Value of donation should be placed by the donor
- ✓ Review donation letter or form to ensure the value is reasonable



Documenting In-Kind Contributions



- Document the basis for determining value of personal services, material equipment, building, and land
- Obtain written acknowledgement of the contribution including:
 - ✓ Name and signature of donor
 - ✓ Date and Location of donation
 - ✓ Detailed description of item/service
 - ✓ Estimated value



Sample In-Kind Contribution Form

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: _____

